

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 7, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** March 8, 2023

DATE: February 17, 2023

TO: Public Utility Commission

FROM: Scott Shearer

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: AVION WATER COMPANY:
(Docket No. ADV 1486/Advice No. 23-01)
Requests Approval of New Tariff Schedule 18, Arrowhead & Somerset
Irrigation Replacement Tariff.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) allow Avion Water Company's (Avion or Company) proposed Schedule No. 18 to become effective for service rendered on and after March 8, 2023.

DISCUSSION:

Issue

Whether the Commission should allow Avion's filed tariff sheets to become effective.

Applicable Rule or Law

Under ORS 757.205(1)-(2), a rate-regulated water utility must file schedules showing all rates, tolls, and charges for any service performed by it within the state and all rules and regulations that in any manner affect its rates.

Pursuant to ORS 757.210, the Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-036-2010.

Pursuant to ORS 757.220, filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change.

Analysis

Background

Avion is a rate and service-regulated water utility serving approximately 15,000 customers in the vicinity of Bend, Oregon. With this filing, Avion proposes to introduce Schedule No. 18 into its tariff to establish an Arrowhead & Sommerset Irrigation Replacement program. The filing was submitted on January 26, 2023, with a proposed effective date of March 8, 2023.

Several subdivisions within Avion's territory are served by dual-pipe systems in which irrigation water and potable domestic water are delivered separately. Based on Avion's response to Staff's Information Requests 1 and 2, there are approximately 94 customers who would be subject to this tariff, receiving pressurized surface irrigation water through a dual-pipe system, with an expected annual irrigation usage of approximately 80 million gallons for all customers affected.¹ Pursuant to Schedule No. 2 of Avion's tariff, the irrigation water for these customers is supplied by several irrigation districts, including Arnold Irrigation District, Swalley Irrigation District, and Central Oregon Irrigation District, in accordance with water rights owned by each end user. Avion collects payment for irrigation water from these customers, which is ultimately passed through to the applicable irrigation districts. Under normal conditions, irrigation water is provided throughout the irrigation season, which extends from April through October. Avion states that its Schedule No. 2 irrigation customers generally "use the water for both home landscape watering and watering of small hobby farms and hayfields."² Because customers will continue to be charged under Schedule No. 2, there are no expected rate impacts, and will simply make available to these specific customers, additional watering resources.

Due to factors such as the extreme drought conditions impacting Central Oregon, the irrigation districts that supply water to Avion's dual-pipe irrigation customers have significantly reduced surface water deliveries in recent years. In 2022, the Governor declared Deschutes County as an emergency drought condition for the third year in a row and neighboring Crook and Jefferson Counties have already requested a drought emergency declaration from the Governor for 2023.³ While the extent to which water districts may need to reduce irrigation water deliveries in 2023 and future years is

¹ See Avion's Response to Staff's Information Request Avion ADV 1486, DR Answers 1-2.

² See ADV 1398, Staff's memo to the Commission, page 2.

³ See https://apps.wrd.state.or.us/apps/wr/wr_drought/declaration_status_report.aspx.

currently unknown, it is highly likely that drought conditions, reducing the amount of water available through the districts to Avion's system, will continue.

While not unheard of in the Central Oregon area, the presence of a separate dual-pipe system for irrigation deliveries is not typical for water systems in Oregon. Typically, customers receive only potable domestic water, which can also be used for purposes such as lawn watering and landscape irrigation at the homeowner's discretion. The majority of Avion's customers do not have access to a separate irrigation delivery system and, in those areas, the domestic system consists of larger diameter pipe to adequately supply water for typical domestic uses, which may include outdoor watering for lawns and other home landscaping purposes.

Because irrigation water in dual-pipe areas was anticipated to be provided separately, the potable domestic water in those areas is supplied by smaller diameter pipe. Consequently, the domestic portion of the dual-pipe system is not sized sufficiently to simultaneously supply water for existing household uses as well as additional irrigation-related uses. In the event that irrigation water provided through the dual-pipe system becomes unavailable, customers may seek to supplement that water using their metered domestic line, which could reduce domestic water pressure below adequate levels in dual-pipe areas.

With the present filing, Avion proposes to implement the Arrowhead & Sommerset Irrigation Replacement Tariff program to provide a means of outdoor watering for former Arnold Irrigation District surface irrigation customers that manages demand to avoid negatively impacting the Greater Avion system. Customers will continue to be served via the irrigation lines, with the source water now coming from Avion's domestic water system, instead of the irrigation district's canals.

Staff notes that this is an extension of Avion's Schedule 17, Pressurized Irrigation Supplementation Test Tariff, and a step towards making Schedule 17 permanent for specific areas of Avion's system. This current tariff is only for the Arrowhead and Sommerset areas of the system, as Avion is readily able to interconnect these neighborhoods into its domestic system. Other areas that are similarly served, via irrigation districts, may or may not be able to be connected into Avion's domestic system in the future. Avion will continue to study the cost effectiveness, water rights allocation, water capacity, and interconnection feasibility of serving these other areas, as time and resources permit.

Customers will continue to pay for irrigation services pursuant to Schedule No. 2 of Avion's tariff.

The Company has reviewed a draft of this memo and has not noted any concerns.

Conclusion

Staff finds that Avion's Arrowhead & Somerset Irrigation Replacement Tariff represents a reasonable response to the ongoing reduction in irrigation water supplied by the irrigation districts serving Avion and its customers. The tariff is not anticipated to harm customers and could help to proactively protect the domestic system in dual-pipe areas. The filing complies with applicable statutes and Commission rules and should be approved.

PROPOSED COMMISSION MOTION:

Allow Avion's proposed Schedule 18 to become effective for service rendered on and after March 8, 2023.