



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

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Consumer Services

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Administrative Services

(503) 373-7394

November 20, 2007

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

RE: **Docket No. UW 122** - In the Matter of AVION WATER COMPANY. Application
to Request for a General Rate Increase.

Enclosed for electronic filing in the above-captioned docket is the Stipulation
between Staff and Avion Water Company.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

(503) 378-5763

Email: kay.barnes@state.or.us

c: UW 122 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UW 122

STIPULATION

**Entered into by
Public Utility Commission Staff
And Avion Water Company, Inc.**

**AVION WATER COMPANY, INC.
General Rate Case**

November 20, 2007

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2.

The Stipulating Parties agree to total Revenue Reductions of \$4,635,962, and a Net Operating Income of \$1,200,117. In addition, the Stipulating Parties agree that, given the revenue requirement, rate base, and expenses, the Company will have a reasonable opportunity to earn an 8.44 percent rate of return on a total Rate Base of \$14,442,151.

3.

The Stipulating Parties agree that the Company may charge Residential and Commercial Metered rates according to Schedule No. 1 as set forth in the tariff sheet designated PUC Oregon No. 3, 2nd Revised Sheet No. 3.

4.

The Stipulating Parties agree that Avion may charge Fire Service rates according to Schedule No. 4 as set forth in the tariff sheet designated PUC Oregon No. 3, 2nd Revised Sheet No. 6.

5.

The Stipulating Parties agree that the Company may charge Commercial Water Haulers rates according to Schedule No. 5 as set forth in the tariff sheet designated PUC Oregon No. 3, 1st Revised Sheet No. 7.

6.

The Stipulating Parties agree that the Company may continue to charge cross-connection customers \$2.50 per month.³ The Stipulating Parties agree that this

³ Staff's results of analysis resulted in a monthly rate of \$2.75. By maintaining \$2.50 per month, the Company agreed to forgo \$19,128 in revenues (6,376 customers x 12 months x \$0.25). The result is a Net Operating Income of \$1,200,117 instead of \$1,219,245 as calculated by the model.

1 charge will be re-examined in all subsequent rate applications to ensure that
2 program revenues meet program costs and are just and reasonable.

3 7.

4 By entering into this Stipulation, no Party shall be deemed to have approved,
5 accepted, or consented to the facts, principles methods, or theories employed by any
6 other Party in arriving at the agreed revenue requirement, rate spread, and design.

7 8.

8 The parties recommend that the Commission adopt this stipulation in its
9 entirety. The parties have negotiated this stipulation as an integrated document.
10 Accordingly, if the Commission rejects all or any material portion of this stipulation,
11 each party reserves the right, upon written notice to the Commission and all parties
12 to this proceeding within 15 days of the date of the Commission's order, to withdraw
13 from the stipulation and request an opportunity for the presentation of additional
14 evidence and argument.

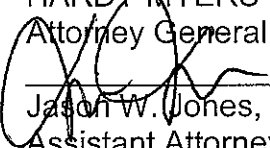
15 9.

16 The parties understand that this stipulation is not binding on the Commission
17 in ruling on this application and does not foreclose the Commission from addressing
18 other issues.

19 DATED this 10th day of November 2007.

20 Respectfully submitted,

21
22 HARDY MYERS
23 Attorney General

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25 
26 Jason W. Jones, # 00059
27 Assistant Attorney General
Of Attorneys for PUC Staff

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2 revenues meet program costs and are just and reasonable.

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14 evidence and argument.

15 9.

16 The parties understand that this stipulation is not binding on the Commission
17 in ruling on this application and does not foreclose the Commission from addressing
18 other issues.

19 DATED this th 14 day of November 2007.

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21 
22 Jan Wick, Owner and President
23 Avion Water Company
24

Company: Avion Water Co., Inc.
Rate Application
Test Year: 2006

Company Case
12.4%

Staff Case
9.63%

			A	B	C	D	E	F	G	H	I
Acct. No.	REVENUES	Balance Per Application Test Year: 2006	Proposed Company Adjustments	Adjusted Results (A+B=C)	Company Proposed Rev Changes	Proposed Results (C+D=E)	Proposed Staff Adjustments	Adjusted Results (A+D=E)	Staff Proposed Rev Changes	Proposed Results (C+D=E)	
1	461.1 Residential & commercial Water Sales	4,816,323	337,143	5,153,466	641,895	5,795,361	240,816	6,036,177	609,102	6,645,279	
2	461.2 Commercial Water Sales	0	0	0	0	0	0	0	0	0	
3	462.1 Public Fire Protection	23,603	0	23,603	2,940	26,543	826	24,429	2,459	26,888	
4	462.2 Private Fire Protection	0	0	0	0	0	0	0	0	0	
5	466 Sales for RESALE (Comm Water Haulers)	6,948	0	6,948	865	7,813	0	6,948	699	7,647	
6	471 Misc. Revenues	19,047	0	19,047	2,372	21,419	(19,047)	0	0	0	
7	474 Other Water Revenue	71,345	4,994	76,339	9,508	85,847	(71,345)	0	0	0	
8	475 Cross Connection Control Program	148,432	10,390	158,822	19,782	178,604	42,848	191,280	19,256	191,408	
9	Special Contracts (Const cos Bulk use)	43,857	0	43,857	0	43,857	0	43,857	0	43,857	
11	TOTAL REVENUE	5,129,555	352,527	5,482,082	677,362	6,159,444	194,098	6,353,542	531,553	6,885,095	
OPERATING EXPENSES											
12	601 Salaries and Wages - Employees	853,280	42,664	895,944		895,944	(12,171)	911,109		841,109	
13	603 Salaries and Wages - Officers	177,298	0	177,298		177,298	127,660	304,958		304,958	
14	604 Employee Pension & Benefits	332,021	49,734	381,755		381,755	72,084	453,839		453,839	
15	610 Purchased Water	0	0	0		0	0	0		0	
16	611 Telephone/Communications	26,560	797	27,357		27,357	16,386	42,946		42,946	
17	615 Purchased Power	429,867	12,896	442,763		442,763	26,312	469,075		469,075	
18	617 Utilities - Other	1,817	55	1,872		1,872	172	1,989		1,989	
19	618 Chemical / Treatment Expense	0	0	0		0	0	0		0	
20	619 Office Supplies	30,622	110	30,732		30,732	(11,362)	19,160		19,160	
21	619.1 Postage	7,862	393	8,255		8,255	402	8,264		8,264	
22	620 O&M Materials/Supplies	143,507	4,305	147,812		147,812	(26,842)	116,665		116,665	
23	621 Repairs to Water Plant	64,160	1,925	66,085		66,085	56,450	120,610		120,610	
24	631 Contract Svcs - Engineering	15,414	462	15,876		15,876	1,421	16,835		16,835	
25	632 Contract Svcs - Accounting	5,584	168	5,752		5,752	(1,038)	4,546		4,546	
26	633 Contract Svcs - Legal	32,076	962	33,038		33,038	(4,640)	27,436		27,436	
27	634 Contract Svcs - Management Fees	0	0	0		0	0	0		0	
28	635 Contract Svcs - Testing	29,594	888	30,482		30,482	(600)	29,094		29,094	
29	636 Contract Svcs - Labor	30,452	914	31,366		31,366	(30,452)	0		0	
30	637 Contract Svcs - Billing/Collection	73,481	0	73,481		73,481	5,944	79,425		79,425	
31	638 Contract Svcs - Meter Reading	76,187	2,286	78,473		78,473	9,746	85,933		85,933	
32	639 Contract Svcs - Other	120,003	3,600	123,603		123,603	(80,944)	29,059		29,059	
33	641 Rental of Building/Real Property	15,202	456	15,658		15,658	456	15,658		15,658	
34	642 Rental of Equipment	10,353	311	10,664		10,664	149	10,502		10,502	
35	643 Small Tools	9,215	276	9,491		9,491	(1,211)	8,004		8,004	
36	648 Computer/Electronic Expenses	32,247	967	33,214		33,214	(14,229)	18,018		18,018	
37	650 Transportation	118,700	12,000	130,700		130,700	(7,168)	111,532		111,532	
38	656 Vehicle Insurance	25,122	(5,300)	19,822		19,822	(5,762)	19,360		19,360	
39	657 General Liability Insurance	78,224	(21,295)	56,929		56,929	(15,995)	62,229		62,229	
40	658 Workers' Comp Insurance	42,216	(1,143)	41,073		41,073	8,732	50,948		50,948	
41	659 Insurance - Other	64,895	1,950	66,845		66,845	(41,361)	23,634		23,634	
42	660 Public Relations/Advertising	0	0	0		0	0	0		0	
43	666 Amortz. of Rate Case	0	0	0		0	0	0		0	
44	667 Gross Revenue Fee (PUC)	12,209	881	13,091	1,694	14,785	881	13,091	1,329	14,420	
45	668 Water Resource Conservation	5,092	153	5,245		5,245	7,029	12,121		12,121	
46	670 Bad Debt Expense	10,785	324	11,109		11,109	324	11,109		11,109	
47	671 Cross Connection Control Program	149,062	1,835	150,897		150,897	(7,071)	141,991		141,991	
48	672 System Capacity Dev Program	0	0	0		0	0	0		0	
49	673 Training and Certification	25,706	771	26,477		26,477	(13,839)	11,867		11,867	
50	674 Consumer Confidence Report	3,498	105	3,603		3,603	112	3,610		3,610	
51	675 General Expense	3,396	215,215	218,611		218,611	130,261	133,657		133,657	
52	TOTAL OPERATING EXPENSE	3,055,707	329,664	3,385,372	1,694	3,387,066	179,938	3,235,645	1,329	3,236,974	
OTHER REVENUE DEDUCTIONS											
53	403 Depreciation Expense	408,876	0	408,876		408,876	40,138	449,014		449,014	
54	407 Amortization Expense	0	0	0		0	0	0		0	
55	408.11 Property Tax	215,155	6,455	221,610		221,610	30,118	245,273		245,273	
56	408.12 Payroll Tax	90,256	3,699	93,955		93,955	15,233	105,489		105,489	
57	408.13 Other Taxes - Bend Franchise	56,209	280	56,489		56,489	(56,209)	0		0	
58	409.11 Oregon Income Tax	99,515	820	100,335	44,597	144,932	(35,167)	64,348	34,995	99,343	
59	409.10 Federal Income Tax	478,770	1,741	480,511	214,580	695,091	(147,279)	331,491	168,379	499,869	
60	TOTAL REVENUE DEDUCTIONS	4,404,488	342,860	4,747,148	260,871	5,008,019	26,772	4,431,260	204,702	4,635,962	
61	NET OPERATING INCOME	725,067	9,867	734,934	416,491	1,151,425	167,327	892,393	326,852	1,219,245	
62	101 Utility Plant in Service	17,940,497	0	17,940,497		17,940,497	645,179	18,585,676		18,585,676	
63	Less:										
64	108.1 Depreciation Reserve	4,382,160	0	4,382,160		4,382,160	(1,302)	4,380,858		4,380,858	
65	271 Contributions in Aid of Const	0	0	0		0	0	0		0	
66	272 Amortization of CIAC	0	0	0		0	0	0		0	
67	281 Accumulated Deferred Income Tax	234,243	0	234,243		234,243	0	234,243		234,243	
68	Net Utility Plant	13,324,094	0	13,324,094		13,324,094	646,481	13,970,575	0	13,970,575	
69	Plus: (working capital)										
70	151 Materials and Supplies Inventory	201,939	0	201,939		201,939	0	201,939		201,939	
71	Working Cash (Total Op Exp /12)	254,642	0	254,642	301	254,943	14,995	269,637	0	269,637	
72	TOTAL RATE BASE	13,780,675	0	13,780,675	301	13,780,976	661,476	14,442,151	0	14,442,151	
73	Rate of Return	5.26%		5.33%		5.36%		6.18%		8.44%	

cash flow \$1,560,301
op exp/cust/year 5304

cash flow \$1,668,259
op exp/cust/year 5291

1,200,117
Stipulated

**Containing Rules and Regulations
Governing Water Utility Service**

NAMING RATES FOR

Avion Water Company, Inc.

(name of utility)

60813 Parrell Road

(address)

Bend, Oregon 97702

(city, state, & zip code)

541-382-5342 (telephone)

541-382-5390 (fax)

(telephone numbers and type)

Serving water in the vicinity of

Parts of Deschutes & Crook Counties, Oregon

Issue Date		Effective Date	Jan. 1, 2008
Issued By	Avion Water Co., Inc.	<i>(at least 30 days after PUC receives filing)</i>	
Signature			
Name & Title			

ADVICE NO. _____
(PUC USE ONLY)

SCHEDULE NO. 1

RESIDENTIAL AND COMMERCIAL METERED RATES

Available: To customers of the Utility at Deschutes and Crook Counties, Oregon, and vicinity.

Applicable: To all customers (excluding irrigation service and fire service).

BASE RATE

Service Meter Size	Monthly Base Rate	Usage Allowance
5/8 inch	\$22.51	None
3/4 inch	\$25.88	None
1 inch	\$39.24	None
1½ inches	\$72.02	None
2 inches	\$126.04	None
3 inches	\$194.68	None
4 inches	\$290.33	None
6 inches	\$384.86	None

COMMODITY USAGE RATE

Commodity Rate		Number of Units	Unit of Measure	Base Usage Allowance	Unit of Measure
\$.82	Per	100	cubic feet	None	cubic feet

Special Provisions:

1. Water used during the construction of buildings, etc., shall be metered, whenever practical. Charges shall be made at the rates specified in this schedule. When setting of a meter is impractical, the amount of water used shall be estimated, and the charges shall be made at specified rates for the amounts so estimated.
2. City of Bend residents will be charged a monthly 3% franchise fee based off of a monthly total of all accounts recognized by the Oregon P.U.C. to set Avion's rates.

Issue Date		Effective Date	Jan. 1, 2008
Issued By	Avion Water Co., Inc.	<i>(at least 30 days after PUC receives filing)</i>	
Signature			
Name & Title			

ADVICE NO. _____
 (PUC USE ONLY)

SCHEDULE NO. 4

FIRE SERVICE RATES

Available: To fire service customers of the Utility in areas of Deschutes and Crook Counties, Oregon.

Applicable: To fire service customers with privately-owned and maintained fire service lines connected to the Utility mains.

Fire Service Base Rate Per Month

FIRE SERVICE LINES BY SIZE	RATE
4 inch and smaller supply	\$17.50
6 inch supply	\$38.33
8 inch supply	\$67.20
10 inch supply	\$104.30
12 inch supply	\$149.63

FIRE HYDRANT MAINTENANCE RATES

Available: To fire service customers of the Utility in areas of Deschutes and Crook Counties, Oregon.

Applicable: To premises with fire hydrants located on premises.

BASE CHARGE PER MONTH: Per hydrant per month; \$11.00.

Issue Date		Effective Date	Jan. 1, 2008
Issued By	Avion Water Co., Inc. <i>(at least 30 days after PUC receives filing)</i>		
Signature			
Name & Title			

ADVICE NO. _____
 (PUC USE ONLY)

SCHEDULE NO. 5

RATES FOR COMMERCIAL WATER HAULERS

AVAILABLE: To commercial water haulers in Deschutes and Crook Counties where the Utility's facilities and excess capacity exist. Determination of adequacy of facilities and capacity is in the sole discretion of Avion Water Company, Inc. Each commercial water truck must be equipped with a suitable hydrant meter, suitable backflow prevention devices, and a fire hydrant wrench.

APPLICABLE: To all commercial water haulers.

COMMERCIAL WATER HAULERS MONTHLY RATE

\$.83 per 100 cubic feet

SPECIAL PROVISIONS:

1. Truck meters must be presented at Avion's office between the 1st and the 5th of each month. Bills for service are due in accordance with the tariff.
2. Commercial water haulers detected not using meters or proper equipment may be denied service for one month for the first offense, and denied service completely for a second offense.

Issue Date		Effective Date	Jan. 1, 2008
Issued By	Avion Water Co., Inc. <i>(at least 30 days after PUC receives filing)</i>		
Signature			
Name & Title			

ADVICE NO. _____
(PUC USE ONLY)

CERTIFICATE OF SERVICE

UW 122

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 20th day of November, 2007.



Jason Jones
Assistant Attorney General
Of Attorneys for Public Utility Commission's Staff
1162 Court Street NE
Salem, Oregon 97301-4096
Telephone: (503) 378-6322

**UW 122
Service List (Parties)**

AVION WATER COMPANY JAN WICK PRESIDENT	60813 PARRELL RD BEND OR 97702 jan@avionwater.com
DEPARTMENT OF JUSTICE JASON W JONES ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us
PUBLIC UTILITY COMMISSION RENEE SLOAN PUC UTILITY WATER SEC	PO BOX 2148 SALEM OR 97308-2148 renee.sloan@state.or.us
PUBLIC UTILITY COMMISSION OF OREGON MICHAEL DOUGHERTY	550 CAPITOL ST NE - STE 215 SALEM OR 97301 michael.dougherty@state