

CASE: UW 181
WITNESS: STEPHANIE YAMADA

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

**Testimony
In Support of
The Stipulation**

November 19, 2020

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Stephanie Yamada. I am a Senior Utility Analyst employed in the
3 Telecommunications and Water Division of the Public Utility Commission of
4 Oregon (OPUC or Commission). My business address is 201 High Street SE.,
5 Suite 100, Salem, Oregon 97301.

6 **Q. Please describe your educational background and work experience.**

7 A. My witness qualification statement is found in Exhibit Staff/101.

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to introduce and support the Stipulation
10 entered into by Avion Water Company, Inc. (Avion or Company) and
11 Commission Staff (Staff) in Docket No. UW 181, Avion's request for a general
12 rate revision.

13 **Q. Who are the parties in Docket No. UW 181?**

14 A. The parties in Docket No. UW 181 are Avion and Staff (each a Party, and
15 collectively the Parties or Stipulating Parties).

16 **Q. Did the Parties reach a settlement in this docket?**

17 A. Yes. The Stipulation entered into by Avion and Staff resolves all issues in this
18 docket.

19 **Q. Did you prepare any exhibits for this docket?**

20 A. Yes. I prepared Exhibit Staff/101, consisting of one page, Exhibit Staff/102,
21 consisting of 10 pages, Exhibit Staff/103, consisting of 95 pages, and Exhibit
22 Staff/104, consisting of eight pages.

1 **Q. How is your testimony organized?**

2 A. My testimony is organized as follows:

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ISSUE 1 – SUMMARY RECOMMENDATION

Q. Please summarize the Stipulating Parties' recommendation in this case.

A. The Stipulating Parties recommend that the Commission adopt in its entirety the Stipulation agreed to in Docket No. UW 181. The Parties agreed to a revenue requirement of \$9,724,111, which represents an increase of 9.09 percent, or \$810,112, over 2019 test year revenues of \$8,913,999. The Parties agreed to a 7.0 percent rate of return on a rate base of \$18,797,694.

ISSUE 2 – COMPANY DESCRIPTION AND REGULATORY HISTORY**Q. Please describe Avion.**

A. Avion is a rate- and service-regulated water utility located in Bend, Oregon. Avion serves approximately 14,000 residential and commercial domestic customers, 781 standard irrigation customers, and 180 Nottingham irrigation customer equivalents. The Company also offers private fire protection, hydrant maintenance, and commercial water hauler services. The system was originally constructed and began providing service in 1969. Avion elected to be taxed as a “Sub S” corporation in 1988. This election was active through 12/31/2018, which included Avion’s last rate case, UW 171. Avion revoked its “Sub S” election on 1/1/2019.

Q. Please provide a summary of Avion’s regulatory history.

A. Avion’s last general rate case, Docket No. UW 171, was filed on May 1, 2017. On December 11, 2017, the Commission issued Order No. 17-496 in that docket, approving a total revenue requirement of \$8,947,064. The Stipulation adopted in that case provided Avion an opportunity to earn a 7.03 percent rate of return on a rate base of \$19,369,133. The rates approved in UW 171 became effective on January 1, 2018.

Q. Please describe any significant Commission dockets that Avion has been involved in since the conclusion of its most recent general rate case.

A. At its February 27, 2018, public meeting, in Docket No. ADV 723, the Commission approved a request by Avion to establish a CIAC tax fee in

1 Schedule No. 8 of its tariff. The Tax Cuts and Jobs Act (TCJA), which became
2 effective in 2018, eliminated a tax exemption on CIAC that had previously been
3 available to water utilities, thereby increasing water utilities' near-term tax
4 obligations. Avion's Schedule No. 8 requires developers to pay a fee that
5 covers the income tax obligations associated with Avion's receipt of CIAC
6 assets. The Tax Cuts and Jobs Act also reduced Avion's effective federal
7 income tax rate from 34 percent to 21 percent. Consequently, in March of
8 2018, Staff filed a deferral application (Docket No. UM 1936) to defer, for later
9 ratemaking treatment, the associated effects of the TCJA on Avion's tax liability
10 with the intent to track the net impacts and pass them on to customers. Staff
11 filed additional applications to reauthorize the deferrals in 2019 and 2020. The
12 UM 1936 deferrals are expected to be considered at a Commission public
13 meeting at the November 17, 2020 Public Meeting and are discussed further
14 later in my testimony. In addition to these dockets, at its May 22, 2018, public
15 meeting, the Commission also approved the introduction of Avion's Schedule
16 No. 14, which establishes a reduced commodity rate for large irrigation
17 customers who elect to allow their service to be interrupted. Schedule No. 14
18 is discussed later in my testimony. Finally, on March 27, 2020, Avion filed an
19 application for authorization to defer costs associated with the COVID-19 public
20 health emergency. That application is addressed in Docket No. UM 2076.

ISSUE 3 – SUMMARY OF AVION’S GENERAL RATE FILING

Q. Please describe Avion’s general rate case application.

A. Avion submitted its request for a general rate revision (Application) on July 2, 2020. The Company selected a test year of January 1, 2019, to December 31, 2019. In its Application, Avion proposed total annual revenues of \$10,165,498, representing an increase of 14.04 percent over 2019 revenues of \$8,913,999. The Company’s request reflected a Rate of Return (ROR) of 7.41 percent, which was computed using a Return on Equity (ROE) of 10.5 percent.

Q. What are the current rates, and what increases did Avion propose in its Application?

A. Avion’s actual current and proposed rates are summarized in Table 1.

Table 1: Current vs. Avion-Proposed Rates

Service	Size	Current	Company Proposed¹	Incr.
Res/Comm Base	5/8"	\$26.17	\$27.34	4%
Res/Comm Base	3/4"	\$35.69	\$41.01	15%
Res/Comm Base	1"	\$59.48	\$68.36	15%
Res/Comm Base	1 1/2"	\$107.06	\$136.72	28%
Res/Comm Base	2"	\$190.34	\$218.75	15%
Res/Comm Base	3"	\$356.88	\$410.15	15%
Res/Comm Base	4"	\$594.80	\$683.58	15%
Res/Comm Base	6"	\$951.68	\$1,367.16	44%
Res/Comm Base	8"	\$1,903.35	\$2,187.46	15%
Res/Comm Variable (per 100 cf)	All	\$0.95	\$1.13	19%
Irrigation Base	N/A	\$10.43	\$10.43	0%
Irrigation Per Acre Foot	N/A	\$7.78	\$7.78	0%
Nottingham Irrigation	N/A	\$36.57	\$36.57	0%
Nottingham Large	4" & 6"	\$0.40	\$0.40	0%

¹ Application, Pages 12-14.

Private Fire	<= 4"	\$21.68	\$32.76	51%
Private Fire	6"	\$47.47	\$71.75	51%
Private Fire	8"	\$83.24	\$125.81	51%
Private Fire	10"	\$129.19	\$195.26	51%
Private Fire	12"	\$185.33	\$280.12	51%
Hydrant Maintenance	N/A	\$13.66	\$20.64	51%
Resale - Variable (per 100cf)	N/A	\$1.06	\$1.32	25%

1 **Q. What are the effects of Avion's proposed rates on average customers?**

2 A. The effects of Avion's proposed rates on customers' average monthly bills, as

3 shown in the customer notice provided by Avion, are summarized in Table 2.

Table 2: Average Bills at Avion Proposed Rates

Customer Type	Current Avg Monthly Bill	Proposed Avg Monthly Bill	% Change
Residential & Commercial 5/8"	\$40.85	\$46.20	13%
Residential & Commercial 3/4"	\$43.48	\$51.02	17%
Residential & Commercial 1"	\$86.96	\$103.64	19%
Residential & Commercial 1 1/2"	\$209.41	\$268.16	28%
Residential & Commercial 2"	\$308.84	\$370.93	20%
Residential & Commercial 3"	\$821.45	\$1,006.76	23%
Residential & Commercial 4"	\$2,305.47	\$2,880.45	25%
Residential & Commercial 6"	\$7,186.74	\$9,374.29	30%
Irrigation	\$18.21 per acre foot w/o irrigation assessment	No Change	0%
Fire Protection 4" or smaller	\$21.68	\$32.76	51%
Fire Protection 6"	\$47.47	\$71.75	51%
Fire Protection 8"	\$83.24	\$125.81	51%
Fire Protection 10"	\$129.19	\$195.26	51%
Fire Protection 12"	\$185.33	\$280.12	51%
Hydrants	\$13.66	\$20.64	51%
Sales for Resale	\$1.06 per 100 cu ft	\$1.32 per 100 cu ft	25%

1 **Q. What are the primary drivers for Avion's requested rate increase?**

2 A. Avion states that it "is seeking this change in rates because of increases in
3 operating expenses such as wages, electricity and the lease of a new service
4 center, housing front and back office areas and meeting spaces."² According
5 to the advice letter submitted with the Application, a "general rate revision is
6 needed to end the deferrals related to the Tax Cuts and Jobs Act (TCJA) of
7 2017 (UM 1936), address rising operating costs and the lease of a new service
8 center needed for Avion's operations."³

9 **Q. Have circumstances relating to the primary drivers for Avion's**
10 **requested rate increase changed since the Application was filed?**

11 A. Yes. In its Application, Avion initially included costs relating to a proposed new
12 service center in its rate proposal. Since the filing of the Application on
13 July 2, 2020, the timeline for constructing the new service center has been
14 delayed. As such, Avion no longer proposes to include related costs in the
15 present case. The issue of Avion's proposed new service center is discussed
16 in more detail later in my testimony.

² Application, Page 4.

³ Application, Advice Letter.

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ISSUE 4 – OPERATING EXPENSES

Q. Please summarize the revenue requirement agreed to by the Stipulating Parties.

A. The Stipulating Parties agreed to a total revenue requirement of \$9,724,111, which represents an increase of \$810,112, or 9.09 percent, over 2019 test period revenues. The agreed-upon amounts included in each account are summarized in the Adjustment Summary, included as Exhibit Staff/102, Yamada/4-6, and explained in more detail below.

Q. Please explain the amount that Avion proposed to include in Account 601 (Employee Salaries and Wages).

A. Avion's reported test year Employee Salaries and Wages expense was \$1,868,546, representing an increase of \$299,519, or 19 percent, over the amount assumed in UW 171. In its responses to Staff's Data Requests 7 and 8, Avion indicated that the increase from the UW 171 amount to the test year amount is attributable to a number of factors, including overall increases in FTEs,⁴ backflow testing, bonuses, raises, and cost of living increases.⁵ In response to Staff's Data Request 11, Avion indicated that the test year amount of \$1,868,546 includes \$64,500 in employee bonuses and \$16,783 attributable to severance and retirement payments.⁶ In its Application, Avion proposed to increase the test year amount of \$1,868,546 by \$247,659, resulting in a total

⁴ See Exhibit Staff/103, Yamada/1, Avion's response to Staff's Data Request 7.

⁵ See Exhibit Staff/103, Yamada/2-3, Avion's response to Staff's Data Request 8.

⁶ See Exhibit Staff/103, Yamada/4, Avion's response to Staff's Data Request 11.

1 Employee Salaries and Wages expense of \$2,116,205.⁷ In response to Staff's
2 Data Request 8, Avion indicated that the \$247,659 increase over the test year
3 amount consists of the following:⁸

New employee	\$49,920
Reduction in capitalized wages	\$141,683
3% raises for crew/staff	\$56,056
Total	\$247,659

4 **Q. Please explain Avion's proposal to hire a new employee, as reflected**
5 **above.**

6 A. Avion currently has 32 full-time and three part-time employees, or
7 approximately 33 Full-Time Equivalent (FTEs).⁹ In its Application, Avion
8 proposed to add one new full-time employee with an hourly wage of \$24.00.¹⁰
9 Avion stated that the new employee's duties will include "well, pump house,
10 water line and booster station maintenance and repairs, landscape
11 maintenance and other duties as assigned."¹¹ In response to Staff's Data
12 Request 5, Avion indicated that the need for additional labor is partially due to
13 the rapid growth in residential housing that is occurring in the Bend area.¹²
14 Avion also stated that the new employee's expected start date is
15 January 1, 2021.¹³

⁷ Application, Page 8, Question 28.

⁸ See Exhibit Staff/103, Yamada/5-6, Avion's response to Staff's Data Request 8.

⁹ Application, Page 5, Questions 21 & 22.

¹⁰ Application, Page 6, Question 23.

¹¹ Application, Page 6, Question 23.

¹² See Exhibit Staff/103, Yamada/7-8, Avion's response to Staff's Data Request 5.

¹³ *Id.*

1 **Q. Please explain the amount that Avion proposed to include in**
2 **Account 603 (Officer Salaries and Wages).**

3 A. Avion's proposed Officer Salaries and Wages expenses was \$510,353, which
4 was equal to the test year amount.¹⁴ Avion's proposal represented an increase
5 of \$45,185, or 9.71 percent, over the amount assumed in UW 171.

6 **Q. What amounts did the Stipulating Parties agree to include in**
7 **Accounts 601 (Employee Salaries and Wages) and 603 (Officer Salaries**
8 **and Wages)?**

9 A. The Stipulating Parties agreed on an expense of \$2,115,337 in Account 601
10 and an expense of \$510,144 in Account 603, resulting in total combined
11 Employee and Officer Salaries and Wages expense of \$2,625,481.

12 **Q. Please describe the methodologies utilized by Staff to assess the**
13 **appropriateness of Avion's salary and wage amounts.**

14 A. Staff utilized its Wage and Salary (W&S) model to examine Avion's salary and
15 wage expenses. Staff's W&S model is typically used to estimate payroll levels
16 for energy utilities.¹⁵ The W&S model compares payroll changes to changes in
17 the All Urban CPI over the same period. Under the W&S model, Staff applies
18 actual and forecasted CPI changes to historical wages to establish a forecast
19 of test year salaries and wages that accounts for any changes in the number of
20 FTEs. This forecast is then compared to the company's proposal. Under the
21 sharing principle, the amount included is 50 percent of the lesser of 1) the

¹⁴ Application, Page 8, Question 28.

¹⁵ See described methodology in Exhibit Staff/200, Cohen/2 in Docket No. UG 389.

1 difference between the projections or 2) ten percent of Staff's projection.
 2 Though Staff typically uses historical wage and FTE figures from three years
 3 before the test year, in this case, the most recent historical FTE figures
 4 available were UW 171 figures from 2016. As such, Staff used 2016 FTEs (as
 5 provided in Avion's UW 171 rate case application)¹⁶ and 2016 expenses (as
 6 provided in Avion's 2016 Annual Results of Operations Report).¹⁷ Actual and
 7 forecasted increases in the All-Urban CPI since 2016 are summarized below.
 8 Actual CPI increases were used for 2017 to 2019,¹⁸ and forecasts were utilized
 9 for 2020 and 2021.¹⁹

Year	% Change
2017	2.10
2018	2.40
2019	1.80
2020	1.00
2021	2.30
Total	1.0997

10 Because the Stipulating Parties agreed to include the cost of Avion's proposed
 11 new employee, the projected 2021 FTE count of 34 was used. As summarized
 12 in Table 3 below, applying the W&S model results in a combined employee and
 13 officer payroll projection of \$2,624,405, which is \$2,153 less than Avion's
 14 proposal. Under the sharing principle, 50 percent of this difference is included,
 15 resulting in a downward adjustment of \$1,077.

¹⁶ Docket No. UW 171 Rate Case Application, Page 6, Question 22.

¹⁷ Docket No. RW 12, Avion 2016 Annual Results of Operations Report, Page 9.

¹⁸ U.S. Bureau of Labor Statistics U.S. City Average Consumer Price Index, All Urban Consumers (CPI-U).

¹⁹ Oregon Department of Administrative Services September 2020 Oregon Economic and Revenue Forecast.

Table 3: Staff 2021 Wage & Salary Model Calculations

Line No.	Source	Description	Employees & Officers
1	2016 Annual Report	2016 Actual Payroll	\$2,035,538
2	UW 171 Rate App	2016 Actual FTE	29
3	(1)/(2)	Average Salary	\$70,191
4	Actual/Forecast CPI	Allowable % Increase	1.0997
5	UW 181 Rate App	2021 Projected FTE	34
6	(3)*(4)*(5)	Projected Payroll	\$2,624,405
7	UW 181 Rate App	Avion Proposed Payroll	\$2,626,558
8	(7)-(6)	Total Difference for Sharing	\$2,153
9	(7)*.10	10% Band - Allowable	\$262,440
10	[(8) or (9)] *0.5	50% Sharing, Lesser Diff, Band	\$1,077
11	(6)+(10)	Staff Proposed Level	\$2,625,481
12	(11)-(7)	Net Payroll Adjustment	(\$1,077)

1 As illustrated below, the Stipulating Parties agreed to spread 81 percent of this
 2 difference to employee wages and 19 percent to officer wages, resulting in an
 3 Employee Salaries and Wages expense of \$2,115,337 and an Officer Salaries
 4 and Wages expense of \$510,444.

Type	Avion Proposed	% of Total	Staff Wages	Adjustment
Employees	\$ 2,116,205	81%	\$ 2,115,337	\$ (868)
Officers	\$ 510,353	19%	\$ 510,144	\$ (209)
Total	\$ 2,626,558		\$ 2,625,481	\$ (1,077)

5 **Q. Do the Stipulating Parties agree that Staff’s W&S Model is an**
 6 **appropriate tool for analyzing Avion’s salary and wage expenses?**

7 A. No. Although the Stipulating Parties agree on the amount of Avion’s salary and
 8 wage expenses, the Parties do not agree that the W&S model is an appropriate
 9 methodology for arriving at that amount.

1 **Q. Please explain the amount included in Account 604 (Employee Pension**
2 **& Benefits).**

3 A. In response to Staff's Data Request 14, Avion indicated that the benefits
4 provided to employees consist of health and dental insurance, a 401(k)
5 retirement plan, a Medical Expense Reimbursement plan, and MASA Medical
6 Transport.²⁰ In response to Staff's Data Request 15, Avion indicated that its
7 test year Employee Pensions and Benefits expense of \$843,300 includes the
8 following items attributable to meals, refreshments, parties, and gifts from
9 Avion to its employees:²¹

Parties and other company activities	\$13,225.01
Office refreshments	\$ 2,291.26
Meals related to classes/conference/travel	\$ 1,336.00
On-site project/construction meals	\$ 1,035.52
Total	\$17,887.79

10 The Stipulating Parties agreed to remove the above items relating to parties
11 and office refreshments, totaling \$15,516.27. In its Application, Avion
12 proposed to increase the test year amount by \$24,965. In response to Staff's
13 Data Request 16, Avion indicated that its proposed increase consists of the
14 following items.²²

New employee 401(k) contribution	\$ 4,992
New employee health and dental insurance	\$14,367
3 percent wage increase effect on 401(k) contribution	\$ 5,606
Total	\$24,965

²⁰ See Exhibit Staff/103, Yamada/9, Avion's response to Staff's Data Request 14.

²¹ See Exhibit Staff/103, Yamada/10, Avion's response to Staff's Data Request 15.

²² See Exhibit Staff/103, Yamada/11, Avion's response to Staff's Data Request 16.

1 The Stipulating Parties agreed to include these items, resulting in an Employee
2 Pensions & Benefits expense of \$852,749.

3 **Q. Please explain the amount included in Account 610 (Purchased Water).**

4 A. Avion's proposal of \$227,065 in this account represented a decrease of
5 \$47,229, or 17 percent, from the amount assumed in UW 171. In response to
6 Staff's Data Request 17, Avion explained that the decrease is largely
7 attributable to the elimination of a \$57,177 exit fee to Central Oregon Irrigation
8 District.²³ The Stipulating Parties agreed to make no adjustment to Avion's
9 proposed amount.

10 **Q. Please explain the amount included in Account 611**
11 **(Telephone/Communications).**

12 A. Avion's proposal of \$81,669 in this account represents an increase of \$16,777,
13 or 25.85 percent, over the amount assumed in UW 171. In response to Staff's
14 Data Request 18, Avion explained that the increase is attributable to the
15 increased use of cell phones for SCADA communications and for mapping
16 information used by field crews.²⁴ The Stipulating Parties agreed to make no
17 adjustment to Avion's proposed amount.

18 **Q. Please explain the amount included in Account 615 (Purchased Power).**

19 A. Avion's proposed Purchased Power expense of \$956,149 represents an
20 increase of \$42,203 over the test year amount of \$913,946. In response to
21 Staff's Data Request 19, Avion explained that its proposed adjustment is due to

²³ See Exhibit Staff/103, Yamada/12, Avion's response to Staff's Data Request 17.

²⁴ See Exhibit Staff/103, Yamada/13, Avion's response to Staff's Data Request 18.

1 rate increases of 5.4 percent for Pacific Power and 5.5 percent for Central
2 Electric Cooperative (CEC).²⁵ Avion also provided customer notices from
3 Pacific Power and CEC describing those utilities' planned rate increases.

4 While the CEC rate increase became effective in 2020, the Pacific Power
5 increase is currently pending before the Commission in Docket No. UE 374.

6 As such, the specific effects of any Pacific Power rate change on Avion will not
7 be known until the conclusion of that docket. The Stipulating Parties agreed to
8 include \$9,694 attributable to the CEC rate increase, and to exclude the Pacific
9 Power rate change from the present rate case. The resulting agreed-upon
10 Purchased Power expense is \$923,640. Staff notes that Schedule No. 9 of
11 Avion's tariff represents a Power Cost Adjustment (PCA) tariff, enabling Avion
12 to track and include power cost changes by filing adjustments to its PCA. As
13 such, the PCA provides an avenue for Avion to later include in rates any power
14 cost changes not captured in the present rate case.

15 **Q. Please explain the amount included in Account 617 (Other Utilities).**

16 A. The Stipulating Parties agreed to include the test year amount of \$10,981.
17 Staff reviewed the costs in this account and concluded they were reasonable
18 and should be included in rates.

19 **Q. Please explain the amount included in Account 619 (Office Supplies).**

20 A. The Stipulating Parties agreed to include the test year amount of \$9,391. Staff
21 reviewed the costs in this account and concluded they were reasonable and
22 should be included in rates.

²⁵ See Exhibit Staff/103, Yamada/14-16, Avion's response to Staff's Data Request 19.

1 **Q. Please explain the amount included in Account 619.1 (Postage).**

2 A. The Stipulating Parties agreed to include the test year amount of \$3,771. Staff
3 reviewed the costs in this account and concluded they were reasonable and
4 should be included in rates.

5 **Q. Please explain the amount included in Account 620 (O&M**
6 **Materials/Supplies).**

7 A. Avion's proposed O&M Materials and Supplies expense of \$254,031
8 represents a decrease of \$75,084, or 22.81 percent, from the amount assumed
9 in UW 171. Avion's response to Staff's Data Request 20 indicated that while
10 the amount in this account varies from year to year, the 2019 figure was below
11 average.²⁶ Avion provided the last three years' expense amounts for this
12 account, as follows:

Year	Amount
2017	\$300,746
2018	\$303,995
2019	\$254,031
Average	\$286,257

13 Avion also indicated that it expects this expense to be closer to the three-year
14 average of \$286,257 over the next three years. The Stipulating Parties agreed
15 to include the three-year average of \$286,257.

²⁶ See Exhibit Staff/103, Yamada/17, Avion's response to Staff's Data Request 20.

1 **Q. Please explain the amount included in Account 621 (Repairs to Water**
2 **Plant).**

3 A. In its Application, Avion proposed to use the test year amount of \$335,049 for
4 this account. This amount represents an increase of \$219,504, or 190 percent,
5 over the amount assumed in UW 171. In response to Staff's Data Request 21,
6 Avion stated that the test year amount was higher than average due to three
7 major well repairs that occurred in 2019.²⁷ Avion also provided the last three
8 years' expense amounts for this account (reproduced below), and stated that it
9 expects the expense amount to be closer to the three-year average over the
10 next three years.

Year	Amount
2017	\$155,122
2018	\$200,523
2019	\$335,049
Average	\$230,231

11
12 The Stipulating Parties agreed to reduce the amount in this account to reflect
13 the three-year average of \$230,231.

14 **Q. Please explain the amount included in Account 632 (Contract Services**
15 **– Accounting).**

16 A. The Stipulating Parties agreed to include \$15,524 in this account, which
17 represents an increase of \$88 over the test year amount. Staff reviewed the
18 costs in this account and concluded they were reasonable and should be
19 included in rates.

²⁷ See Exhibit Staff/103, Yamada/18, Avion's response to Staff's Data Request 21.

1 **Q. Please explain the amount included in Account 633 (Contract Services**
2 **– Legal).**

3 A. Avion proposed to include the test year amount of \$27,580 in this account,
4 which represents an increase of \$5,617, or 25.57 percent, over the amount
5 assumed in UW 171. In response to Staff's Data Request 22, Avion explained
6 that this account has increased because "Avion requires additional legal
7 services due to increasingly complex legal matters in employment law,
8 regulatory issues, and general business matters."²⁸ Avion also stated that it
9 expects the proposed amount of \$27,580 to be low for this account over the
10 next three years. In response to Staff's Data Request 23, Avion clarified that
11 its proposed expense in this account does not include any amounts attributable
12 to the present rate case.²⁹ The Stipulating Parties agreed to include the test
13 year amount of \$27,580 in this account.

14 **Q. Please explain the amount included in Account 635 (Contract Services**
15 **– Testing).**

16 A. In its Application, Avion proposed a testing expense of \$50,903. In response to
17 Staff's Data Request 24, Avion provided a three-year, forward-looking
18 breakdown of its expected testing costs from 2021 through 2023.³⁰ The
19 information provided by Avion indicated that the cost of scheduled testing is
20 expected to total \$104,301 over that three-year period. Avion also explained
21 that in addition to this known and scheduled testing, the Company expects to

²⁸ See Exhibit Staff/103, Yamada/19, Avion's response to Staff's Data Request 22.

²⁹ See Exhibit Staff/103, Yamada/20, Avion's response to Staff's Data Request 23.

³⁰ See Exhibit Staff/103, Yamada/21-30, Avion's response to Staff's Data Request 24.

1 incur additional costs for unscheduled water testing. Unscheduled testing
 2 includes additional coliform tests necessitated by line breaks, construction, and
 3 positive tests results, as well as Unregulated Contaminant Monitoring Rule
 4 (UCMR) tests required by the Environmental Protection Agency. Avion's total
 5 projected three-year testing cost is summarized below.

Total scheduled testing	\$104,301
Unscheduled Coliforms	\$22,500
UCMR 5	\$9,000
Total testing costs	\$135,801

6 The Stipulating Parties agreed to include one-third of the three-year total, or
 7 \$45,267.

8 **Q. Please explain the amount included in Account 636 (Contract Services**
 9 **– Labor).**

10 A. The Stipulating Parties agreed to include the test year amount of \$1,419. Staff
 11 reviewed the costs in this account and concluded they were reasonable and
 12 should be included in rates.

13 **Q. Please explain the amount included in Account 637 (Contract Services**
 14 **– Billing/Collection).**

15 A. Avion's proposed Billing/Collection expense is equal to its test year amount of
 16 \$109,855. This amount represents an increase of \$20,973, or 23.6 percent,
 17 over the amount assumed in UW 171. In response to Staff's Data Request 25,
 18 Avion explained that the increase in this account is partially due to postage
 19 increases in 2018 and 2019, which are passed through to Avion from the billing

1 service that Avion uses.³¹ Avion also indicated that an increase in the number
2 of notices sent to customers contributes to the increased expense amount.
3 Specifically, the Oregon Administrative Rules now require Avion to send a
4 15-day notice prior to disconnection of service for nonpayment. This
5 requirement was not in place during UW 171. Staff reviewed the costs in this
6 account and concluded they were reasonable and should be included in rates.
7 The Stipulating Parties agreed to include the test year amount of \$109,855 in
8 this account.

9 **Q. Please explain the amount included in Account 638 (Contract Services**
10 **– Meter Reading).**

11 A. The Stipulating Parties agreed to include the test year amount of \$130,918 in
12 this account. Staff reviewed the costs in this account and concluded they were
13 reasonable and should be included in rates.

14 **Q. Please explain the amount included in Account 639 (Contract Services**
15 **– Other).**

16 A. In its rate case application, Avion proposed an annual expense of \$61,968 in
17 this account, which is equal to the test year amount. This would represent a
18 decrease of 4.24 percent from the amount assumed in UW 171. In response to
19 Staff's Data Request 26, Avion indicated that the test year amount did not
20 include the full amount of Avion's payments to Deschutes River Conservancy
21 (DRC).³² Specifically, Avion stated that it "had not been receiving monthly

³¹ See Exhibit Staff/103, Yamada/31, Avion's response to Staff's Data Request 25.

³² See Exhibit Staff/103, Yamada/32, Avion's response to Staff's Data Request 26.

1 invoices from the [DRC] for their services” in the test year and that “Avion was
2 working with the DRC to correct this situation” at the time the Application was
3 filed.³³ The correct payment amount to DRC is \$1,500 per month, or \$18,000
4 per year. According to the expense detail provided by Avion to Staff, the test
5 year amount includes two payments of \$4,320 to DRC, totaling \$8,640.

6 Avion’s proposal of \$18,000 per year to DRC represents an increase of \$9,360
7 from the amount already included in the test year amount. The Stipulating
8 Parties agreed to include this increase. The Stipulating Parties also agreed to
9 remove two \$5,000 payments for lobbying services, totaling \$10,000. Finally,
10 the Stipulating Parties agreed to include an additional \$5,760 attributable to a
11 change in the janitorial services contractor used by the Company. The total
12 amount agreed to by the Stipulating Parties in this account is \$67,088, as
13 summarized below.

Test year	\$61,968
Increase for DRC	\$9,360
Janitorial services	\$5,760
Lobbying	\$(10,000)
Total	\$67,088

14 **Q. Please explain the amount included in Account 641 (Rental of**
15 **Building/Real Property).**

16 A. In its Application, Avion proposed a Rental of Building/Real Property expense
17 of \$170,406, representing an increase of \$146,791, or 622 percent, over the
18 UW 171-assumed amount, and an increase of \$144,000, or 545 percent, over

³³ *Id.*

1 the test year amount of \$26,406. In response to Staff's Data Request 27,
2 Avion indicated that the test year amount of \$26,406 "consists of rent and lease
3 payments for various easements from the U.S. Government, State of Oregon
4 and private individuals."³⁴ The proposed \$144,000 increase over the test year
5 amount was attributable to the lease of Avion's proposed new service center
6 building. In its first supplemental response to Staff's Data Request 27, Avion
7 also stated that, subsequent to its original response to that request, Avion was
8 informed that its storage unit rent would increase by \$20 per month,
9 representing an annual increase of \$240 over the initially estimated amount.³⁵
10 The Stipulating Parties agreed to include the \$240 increase over the test year
11 amount and exclude the additional \$144,000 pertaining to the new service
12 center. The resulting agreed-upon Rental of Building/Real Property expense is
13 \$26,646.

14 **Q. Please explain the issue of Avion's new service center building.**

15 A. Along with its Application, Avion filed direct testimony from the Company's
16 Board Chairman and Executive Vice President, Jan Wick. In his testimony, Mr.
17 Wick described plans for Avion to construct "a 6,700 square foot, single story
18 building with adequate office and meeting spaces for Avion's current
19 operations."³⁶ At the time the Application was submitted, Avion expected to
20 break ground on its new service center building in September of 2020,³⁷ though

³⁴ See Exhibit Staff/103, Yamada/33, Avion's response to Staff's Data Request 27.

³⁵ See Exhibit Staff/103, Yamada/34-35, Avion's first supplemental response to Staff's Data Request 27.

³⁶ See Exhibit Avion/100, Wick/3, at 13-14.

³⁷ See Exhibit Avion/100, Wick/4, at 1.

1 the project has since been delayed. In response to Staff's Data Request 29,
2 Avion stated that the building itself would be owned by KW Investments, LLC
3 (KW) and that Avion negotiated an agreement with KW "in which KW will
4 develop and own the building and lease it to Avion, and Avion will own the
5 land."³⁸ The lease cost associated with the new building was included in
6 Avion's Application at \$12,000 monthly, or \$144,000 annually.³⁹ The new
7 service center is planned to be constructed on land adjacent to Avion's current
8 service center.

9 **Q. What reasons did the Company give for requiring a new service center**
10 **building?**

11 A. In his testimony, Mr. Wick explained that Avion first moved into its current
12 service center in 1974.⁴⁰ While the building has been modified to convert living
13 space to office space over the years, Mr. Wick indicated that the building is no
14 longer sufficient for Avion's current operations. For instance, while Avion had
15 only four employees and 770 customer accounts in 1974, the Company now
16 has 35 employees and more than 14,000 customer accounts.⁴¹ Mr. Wick also
17 cited the difficulty of running modern computer and electronic equipment on the
18 building's aged electrical system,⁴² stating that "remodeling the building would
19 require significant updating to meet current building codes," and that
20 "reconfiguring the staircases and ceiling heights to meet current building codes

³⁸ See Exhibit Staff/103, Yamada/36-37, Avion's response to Staff's Data Request 29.

³⁹ Application, Page 8, Question 28.

⁴⁰ See Exhibit Avion/100, Wick/2, at 13-14.

⁴¹ See Exhibit Avion/100, Wick/2.

⁴² See Exhibit Avion/100, Wick/3.

1 would be very expensive and difficult.”⁴³ Mr. Wick stated that leasing an
2 existing building at a new location “would require a new radio tower and the
3 creation of new radio pathways to operate the system,” and that the creation of
4 such pathways would be “both technically and physically problematic due to
5 the challenging topography in the Bend area.”⁴⁴ Mr. Wick also expressed a
6 desire for Avion to maintain the easy access to Highway 97 and Knott Road
7 that is afforded by its current location.⁴⁵

8 **Q. Why did the Stipulating Parties agree to exclude the lease cost**
9 **attributable to Avion’s new service center building?**

10 A. In response to Staff’s Data Request 71, Avion stated that, subsequent to the
11 Parties’ October 13, 2020, settlement conference, “Avion and its investors
12 reevaluated the proposed timing and financing approach for the new service
13 center project, and currently there is no lease agreement in place. Accordingly,
14 Avion is withdrawing the lease amount and leasehold improvements relating to
15 the new office building at this time.”⁴⁶

16 **Q. Does Avion plan to seek the inclusion of costs related to a new service**
17 **center in rates at a future time?**

18 A. Yes. Avion plans to continue making progress on the construction of its new
19 service center, and to seek inclusion of related costs in a future rate filing. In
20 response to Staff’s Data Request 71, Avion also stated that it “will continue to

⁴³ See Exhibit Avion/100, Wick/3, at 6-8.

⁴⁴ See Exhibit Avion/100, Wick/4, at 8-11.

⁴⁵ See Exhibit Avion/100, Wick/4, at 11-12.

⁴⁶ See Exhibit Staff/103, Yamada/38, Avion’s response to Staff’s Data Request 71.

1 explore financing options for the new building.”⁴⁷ Tentatively, Avion currently
2 expects construction to begin in the spring of 2021, with a revised completion
3 date in the fall of 2021, though discussions between Avion and its investors
4 remain ongoing.

5 **Q. Please explain the amount included in Account 642 (Rental of**
6 **Equipment).**

7 A. Avion’s proposed expense in this account is equal to the test year amount of
8 \$30,559, which represents an increase of \$27,533, or 910 percent, over the
9 amount assumed in UW 171. In response to Staff’s Data Request 32, Avion
10 explained that while the UW 171 amount mostly consisted of leased office
11 equipment such as printers, Avion’s equipment rental needs have increased
12 since that time.⁴⁸ Namely, Avion now leases a skid steer and a vac trailer,
13 which Avion states are vital for the maintenance of its infrastructure. Avion
14 stated that it expects the test year amount to be representative of a typical year
15 going forward. The Stipulating Parties agreed to make no adjustment to
16 Avion’s proposal of \$30,559 in this account.

17 **Q. Please explain the amount included in Account 643 (Small Tools).**

18 A. Avion proposes an expense of \$14,084 in this account, which is equal to the
19 test year amount. This represents an increase of \$8,204, or 139.52 percent,
20 over the amount assumed in UW 171. In response to Staff’s Data Request 33,
21 Avion stated that the increase is due to differences in the tools needed to repair

⁴⁷ *Id.*

⁴⁸ See Exhibit Staff/103, Yamada/39, Avion’s response to Staff’s Data Request 32.

1 and maintain Avion's plant.⁴⁹ Avion also stated that it expects the test year
2 amount to be representative of a typical year.⁵⁰ The Stipulating Parties agreed
3 to make no adjustment to Avion's proposed expense of \$14,084 in this
4 account.

5 **Q. Please explain the amount included in Account 648**
6 **(Computer/Electronic Expenses).**

7 A. Avion's proposed expense in this account consists of the test year amount of
8 \$52,833. This amount represents an increase of \$25,342, or 92.18 percent,
9 over the amount assumed in UW 171. In response to Staff's Data Request 34,
10 Avion indicated that this increase is partially due to Avion having entered into a
11 maintenance plan with its IT provider, Weston Technology Solutions.⁵¹
12 Invoices provided to Staff by Avion indicate that the cost of this maintenance
13 plan is \$2,500 per month, or \$30,000 annually. In its response to Staff's Data
14 Request 34, Avion explained that this IT maintenance plan consists of
15 monitoring of Avion's computer systems "in order to prevent costly repairs and
16 potential water outages to customers depending on which computer system is
17 affected."⁵² Avion also stated that it expects the test year amount to be
18 representative of a typical year. The Stipulating Parties agreed to make no
19 adjustment to Avion's proposed expense of \$52,833 for this account.
20

⁴⁹ See Exhibit Staff/103, Yamada/40, Avion's response to Staff's Data Request 33.

⁵⁰ *Id.*

⁵¹ See Exhibit Staff/103, Yamada/41, Avion's response to Staff's Data Request 34.

⁵² *Id.*

1 **Q. Please explain the amount included in Account 650 (Transportation).**

2 A. Avion's proposed expense in this account consists of the test year amount of
3 \$288,767, which represents an increase of \$140,058, or 94.18 percent, over
4 the amount assumed in UW 171. In response to Staff's Data Request 35,
5 Avion explained that "[d]ue to rising vehicle costs, Avion could not replace its
6 aging service fleet quickly enough to avoid costly repairs to vehicles which
7 were being run with up to 300,000 miles, and which had become unreliable."⁵³
8 Avion further explained that, consequently, "Avion has started leasing service
9 trucks instead of purchasing new ones."⁵⁴ The attachment provided in
10 response to Staff's Data Request 36 indicates that the test year amount
11 includes \$66,726.58 attributable to 28 leased vehicles.⁵⁵ The expense detail
12 provided by Avion to Staff indicates that the remaining test year amount
13 consists mainly of vehicle maintenance and fuel costs. The test year amount
14 also includes \$3,600 attributable to monthly payments of \$300 to Jason Wick.
15 In response to Staff's Data Request 36, Avion stated that "leasing vehicles
16 represents the most cost-effective method for accessing the necessary
17 transportation resources," and that leasing vehicles "will allow Avion to refresh
18 the service fleet regularly with dependable service trucks."⁵⁶ In its response to
19 Staff's Data Request 35, Avion also stated that it expects transportation
20 expenses "to continue to rise as the remainder of the aged service fleet is

⁵³ See Exhibit Staff/103, Yamada/42, Avion's response to Staff's Data Request 35.

⁵⁴ *Id.*

⁵⁵ See Exhibit Staff/103, Yamada/45, Avion's Attachment DR-036 provided in response to Staff's Data Request 36.

⁵⁶ See Exhibit Staff/103, Yamada/43-44, Avion's response to Staff's Data Request 36.

1 replaced with leased reliable service trucks.”⁵⁷ Specifically, Avion plans to
2 replace twelve more service trucks in 2021 and 2022, resulting in
3 transportation expense increases of \$68,000 and \$56,000, respectively. The
4 Stipulating Parties agreed to include the test year amount of \$288,767 in this
5 account.

6 **Q. Please explain the amount included in Account 656 (Vehicle**
7 **Insurance).**

8 A. The Stipulating Parties agreed to include the test year amount of \$19,214.
9 Staff reviewed the costs in this account and concluded they were reasonable
10 and should be included in rates.

11 **Q. Please explain the amount included in Account 657 (General Liability**
12 **Insurance).**

13 A. The Stipulating Parties agreed to include the test year amount of \$45,019.
14 Staff reviewed the costs in this account and concluded they were reasonable
15 and should be included in rates.

16 **Q. Please explain the amount included in Account 658 (Workers’**
17 **Compensation Insurance).**

18 A. In its Application, Avion proposed a Workers’ Compensation Insurance
19 expense of \$42,671, which represents a 20.76 percent increase over the test
20 year amount and a 67.84 percent increase over the amount assumed in
21 UW 171. In response to Staff’s Data Request 39, Avion explained that the
22 proposed increase is due to wage increases as well as an additional

⁵⁷ See Exhibit Staff/103, Yamada/42, Avion’s response to Staff’s Data Request 35.

1 employee.⁵⁸ In response to Staff's Data Request 5, Avion stated that its
 2 proposed increase over the test year amount includes \$3,454 attributable to a
 3 new employee, the start date for whom Avion expects to be January 1, 2021.⁵⁹
 4 As discussed previously, the agreed-upon adjustments to employee and officer
 5 wages result in an overall decrease of \$1,077, or 0.04 percent, from the
 6 amount proposed by Avion:

	Avion			
Account	Proposed	Stipulated	Difference	Change
601 Employee wages	\$2,116,205	\$2,115,337	\$(868)	-0.04%
603 Officer wages	\$510,353	\$510,144	\$(209)	-0.04%
Total	\$2,626,558	\$2,625,481	\$(1,077)	-0.04%

7 Because Workers' Compensation rates are calculated based on payroll, the
 8 Stipulating Parties made a corresponding downward adjustment to Avion's
 9 proposed workers' compensation insurance amount, resulting in a total of
 10 \$42,654 in this account.

11 **Q. Please explain the amount included in Account 659 (Other Insurance).**

12 A. In its Application, Avion proposed an Other Insurance expense of \$11,450,
 13 which is equal to the test year amount. This represents an increase of \$1,356,
 14 or 13.43 percent, over the amount assumed in UW 171. In response to Staff's
 15 Data Request 40, Avion stated that its proposed expense in this account
 16 consists of a \$5 million excess liability (umbrella) insurance policy.⁶⁰ The

⁵⁸ See Exhibit Staff/103, Yamada/46, Avion's response to Staff's Data Request 39.

⁵⁹ See Exhibit Staff/103, Yamada/7, Avion's response to Staff's Data Request 5.

⁶⁰ See Exhibit Staff/103, Yamada/47, Avion's response to Staff's Data Request 40.

1 Stipulating Parties agreed to include the test year amount of \$11,450 in this
2 account.

3 **Q. Please explain the amount included in Account 660 (Public Relations**
4 **(PR)/Advertising).**

5 A. Avion's proposed expense in this account is \$1,176, which is equal to the test
6 year amount. The rates established in UW 171 did not include any amount for
7 PR/Advertising expense. The majority of Avion's proposed expense amount
8 consists of a \$995.50 payment made to DVA Advertising & Public Relations in
9 the test year. In response to Staff's Data Request 41, Avion explained that it
10 issued a boil water notice in January of 2019, and that "Avion's systems and
11 procedures were inadequate for this notice and many Avion customers were
12 upset that only public service announcements via radio and television were
13 used to notify customers."⁶¹ Avion further explained that the \$995.50 payment
14 was related to "communicating Avion's response to customers as to why Avion
15 was unable to deliver phone calls to customers about this and the new
16 procedures and systems put in place to correct the situation."⁶² Avion also
17 stated that it expects to continue having PR/Advertising expenses in the future,
18 and that it expects \$1,176 to be representative of a typical year.⁶³ The
19 Stipulating Parties agreed to include the test year amount of \$1,176 in this
20 account.

⁶¹ See Exhibit Staff/103, Yamada/48, Avion's response to Staff's Data Request 41.

⁶² *Id.*

⁶³ *Id.*

1 **Q. Please explain the amount included in Account 667 (PUC Gross**
2 **Revenue Fee).**

3 A. With Order No. 20-054, issued on February 26, 2020, in Docket No. UM 1012,
4 the Commission established its annual fee rate at 0.35 percent of 2019 gross
5 operating revenues for electric, natural gas, water, and wastewater utilities.
6 For several years previously, the rate had been set at 0.3 percent of gross
7 operating revenues. The Stipulating Parties calculated the PUC Fee using the
8 0.35 percent rate, resulting in a total PUC Gross Revenue Fee of \$34,034.

9 **Q. Please explain the amount included in Account 668 (Conservation**
10 **Expense).**

11 A. Avion's proposed expense in this account consists of the test year amount of
12 \$19,210, which represents an increase of \$3,304, or 20.77 percent, from the
13 amount assumed in UW 171. Avion's proposed expense consists of \$1,210
14 paid to the Oregon Water Resources Department (OWRD) and \$18,000
15 attributable to Broken Top/Gold Ring Investments. In response to Staff's Data
16 Request 42, Avion explained that the \$1,210 payment to OWRD "was
17 necessary for Avion to change the delivery point for leased water rights."⁶⁴ In
18 response to Staff's Data Request 43, Avion explained that the \$18,000 "is the
19 initial payment to Broken Top/Gold Ring Investments to lease a portion of their
20 water rights for Avion's use."⁶⁵ Avion further explained that "the agreement
21 calls for annual payments of \$48,000 plus a potential commodity charge" and

⁶⁴ See Exhibit Staff/103, Yamada/49, Avion's response to Staff's Data Request 42.

⁶⁵ See Exhibit Staff/103, Yamada/50, Avion's response to Staff's Data Request 43.

1 stated that the total amount in this account should have been \$48,000.⁶⁶ The
2 Stipulating Parties agree to include a total of \$48,000 in this account.

3 **Q. Please explain the amount included in Account 670 (Bad Debt**
4 **Expense).**

5 A. Avion's proposed bad debt expense is the test year amount of \$25,465, which
6 represents an increase of \$4,887, or 23.75 percent, over the amount assumed
7 in UW 171. In response to Staff's Data Request 44, Avion stated that its test
8 year expense includes "a write off of a loan to a terminated employee in the
9 amount of \$9,760.68," and that "Avion does not expect to have such a write off
10 in the future."⁶⁷ The Stipulating Parties agreed to remove this amount,
11 resulting in a total bad debt expense of \$15,704.

12 **Q. Please explain the amount included in Account 673 (Training and**
13 **Certification).**

14 A. The Stipulating Parties agreed to include the test year amount of \$25,472 in
15 this account. Staff reviewed the costs in this account and concluded they were
16 reasonable and should be included in rates.

17 **Q. Please explain the amount included in Account 674 (Consumer**
18 **Confidence Report).**

19 A. Avion's proposed expense in this account is equal to the test year amount of
20 \$1,350, which represents a decrease of \$7,345, or 84.47 percent, from the
21 amount assumed in UW 171. In response to Staff's Data Request 45, Avion

⁶⁶ *Id.*

⁶⁷ See Exhibit Staff/103, Yamada/51, Avion's response to Staff's Data Request 44.

1 explained that it is no longer required to print and mail Consumer Confidence
2 Reports and now posts this information on its website.⁶⁸ As such, Avion
3 expects the test year amount to be a representative amount for future
4 expenses in this account. The Stipulating Parties made no adjustment to
5 Avion's proposed amount in this account.

6 **Q. Please explain the amount included in Account 675 (Miscellaneous**
7 **Expense).**

8 A. Avion's proposal of \$240,670 in this account is equal to the test year amount
9 and represents an increase of \$25,708, or 11.96 percent, over the amount
10 assumed in UW 171. The contents of this account are summarized on Page 9
11 of Avion's rate case application:⁶⁹

Industry Dues and Memberships	\$3,643
Bank Charges	\$24,314
Merchant Fees	\$69,952
Guarantee Fees	\$142,761
TOTAL	\$240,670

12 In response to Staff's Data Request 46, Avion explained that the increase in
13 this account over the UW 171 amount "is mostly composed of increases in
14 bank charges, which increased \$7,437, and merchant fees, which increased
15 \$15,273."⁷⁰ Avion further explained that bank fees have increased due to
16 processing fee increases, and merchant charges have increased because
17 credit and debit card payments have increased. With regard to the guarantee

⁶⁸ See Exhibit Staff/103, Yamada/52, Avion's response to Staff's Data Request 45.

⁶⁹ Application, Page 9, Question 29.

⁷⁰ See Exhibit Staff/103, Yamada/53, Avion's response to Staff's Data Request 46.

1 fees shown above, in response to Staff's Data Request 47, Avion stated that
2 the recipients of these fees are Jan Wick, Jason Wick, and Jordan Wick.⁷¹
3 Avion's response indicated that each recipient received \$47,587 in guarantee
4 payments in the test year, totaling \$142,761 across all three recipients. The
5 Commission previously approved guarantee payments to Jan and Christine
6 Wick with Order No. 07-417.⁷² According to the Staff Report adopted with that
7 order, guarantee payments are limited to 1.58 percent of Avion's calendar-year
8 average debt balance. Avion indicated while Jan Wick has an affiliated interest
9 relationship with the Company as defined in ORS 757.015, neither Jason Wick
10 nor Jordan Wick own enough voting stock to be considered affiliates. As such,
11 guarantee payments to Jason Wick and Jordan Wick do not need to be
12 reviewed in an affiliated interest docket before the Commission. The
13 Stipulating Parties agreed to include the test year amount of \$240,670 in this
14 account.

⁷¹ See Exhibit Staff/103, Yamada/54, Avion's response to Staff's Data Request 47.

⁷² Order No. 07-417 in Docket No. UI 268.

ISSUE 5 – OTHER REVENUE DEDUCTIONS

1
2 **Q. Please explain the amount included in Account 403 (Depreciation**
3 **Expense).**

4 A. The Stipulating Parties agreed to include 2020 depreciation expense of
5 \$787,765. This amount includes a partial year of depreciation on certain
6 assets that were put into service in 2020, based on the actual in-service dates
7 of those assets. The 2020 assets that the Stipulating Parties agreed to include
8 in rate base are discussed in more detail later in my testimony.

9 **Q. Please explain the amount included in Account 408.11 (Property Tax).**

10 A. Avion's proposed expense in this account is equal to Avion's reported test year
11 amount of \$316,543, which represents an increase of \$33,117, or
12 11.68 percent, over the amount assumed in UW 171. In response to Staff's
13 Data Request 49, Avion provided a breakdown of its property tax expense by
14 property tax account number.⁷³ The provided information indicated that Avion's
15 2019 tax obligation before applying any discount was \$324,504 in Deschutes
16 County and \$633 in Crook County. Property taxes paid in full by
17 November 15 receive a three percent discount—after applying this discount,
18 Avion's property tax expense was \$314,768 in Deschutes County and \$624 in
19 Crook County, for a total 2019 property tax expense of \$315,392. Avion also
20 stated that it expects the property tax expense to increase by three percent
21 annually. The Stipulating Parties agreed to include a three percent increase for
22 2020 property taxes, resulting in a total Property Tax expense of \$324,854.

⁷³ See Exhibit Staff/103, Yamada/55-56, Avion's response to Staff's Data Request 49.

1 **Q. Please explain the amount included in Account 408.12 (Payroll Tax).**

2 A. Avion's proposed payroll tax expense is \$203,496, which represents an
3 increase of \$34,673, or 20.54 percent, over the amount assumed in UW 171.
4 In response to Staff's Data Request 50, Avion explained that the increase over
5 the UW 171 amount is due to the hiring of additional employees as well as
6 raises and cost of living adjustments since 2016.⁷⁴ Avion's proposal represents
7 an increase of \$12,316, or 6.44 percent, over the test year amount. In
8 response to Staff's Data Request 51, Avion stated that this increase consists of
9 \$8,028 attributable to the new employee and \$4,288 attributable to raises and
10 cost of living adjustments,⁷⁵ which Avion proposed to include at three percent
11 of salaries and wages. As discussed previously, the Parties' agreed-upon
12 salaries and wage expense is 0.04 percent lower than Avion's proposed
13 expense across both employee and officer wages. As such, the Stipulating
14 Parties agreed to reduce Avion's proposed payroll tax expense by this amount,
15 resulting in a total payroll tax expense of \$203,413.

16 **Q. Please explain the amount included in Account 408.13 (Other Tax).**

17 A. Avion's proposed Other Tax expense of \$258,014 represents an increase of
18 \$139,898, or 118.44 percent, over the UW 171-assumed amount, and an
19 increase of \$49,214, or 23.57 percent, over the test year amount of \$208,800.
20 In response to Staff's Data Request 52, Avion showed that its test year
21 expense consisted mainly of City of Bend franchise fees, as shown below.⁷⁶

⁷⁴ See Exhibit Staff/103, Yamada/57, Avion's response to Staff's Data Request 50.

⁷⁵ See Exhibit Staff/103, Yamada/58, Avion's response to Staff's Data Request 51.

⁷⁶ See Exhibit Staff/103, Yamada/59, Avion's response to Staff's Data Request 52.

Bend Stormwater fees	\$1,165
Bend Franchise fees	\$207,330
Bend Business License	\$50
Federal Excise tax	\$255
TOTAL	\$208,800

1 In response to Staff's Data Request 53, Avion stated that the increase in this
2 account over the UW 171 amount is largely due to a two percent increase in
3 the City of Bend franchise fee since Avion's last rate case.⁷⁷ In response to
4 Staff's Data Request 54, Avion stated that its proposed increase of \$49,214
5 over the test year amount is attributable to the Oregon Corporate Activity Tax
6 (CAT), which took effect January 1, 2020.⁷⁸ Avion states that this increase
7 "represents Avion's estimate of the tax which will be imposed upon Avion
8 based upon the revenues requested in UW 181."⁷⁹ According to the Oregon
9 Department of Revenue website, the CAT is applied to Oregon taxable
10 commercial activity in excess of \$1 million, where "commercial activity" is "the
11 total amount realized by a company from the transactions and activity in the
12 regular course of their business in Oregon, without deduction for expenses
13 incurred by the business."⁸⁰ The CAT is computed as \$250 plus 0.57 percent
14 of Oregon commercial activity of more than \$1 million. The Stipulating Parties
15 calculated the CAT at \$49,977 based on the agreed-upon total revenue
16 requirement. Combined with the test year amount of \$208,800, the total
17 amount agreed upon by the Stipulating Parties in this account is \$258,777.

⁷⁷ See Exhibit Staff/103, Yamada/60, Avion's response to Staff's Data Request 53.

⁷⁸ See Exhibit Staff/103, Yamada/61, Avion's response to Staff's Data Request 54.

⁷⁹ *Id.*

⁸⁰ <https://www.oregon.gov/dor/programs/businesses/Pages/corporate-activity-tax.aspx>.

1 **Q. Please explain the amount included in Account 409.1 (Federal Income**
2 **Tax).**

3 A. As shown below, the agreed-upon rate base and capital costs result in taxable
4 income of \$1,666,640.

	Rate Base	\$18,797,694
x	Wtd. Return on Equity	4.68%
=	After-Tax Profit	878,820
x	NTG Factor (Tax Gross-Up)	1.32751
=	Pretax Profit (Taxable Income)	\$1,666,640

5 After removing state income taxes of \$78,665(discussed below), Avion's
6 federal taxable income is \$1,087,975. The current federal tax rate of 21
7 percent is applied to this amount, resulting in a federal income tax expense of
8 \$228,475.

9 As I discuss in more detail later in my testimony, revaluation of deferred tax
10 obligations at the new lower statutory rate incorporated in the TCJA have
11 resulted in excess deferred income taxes (EDIT). The Stipulating Parties have
12 agreed to include a reduction in Federal Income Taxes of \$19,320 to reflect the
13 Company's amortization of the EDIT, resulting in a federal income tax expense
14 of \$209,155.

1 **Q. Please explain the amount included in Account 409.11 (Oregon Income**
2 **Tax).**

3 A. As described in response to the previous question, Avion's Oregon taxable
4 income is \$1,166,640. Applying the applicable state tax rates of 6.6 percent on
5 the first \$1,000,000 of taxable income and 7.6 percent thereafter results in an
6 Oregon income tax expense of \$78,665.

Rate	Taxed Amount	Tax
6.6%	\$1,000,000	\$66,000
7.6%	\$166,640	\$12,665
Total	\$1,166,640	\$78,665

ISSUE 6 – RATE BASE

Q. Please summarize the utility rate base agreed to by the Stipulating Parties.

A. The Stipulating Parties' agreed-upon rate base is summarized in Table 4 below.

Table 4: Rate Base Summary

Account	Test Year	Adjustments	Stipulated
101 Utility Plant in Service	\$59,339,705	\$1,709,982	\$61,049,687
108 - Accumulated Depreciation	\$19,596,887	\$1,486,527	\$21,083,414
271 - CIAC	\$27,692,999	\$0	\$27,692,999
272 + Accu. Amortz. of CIAC	\$8,182,217	\$593,992	\$8,776,209
281 - Accum. Def. Income Tax	\$3,099,541	\$0	\$3,099,541
151 + Material/Supplies Inventory	\$302,209	\$0	\$302,209
WC + Working Cash	\$526,819	\$18,724	\$545,543
Total Rate Base	\$17,961,523	\$836,171	\$18,797,964

Q. What was Avion's test year balance in Account 101 (Utility Plant in Service), and how has this account changed since the conclusion of Avion's previous rate case?

A. Avion's Application indicates that the test year Utility Plant in Service (UPIS) balance, which consist of both Company-invested plant as well as Contributions in Aid of Construction (CIAC), was \$59,339,705.⁸¹ The plant schedules provided to Staff by Avion support this amount (with a difference of one dollar), and indicate that Avion made the following additions to plant since its previous rate case, for which the test year was 2016:

⁸¹ Application, Page 18, Question 38.

Table 5: 2017 to 2019 Plant Additions

	Pre-2017	2017 Adds	2018 Adds	2019 Adds	EOY 2019
Invested	\$27,940,953	\$1,044,695	\$713,817	\$1,947,243	\$31,646,707
CIAC	\$24,180,163	\$1,254,002	\$712,338	\$1,546,496	\$27,692,999
Total	\$52,121,116	\$2,298,697	\$1,426,155	\$3,493,738	\$59,339,706

1 Avion provided narrative explanations for its 2017, 2018, and 2019 additions to
 2 invested plant in response to Staff's Data Requests 55,⁸² 57,⁸³ and 59,⁸⁴
 3 respectively. Avion provided narrative explanations for its 2017, 2018, and
 4 2019 additions to CIAC plant in response to Staff's Data Requests 56,⁸⁵ 58,⁸⁶
 5 and 60,⁸⁷ respectively.

6 **Q. Did Avion propose to include any plant additions that were put into**
 7 **service after the 2019 test year?**

8 A. Yes. In its Application, Avion proposed to add the following invested plant
 9 additions to its 2019 end-of-year plant balance.⁸⁸

Table 6: Company-Proposed Post-2019 Plant Additions

Future Plant Description	Estimated Cost (including labor)	Est. Date In Service
China Hat No. 3 well	\$929,910	5/1/2020
15th & Knott circle	\$282,156	6/30/2020
Empire extension	\$273,769	6/30/2020
Service Center land	\$375,000	1/1/2021
Service Center leasehold improvements	\$150,000	1/1/2021
TOTAL	\$2,010,835	

⁸² See Exhibit Staff/103, Yamada/62-64, Avion's response to Staff's Data Request 55.

⁸³ See Exhibit Staff/103, Yamada/65-67, Avion's response to Staff's Data Request 57.

⁸⁴ See Exhibit Staff/103, Yamada/68-69, Avion's response to Staff's Data Request 59.

⁸⁵ See Exhibit Staff/103, Yamada/70-71, Avion's response to Staff's Data Request 56.

⁸⁶ See Exhibit Staff/103, Yamada/72, Avion's response to Staff's Data Request 58.

⁸⁷ See Exhibit Staff/103, Yamada/73, Avion's response to Staff's Data Request 60.

⁸⁸ Application, Page 16, Question 35.

1 In response to Staff's Data Request 61, Avion explained that the China Hat
2 No. 3 well "is needed to increase daily pumping capacity to meet customer
3 demands" and that the 15th & Knott circle "is a needed transmission main
4 improvement."⁸⁹ Avion also stated that the Empire extension "is a new
5 transmission main needed to improve service in the north side of the system
6 and create a loop so customers are served by more than a single main."⁹⁰
7 The Service Center land and leasehold improvements shown in the above
8 table relate to Avion's proposal to construct a new service center building.

9 **Q. Have there been changes to Avion's proposed plant additions since**
10 **the filing of the Company's Application?**

11 A. Yes. As mentioned previously in my testimony, Avion's Application reflected
12 the Company's proposal to construct a new 6,700 square foot service center
13 building on land adjacent to Avion's current service center. In addition to
14 the annual building lease expense of \$144,000 that was discussed
15 previously in my testimony, Avion also initially proposed rate base inclusions
16 of \$375,000 for the land on which the service center would reside and
17 \$150,000 for leasehold improvements associated with the building.⁹¹ In
18 response to Staff's Data Request 30, Avion increased its estimated cost for
19 leasehold improvements to \$842,200.⁹² However, in response to Staff's
20 Data Request 71, Avion proposed to exclude the leasehold improvements

⁸⁹ See Exhibit Staff/103, Yamada/74-75, Avion's response to Staff's Data Request 61.

⁹⁰ *Id.*

⁹¹ Application, Page 16, Question 35.

⁹² See Exhibit Staff/103, Yamada/76, Avion's response to Staff's Data Request 30.

1 from the present rate case entirely, stating that “Avion and its investors
2 reevaluated the proposed timing and financing approach for the service
3 center project” and that the Company “will continue to explore financing
4 options for the new building.”⁹³ Furthermore, in response to Staff’s Data
5 Request 77, Avion revised the cost information associated with its China Hat
6 No. 3 well, 15th & Knott circle, and Empire extension projects.⁹⁴

7 **Q. Please explain the amount included in Account 101 (Utility Plant in**
8 **Service).**

9 A. After revising the project costs and removing the service center leasehold
10 improvements as discussed previously, the Stipulating Parties agree that the
11 plant additions in 2017, 2018 and 2019, as well as the following additions to the
12 2019 Utility Plant in Service balance, are used and useful in the provision of
13 utility service, and are prudent. These additions are summarized in Table 7.

Table 7: Stipulated Additions to 2019 Plant

Plant Description	Estimated Cost (including labor)	Est. Date In Service
China Hat No 3 well	\$947,936	5/1/2020
15th & Knott circle	\$275,134	6/30/2020
Empire extension	\$111,911	6/30/2020
Service Center land	\$375,000	8/11/2020
Service Center leasehold improvements	\$0	TBD
TOTAL	\$1,709,981	

⁹³ See Exhibit Staff/103, Yamada/38, Avion’s response to Staff’s Data Request 71.

⁹⁴ See Exhibit Staff/103, Yamada/77-86, Avion’s response to Staff’s Data Request 77.

1 **Q. Why did the Stipulating Parties agree to include the service center land**
 2 **in rate base at \$375,000 despite the removal of all other costs relating**
 3 **the new service center?**

4 A. Avion states that the service center land is currently in service and being
 5 utilized by the Company. In response to Staff's Data Request 28, Avion
 6 provided documentation showing that the Company purchased the land for
 7 \$375,000 in August of 2020.⁹⁵ Avion also explained that the land in question
 8 "lies immediately South and adjacent to Avion's current service center."⁹⁶
 9 Because the previous owner allowed Avion to use the land at no cost, Avion
 10 was in the practice of informally using the land for utility purposes even prior to
 11 purchasing the land. In response to Staff's Data Request 76, Avion provided
 12 letters from two Bend-area realtors stating that \$375,000 is an appropriate
 13 purchase price for the land.⁹⁷

14 **Q. Please explain the amount included in Account 108 (Accumulated**
 15 **Depreciation).**

16 A. The Stipulating Parties agreed to include Accumulated Depreciation at
 17 \$21,083,414, which reflects depreciation through the end of 2020. The
 18 amounts separately attributable to invested and CIAC plant assets are
 19 summarized below.

Accumulated Depreciation – Invested	\$12,307,205
Accumulated Amortization of CIAC	\$8,776,209
Total Accumulated Depreciation	\$21,083,414

⁹⁵ See Exhibit Staff/103, Yamada/87-88, Avion's response to Staff's Data Request 28.

⁹⁶ *Id*

⁹⁷ See Exhibit Staff/103, Yamada/89-91, Avion's response to Staff's Data Request 76.

1 The portion of the agreed-upon Accumulated Depreciation amount attributable
2 to the new 2020 assets is summarized in Table 8. While a full year of
3 depreciation on the new assets would total \$45,658, the actual included
4 amount of \$29,794 reflects the portion of the year in which the assets were in
5 service. This amount is also included in Account 403 (Depreciation Expense).

Table 8: Stipulated Inclusion & Depreciation on 2020 Assets

Plant Item	Date In Service	Original Cost	Asset Life	Annual Deprec.	2020 Deprec.
Service center land	8/11/2020	\$375,000	N/A	\$0	\$0
China Hat No. 3 Well	5/1/2020	\$947,936	25	\$37,917	\$25,278
15th & Knott Circle	6/30/2020	\$275,134	50	\$5,503	\$3,210
Empire extension	6/30/2020	\$111,911	50	\$2,238	\$1,306
Total		\$1,709,981		\$45,658	\$29,794

6 Staff notes that because land is not depreciated, there is no Depreciation
7 Expense or Accumulated Depreciation associated with the service center land.

8 **Q. Please explain the amount included in Account 271 (Contributions in**
9 **Aid of Construction).**

10 A. Avion did not propose any adjustments to its test year CIAC balance. The
11 Stipulating Parties agreed to leave CIAC unchanged at \$27,692,999.

12 **Q. Please explain the amount included in Account 272 (Accumulated**
13 **Amortization of CIAC).**

14 A. As discussed previously, the Stipulating Parties agreed to depreciate both
15 invested and CIAC assets through 2020. Avion's Application reflected
16 depreciation through 2019; adding the 2020 amount increased Accumulated
17 Amortization of CIAC by \$593,992, resulting in a total of \$8,776,209.

1 **Q. Please explain the amount included in Account 281 (Accumulated**
2 **Deferred Income Tax).**

3 A. The Stipulating Parties made no changes to the test year amount of
4 \$3,099,541.

5 **Q. Please explain the amount included in Account 151 (Materials and**
6 **Supplies Inventory).**

7 A. Avion's proposed Materials & Supplies inventory of \$302,209 represents an
8 increase of \$100,888, or 50.11 percent over the amount assumed in UW 171.
9 In response to Staff's Data Request 63, Avion explained that the increase is
10 "due to price increases from suppliers, the need to inventory more parts
11 because of the size and various ages of Avion's plant and the sourcing of
12 larger parts."⁹⁸ Avion also provided a breakdown of the amount included in this
13 account in an attachment included with its response to Staff's Data
14 Request 63. The Stipulating Parties agreed to make no adjustment to Avion's
15 proposed amount in this account.

16 **Q. Please explain the amount included in Working Cash.**

17 A. The Stipulating Parties agreed to include Working Cash of \$545,543, which
18 represents one twelfth of total operating expenses.

⁹⁸ See Exhibit Staff/103, Yamada/92, Avion's response to Staff's Data Request 63.

ISSUE 7 – CAPITAL STRUCTURE**Q. What cost of capital did Avion propose in its Application?**

A. In its Application, Avion proposed an overall rate of return (ROR) of 7.41 percent “because it is a usual, customary and reasonable return based on the level of risk involved in the water industry.”⁹⁹ Avion’s proposed ROR was calculated using a Return on Equity (ROE) of 10.5 percent.

Q. What cost of capital did the Stipulating Parties agree to?

A. The Stipulating Parties agreed to an overall ROR of 7.0 percent, which is computed using a ROE of 9.5 percent. The calculation of Avion’s weighted capital costs is summarized in Table 9.

Table 9: Weighted Capital Costs

Item	Balance	Capital Structure	Cost	Wtd. Cost
First Interstate Bank, Loan No. 1	\$7,607,578	40.47%	4.64%	1.88%
First Interstate Bank, Loan No. 2	\$1,923,676	10.23%	4.29%	0.44%
Ally, Loan No. 3	\$6,429	0.03%	3.99%	0.00%
Ally, Loan No. 4	\$9,270	0.05%	3.99%	0.00%
Total Debt	\$9,546,953	50.79%		2.32%
Total Equity	\$9,250,741	49.21%	9.50%	4.68%
Total Debt + Equity	\$18,797,694	100.00%		7.00%

Q. Did the Stipulating Parties make any changes to the debt and equity balances shown in Avion’s Application?

A. Yes. The Stipulating Parties adjusted the loan balances to reflect the known amortization of Avion’s debt through the end of 2020. The Parties also

⁹⁹ Application, Page 4, Question 14.

1 adjusted the equity balance such that the combined total of Avion's debt and
2 equity is equal to the total rate base.

ISSUE 8 – RATE SPREAD AND DESIGN

Q. Please describe how the Stipulating Parties agreed to spread the revenue requirement to Avion’s various service offerings.

A. With the exception of revenues attributable to City of Bend franchise fees, the Stipulating Parties agreed to spread revenues primarily based on the amount collected in the test year. The test year and UW 181 revenue categories and corresponding percentages are summarized in Table 10.

Table 10: UW 181 Revenue Allocation

Revenue Category	Test Year Revenue	% of Total	UW 181 Revenue
Residential & Commercial	\$7,875,740	88.35%	\$8,408,313
Large Interruptible Irrigation	\$120,657	1.35%	\$128,816
Irrigation	\$464,950	5.22%	\$496,391
Private Fire Protection	\$25,774	0.29%	\$27,517
Hydrant Maintenance	\$6,003	0.07%	\$6,409
Sales for Resale	\$30,621	0.34%	\$32,692
Cross Connection Control	\$245,463	2.75%	\$262,062
Miscellaneous Revenues	\$144,791	1.62%	\$154,582
Total (excluding franchise fee)	\$8,913,999	100.00%	\$9,516,781

Not shown in Table 10 is \$207,330 in City of Bend franchise fee revenue, as the Stipulating Parties agreed to include the actual test year amount rather than a calculated amount for these revenues. Although franchise fee revenue was excluded from Avion’s initial Application, the Stipulating Parties agreed that it should be included in accordance with the corresponding inclusion of related expenses in Account 408.13. Furthermore, the \$496,391 in UW 181 allocated irrigation revenues shown above were further allocated to standard irrigation, Nottingham irrigation, and irrigation assessments based on the UW 171-assumed amounts. These allocations are summarized below.

Irrigation Rate	UW 171	% of Total	UW 181
Standard	\$165,000	32.6%	\$161,794
Nottingham	\$79,000	15.6%	\$77,465
Assessments	\$262,227	51.8%	\$257,132
TOTAL	\$506,227		\$496,391

1 **Q. Is it typical for revenues to be spread based on historical data in water**
2 **rate cases?**

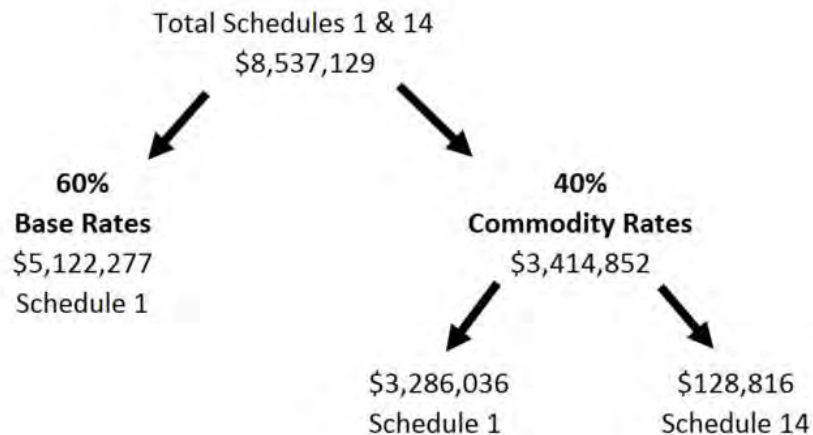
3 A. Yes. Water utilities typically do not perform detailed cost of service studies due
4 to the significant time and expense involved. In the absence of such
5 information, revenues are commonly spread based on test year actuals or
6 other historical information in water rate cases.

7 **Q. Please describe the rate components for Avion's Schedule No. 1**
8 **Residential and Commercial service.**

9 A. Avion's Schedule No. 1 service rates consist of a monthly base rate, which is
10 assessed regardless of the quantity of water used, and a commodity rate (also
11 known as a variable or usage rate), which is assessed per unit of water
12 consumed. Avion's water is measured in units of 100 cubic feet. The base
13 rate provides a reliable revenue stream that enables the Company to cover its
14 fixed costs even during the portions of the year when water consumption is
15 low. Residential and commercial service is combined on Schedule No. 1
16 because there is no meaningful distinction between the service that Avion
17 provides to residential and commercial customers.

1 **Q. Please describe the rate design associated with the agreed-upon**
 2 **revenue allocation of \$8,408,313 to Schedule No. 1 Residential and**
 3 **Commercial service.**

4 A. In designing water rates, Staff typically allocates 60 percent of associated
 5 revenues to base rates, and 40 percent to commodity rates, and the Stipulating
 6 Parties agreed to do the same in this case. In response to Staff's Data
 7 Request 72, Avion explained that its Schedule No. 14 Large Interruptible
 8 Irrigation revenue is included in Account 461.2 (Commercial Water Sales).¹⁰⁰
 9 As such, the Stipulating Parties applied the typical 60/40 split to the combined
 10 total of Account 461.1 (Residential Water Sales) and Account 461.2, as shown
 11 below.



12 After removing \$128,816 in Schedule 14 commodity revenue (allocated based
 13 on the test year amount, as discussed previously), the amount attributable to
 14 Schedule No. 1 residential and commercial commodity rates is \$3,286,036, or
 15 39.08 percent of total Schedule No. 1 revenue. The amount attributable to

¹⁰⁰ See Exhibit Staff/103, Yamada/93, Avion's response to Staff's Data Request 72.

1 Schedule No. 1 residential and commercial base rates is \$5,122,277, or 60.92
2 percent of total Schedule No. 1 revenue:

Rate Type	Revenue	%
Base Rates	\$5,122,277	60.92%
Commodity Rates	\$3,286,036	39.08%
Total	\$8,408,313	100.00%

3 **Q. Please explain how base rates are developed.**

4 A. Water base rates are typically designed such that customers with larger meter
5 sizes pay higher rates than those with smaller meters. This is because “the
6 safe operating flow, or capacity, of a particular size of meter is essentially the
7 limiting factor in terms of the demand that can be exerted on the water system
8 through the meter.”¹⁰¹ Furthermore, “the potential demand or capacity
9 requirements placed on the water system...is generally an accepted basis for
10 determining the level of charge applicable to the customer.”¹⁰² As such, Staff
11 typically uses a standard set of factors, sometimes referred to as “AWWA
12 factors,” to determine the appropriate relative differences in base rates for
13 different meter sizes. For example, the standard factor for a 5/8-inch base rate
14 is 1 and the standard factor for a 1-inch base rate is 2.5, which means that a
15 customer with a 1-inch meter would typically pay a base rate that is
16 approximately 2.5 times that of a customer with a 5/8-inch meter.

17 **Q. Did the Stipulating Parties utilize the standard factors in designing**
18 **Schedule No. 1 base rates?**

¹⁰¹ Principles of Water Rates, Fees, and Charges (M1) (6th Edition). American Water Works Association, 2012, Page 324.

¹⁰² *Id.*

1 A. No. As discussed in Staff's UW 171 testimony, in the past, the base rate
 2 applicable to Avion's 5/8-inch Schedule No. 1 customers was too high and did
 3 not align with the standard factors.¹⁰³ As such, over the last several Avion rate
 4 cases, "Staff has been adjusting base rates to move toward the AWWA factors
 5 while still attempting to avoid rate shock to the larger metered customers."¹⁰⁴
 6 In the present case, the factors agreed to by the Stipulating Parties continue to
 7 move toward the standard factors. In UW 171, all Schedule No. 1 base rates
 8 were calculated using the standard factors with the exception of the 5/8-inch,
 9 1.5-inch, and 6-inch rates. In the present case, the 1.5-inch and 6-inch rates
 10 are calculated using the standard factors; only the 5/8-inch base rate is
 11 calculated using a non-standard factor. Specifically, the Stipulating Parties
 12 used a factor of 1.1, rather than the standard factor of 1.0, to avoid a significant
 13 reduction in the 5/8-inch base rate. The Stipulating Parties' agreed-upon
 14 Schedule No. 1 base rate calculations are summarized in Table 11.

Table 11: Schedule No. 1 Residential/Commercial Rate Design

Meter Size	Customers	Factors	Adjusted Customers	% of Total	Revenue Allocation	Base Rate
5/8"	12,923	1.1	14,216	77.10%	\$3,949,129	\$25.46
3/4"	340	1.5	510	2.77%	\$141,678	\$34.72
1"	940	2.5	2,350	12.74%	\$652,829	\$57.87
1 1/2"	40	5.0	200	1.08%	\$55,560	\$115.75
2"	81	8.0	648	3.51%	\$180,014	\$185.20
3"	11	15.0	165	0.89%	\$45,837	\$347.25
4"	12	25.0	300	1.63%	\$83,340	\$578.75
6"	1	50.0	50	0.27%	\$13,890	\$1,157.50
8"	-	80.0	-	0.00%	\$-	\$1,852.00
TOTAL	14,348		18,439	100.00%	\$5,122,277	

¹⁰³ See Staff/100, Brock/31 in Docket No. UW 171, at 13-14.

¹⁰⁴ See Staff/100, Brock/31 in Docket No. UW 171, at 14-16.

1 In Avion's next general rate proceeding, Staff and Avion should attempt to
2 calculate all Schedule No. 1 base rates using the standard factors.

3 **Q. Did the Stipulating Parties make any changes to Avion's test year**
4 **customer counts in calculating Schedule No. 1 base rates?**

5 A. Yes. In accordance with the inclusion of certain plant and expense items
6 through 2020, the Stipulating Parties also agreed to increase customer counts
7 through 2020. In discussions with Staff, Avion indicated that it typically only
8 experiences growth in its 5/8-inch Schedule No. 1 service, as new hookups at
9 larger sizes are rare. As such, the Stipulating Parties agreed to increase the
10 5/8-inch Schedule No. 1 customer count by two percent over the test year
11 amount, from 12,670 to 12,923. This change has the effect of spreading the
12 \$5,122,277 in allocated Schedule No. 1 base rate revenue over a larger
13 customer base, resulting in lower base rates than if the adjustment had not
14 been made. Only the 5/8-inch Schedule No. 1 customer count was increased
15 for the purpose of calculating rates in this case—the Stipulating Parties used
16 actual test year counts for other services.

17 **Q. Please explain how the Schedule No. 1 commodity rate was calculated.**

18 A. In addition to escalating the 5/8-inch customer count, the Stipulating Parties
19 agreed to increase the consumption associated with Schedule No. 1 5/8-inch
20 customers. In discussions with Staff, Avion indicated that the size of new lots
21 sold in its service territory is generally decreasing as the Bend area becomes
22 increasingly developed. Because new customers typically have smaller lots
23 than the average existing customer, they typically consume less water than

1 existing customers on a per-customer basis. Consequently, the Stipulating
2 Parties agreed to escalate consumption to a lesser degree than customer
3 count. As the 5/8-inch customer count was increased by two percent, the
4 Stipulating Parties agreed to increase the associated consumption by only
5 1.5 percent, from 234,991,968 in the test year to 238,516,848. The resulting
6 total consumption used to calculate the Schedule No. 1 commodity rate is
7 332,047,044 cubic feet, or 3,320,470 units of 100 cubic feet. Dividing the
8 allocated revenues of \$3,286,036 by 3,320,470 annual consumption units
9 results in a Schedule No. 1 commodity rate of \$0.99 per unit. Again, this
10 change has the effect of spreading the revenues allocated to commodity rates
11 over a larger consumption quantity, resulting in a lower commodity rate than if
12 the adjustment had not been made.

13 **Q. Please explain how Schedule No. 14 Large Interruptible Irrigation**
14 **service differs from Schedule No. 1 Residential and Commercial**
15 **service.**

16 A. Under Schedule No. 14, 4-inch and 6-inch irrigation customers may agree to
17 be among the first accounts whose service is interrupted in the event of Avion
18 exceeding its maximum water right, which is of particular concern during the
19 highest-usage times of the year. In exchange for the possibility of interruption,
20 these customers pay a reduced commodity rate for water. For example, while
21 Avion's current Schedule No. 1 commodity rate is \$0.95 per unit, the Schedule
22 No. 14 rate is \$0.40 per unit. Avion has indicated that it currently has three
23 customers that pay the reduced Schedule No. 14 commodity rate.

1 **Q. Please describe the rate design associated with the agreed-upon**
2 **revenue allocation of \$128,816 to Schedule No. 14 (Large Interruptible**
3 **Irrigation) service.**

4 A. The Schedule No. 14 rate consists of only a commodity rate, with no base rate
5 component. Customers who receive the Schedule No. 14 reduced commodity
6 rate pay the normal Schedule No. 1 base rate in accordance with their meter
7 size. The Stipulating Parties' agreed-upon Schedule No. 14 commodity rate is
8 calculated using the associated test year consumption of 26,888,824 cubic
9 feet. No escalation was made to the test year consumption amount in
10 computing the Schedule No. 14 commodity rate. The rate is calculated by
11 dividing the revenue allocation of \$128,816 by the associated consumption of
12 268,888 units, resulting in a commodity rate of \$0.48 per unit.

13 **Q. Please describe Avion's Schedule No. 2 irrigation service.**

14 A. Under Schedule No. 2 of its tariff, Avion provides irrigation water to customers
15 who have water rights adjudicated to their land. Although this irrigation water is
16 ultimately purchased from the Arnold, Swalley, and Central Oregon Irrigation
17 Districts, Avion's facilities are used to transport the water between the irrigation
18 district and the customer. Avion also performs the function of collecting from
19 customers and passing through certain fees assessed by the irrigation districts.

20 **Q. Please describe the rate components for Avion's Schedule No. 2**
21 **irrigation service.**

22 A. Avion's standard Schedule No. 2 irrigation rates include three components: a
23 monthly base rate, a monthly variable rate, and an irrigation assessment. The

1 assessment portion is essentially a pass-through item—Avion collects from
2 customers and passes along the actual amount assessed by the irrigation
3 district. The variable rate is assessed based on the number of acre feet
4 adjudicated to the customer's premises, and the base rate is charged monthly
5 to all Schedule No. 2 irrigation customers.

6 **Q. Please describe the rate design associated with the \$161,794 revenue**
7 **allocation to Avion's Schedule No. 2 irrigation service.**

8 A. The \$161,794 revenue allocation is used to calculate Schedule No. 2 base and
9 variable rates—the irrigation assessments are charged at cost and are
10 separately allocated revenues of \$257,132. Similar to the Schedule No. 1 rate
11 design, Schedule No. 2 revenues were allocated 60 percent to base rates and
12 40 percent to variable rates. Using the ending 2019 customer count of 781, the
13 \$97,076 allocation to base rates results in a Schedule No. 2 base rate of
14 \$10.36 per month. Using the 713 acre feet associated with these customers in
15 the test year, the \$64,718 allocation to variable rates results in a monthly
16 variable rate of \$7.56 per acre foot of irrigation water.

17 **Q. Please describe Avion's Schedule No. 13 Nottingham irrigation service.**

18 A. Avion's Schedule No. 13 relates specifically to irrigation service in the
19 Nottingham neighborhood. As discussed in more detail in Staff's UW 171
20 testimony, Avion acquired a portion of the former Juniper utility system from the
21 City of Bend in March of 2017. That acquisition included 180 Nottingham
22 irrigation customer equivalents. Nottingham irrigation customers are served,
23 up to the point of interconnection with Avion's system at Nottingham, by a

1 separate irrigation water system that is currently owned by Roats Water
2 System (Roats). Avion pays Roats a wheeling fee to deliver irrigation water to
3 the Nottingham subdivision.

4 **Q. Please describe the rate design associated with the agreed-upon**
5 **revenue allocation of \$77,465 to Nottingham irrigation service.**

6 A. This amount is allocated entirely to base rates; there is no measured
7 component to Nottingham irrigation service. The Stipulating Parties agreed to
8 calculate the base rate using the test year customer count of 180, resulting in a
9 monthly base rate of \$35.86. Because the Nottingham subdivision is fully built
10 out, the overall number of customers in this neighborhood is not expected to
11 increase over time.

12 **Q. Please describe the service and rate design associated with the**
13 **agreed-upon revenue allocation of \$27,517 to Private Fire Protection**
14 **service.**

15 A. Under Schedule No. 4 of its tariff, Avion provides service to customers with
16 privately-owned and maintained fire service lines connected to Avion's mains.
17 There is no commodity rate component to this service—the revenues are
18 allocated entirely to base rates. The Stipulating Parties agreed to assign the
19 revenues to the various line sizes using the same factors that were used in
20 UW 171. The rate calculations agreed to by the Stipulating Parties are
21 summarized in Table 12.

Table 12: Schedule No. 4 Private Fire Protection Rate Design

Meter Size	Customers	Factors	Adjusted Customers	% of Total	Revenue Allocation	Base Rate
<=4"	50	1.00	50	66.02%	\$18,166	\$30.28
6"	10	2.19	22	28.91%	\$7,957	\$66.30
8"	1	3.84	4	5.07%	\$1,395	\$116.26
10"	-	5.96	-	0.00%	\$-	\$180.44
12"	-	8.55	-	0.00%	\$-	\$258.86

1 **Q. Please describe the service and rate design associated with the**
2 **agreed-upon revenue allocation of \$6,409 to Hydrant Maintenance.**

3 A. Also under Schedule No. 4 of its tariff, Avion offers hydrant maintenance
4 services to customers with fire hydrants located on their premises. There is no
5 commodity rate component for this service. The Stipulating Parties agreed to
6 spread the allocated revenues over the test year customer count of 28,
7 resulting in a monthly base rate of \$19.07 for this service.

8 **Q. Please describe the service and rate design associated with the**
9 **agreed-upon revenue allocation of \$32,692 to Sales for Resale.**

10 A. Sales for Resale refers to Avion's Schedule No. 5 Commercial Water Hauler
11 service. There is no base rate component for this service as customers are
12 charged based on the quantity of water purchased. The Stipulating Parties
13 calculated this rate using the associated test year consumption of 2,680,000
14 cubic feet, resulting in a variable rate of \$1.22 per 100 cubic feet.

15 **Q. Did the Stipulating Parties agree to any other changes to Avion's**
16 **rates?**

17 A. Yes. Currently, under Schedule No. 3 of Avion's tariff, customers who pay by
18 credit or debit card are assessed a \$0.75 transaction fee. The Stipulating

- 1 Parties agreed to socialize costs associated with electronic payments and to
- 2 eliminate the separate fee from Avion's tariff.

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ISSUE 9 – TCJA DEFERRED AMOUNTS

Q. Please summarize the Stipulating Parties' recommendation regarding the inclusion of TCJA deferred amounts, through Docket No. UM 1936, in this docket.

A. The Stipulating Parties recommend that Avion initiate a Tax Act Rate Credit (TARC) Schedule associated with the tax benefits Avion has realized from the TCJA and have been deferred under UM 1936. The initial TARC rate credit will result in a credit on a uniform per customer basis, which will be passed back to customers over two months, in August and September 2021. That initial credit will reflect the amortization of tax benefits deferred in Docket No. UM 1936 for the period from March 1, 2018 through December 31, 2020. Beginning in 2022, related to the results of calendar year 2021, Avion will update the TARC Schedule to reflect deferred CIAC Tax Benefits that I will describe later in my testimony. The reduction of the federal corporate income tax rate from 35 percent to 21 under the TCJA, as well as EDIT tax benefits, will be incorporated into customer's base rates in this docket, and therefore will not be subject to ongoing treatment through the TARC Schedule.

Q. Please describe the origination of Docket No. UM 1936.

A. As a result of the TCJA, the federal income tax exemption for CIAC was eliminated, and instead CIAC must be recognized as taxable income by water utilities. Utilities are therefore required to pay income taxes on CIAC in the year it is contributed to the utility.

1 Avion serves an area experiencing rapid and unpredictable development and,
2 as a result, receives significant CIAC. To address the financial stress that
3 payment of these new taxes would impose on Avion, the Company filed
4 (ADV 723) a tariff revision allowing it to collect a fee in the amount of the CIAC-
5 related taxes from the CIAC contributors. Staff supported Avion's tariff revision
6 but indicated an intent to also track the associated tax benefits as part of an
7 encompassing view of the TCJA. Staff concluded that addressing one aspect
8 of the TCJA, while not addressing other impacts, would not result in a fair
9 balance between the interests of customers and Avion. As a result of
10 ADV 723, Avion implemented its Schedule No. 8 CIAC Tax.¹⁰⁵

11 Consistent with Staff's intent to view the effects of the TCJA in total, on
12 March 1, 2018, Staff filed an application to defer changes in Avion's federal
13 income tax obligation resulting from the TCJA. On February 28, 2019 and
14 March 2, 2020, Staff filed applications to reauthorize those deferrals.¹⁰⁶

15 **Q. Please describe the components of the deferrals requested by Staff in**
16 **UM 1936.**

17 A. At the November 17, 2020 public meeting, the Commission approved deferral
18 of the following Avion tax benefits:

19 1) Annual Tax Rate Benefits - The decrease in the annual revenue
20 requirement due to changes in how taxable income from operations is
21 determined, the effect of reducing the statutory federal rate from 35 percent to

¹⁰⁵ See February 14, 2018 Staff Report in ADV 723, page 4.

¹⁰⁶ See Docket No. UM 1936.

1 21 percent, and changes in allowable tax credits, etc. For Avion, the tax rate
2 changed from 34 percent¹⁰⁷ to 21 percent based on its prior rate case.

3 2) EDIT - Revaluation of deferred tax obligations at the new lower statutory
4 rate resulted in excess deferred income taxes (EDIT). Federal law provides
5 that the return to ratepayers of EDIT related to utility plant must generally
6 comply with the Average Rate Assumption Method (ARAM). Failure to adhere
7 to the ARAM methodology would result in a normalization violation, with a
8 dollar for dollar penalty, and terminate the Company's ability to use accelerated
9 depreciation methods for tax purposes. These amounts are generally referred
10 to as "protected" EDIT.

11 3) CIAC Tax Benefits – Avion is collecting the taxes created by the taxability
12 of CIAC from contributors and a method for returning the related CIAC Tax
13 Benefits needs to be determined. The Stipulating Parties' proposed
14 amortization of these amounts to customers, rather than contributors, is
15 explained further below.

16 A more complete description of the deferrals can be found in the UM 1936
17 Public Meeting Memo, found in Exhibit Staff/104.

18 **Q. Please describe how the Stipulating Parties propose to calculate and**
19 **implement the amount of UM 1936 deferrals to be amortized through**
20 **the proposed TARC Schedule.**

21 A. Annual Tax Rate and EDIT:

¹⁰⁷ The tax rate used in UW 171 was 34 percent as compared to the 35 percent Federal Tax rate. Avion was not a C-corporation at the time of UW 171.

- 1 • The Annual Tax Rate deferral will be calculated by changing the
2 previous tax rate of 34 percent to 21 percent and using the new rate in
3 Avion's pro-forma normalized earnings for the years 2018-2020. The
4 EDIT deferral for the years 2018-2020 will be calculated by calculating
5 the change in deferred income taxes for all future years for all plant
6 assets that resulted from the change in the tax rate from 34 percent to
7 21 percent in accordance with the ARAM provisions.
- 8 • Deferred amounts will accrue interest during the deferral period at the
9 Company's authorized Rate of Return (ROR) until the amortization
10 period.
- 11 • Earnings tests for the years 2018-2020 will be set at the Company's
12 authorized ROE and use the method described above.
- 13 • Avion will submit an Advice filing by June 15, 2021, seeking
14 implementation of the TARC Schedule, to amortize the initial TARC
15 credit over August and September of 2021. Given the very short
16 amortization period, interest will not accrue during this time.

17 CIAC Tax Benefits:

- 18 • For all CIAC plant assets that were put in service on or after March 1,
19 2018 (CIAC Taxable Assets) Avion will accumulate the associated tax
20 benefits on a monthly basis as described below.
- 21 • Deferred amounts will earn interest at the Modified Blended Treasury
22 (MBT).

- 1 • Avion has agreed to waive the earnings test related to the CIAC Tax
2 Benefits until the next rate case.
- 3 • Deferral of the CIAC Tax Benefits for the years 2018-2020 will be
4 passed back to customers in the initial TARC. Amounts deferred starting
5 in 2021 will be amortized the following year in the annual TARC filing.
- 6 • Avion will submit an Advice filing by June 15th of each year starting in
7 2022 to amortize the TARC credit over August and September of that
8 year. Given the very short amortization period, interest will not accrue
9 during this time.

10 The results in Table 13 below reflect the application of an earnings test and
11 deferral of the Annual Tax Rate and EDIT (above), but exclude the CIAC Tax
12 Benefit portion of the deferrals described above. The CIAC Tax Benefits
13 amounts will be added to the calculation shown in Table 13 below to determine
14 the amount to be ultimately amortized. While the Parties have not determined
15 the amount of the CIAC Tax Benefits as of the date of this filing, the Parties
16 have agreed that the CIAC Tax Benefits will be excluded from the earnings
17 test.

18 **Q. Please describe the method the Stipulating Parties have agreed to use in**
19 **determining the amount of the CIAC Tax Benefits deferral.**

20 A. The method that will be used to develop the CIAC Tax Benefits for each CIAC
21 asset is shown in Attachment C to the Stipulation filed in this case. The
22 method shown in Attachment C will be applied on a monthly basis to all

1 Taxable CIAC Assets. The monthly deferral will equal the sum of the monthly
2 amounts for all Taxable CIAC Assets for that month.

3 **Q. Why have the parties agreed to apply the MBT rate to deferred CIAC tax**
4 **benefits, rather than Avion's authorized rate of return?**

5 A. Although the Commission's policy is to apply the utility's rate of return to
6 deferred amounts, the use of the MBT rate is appropriate in this case because
7 the CIAC Tax Benefits represent a relatively straightforward, certain, and
8 measurable event. The Commission typically applies the MBT rate to accrue
9 interest during the amortization period of deferrals in recognition of the fact that
10 there is less risk associated with the determination and collection of those
11 amounts during the amortization period than during the deferral period. Avion,
12 through grossing up the taxes through its Schedule No.8 is requiring the
13 contributors to pay all the taxes associated with the taxability of CIAC in the
14 year the CIAC was contributed. The CIAC Tax Benefit is simply a means of
15 passing the associated tax benefits (which will equal the amount of the initial
16 tax gross-up) back to customers.

17 **Q. Please describe the results shown in Table 13.**

18 A. Table 13 shows the results of the agreed upon amortization for deferred
19 Annual Tax Rate and EDIT amounts based on an earnings test applied to the
20 Company's 2018 and 2019 normalized results of operations. The Stipulating
21 Parties agreed to an earnings test set at Avion's ROE of 9.5 percent, the ROE
22 approved in the Company's most recent rate case (UW 171), because this is
23 the Company's authorized ROE over each deferral period.

1 As can be seen on that table, for 2018, Avion earned a Weighted ROE of
2 6.72 percent (B9), which is above its authorized Weighted ROE of
3 5.61 percent (F9), by 1.11 percent. Staff calculated \$303,804 (D5) as the
4 principal amount of deferral, but the amortization of that deferral, along with
5 associated interest, would be reduced to \$289,314 (E1) when an earnings test
6 is applied.

7 For 2019, Avion earned a Weighted ROE of 4.35 percent (B9), which is below
8 its authorized Weighted ROE of 5.61 percent (F9), by 1.26 percent. Staff
9 calculated \$224,950 (D5) as the principal amount of deferral, but the
10 amortization of that deferral would be reduced to \$0 when an earnings test is
11 applied.

12 For 2020, results of an earnings test will be calculated as part of the June 15,
13 2021 TARC filing, once utility earnings are known over the deferral period.

Table 13 - Illustrative example of the earnings test

2018						
Line No.	Description	2018 Normalized 21%	2018 Normalized 34%	Tax Diff * Gross up	Amt to Auth RoR	2018 at 21% & Auth
1	Revenues	9,315,012	9,315,012		(289,314)	9,025,698
2	Operating Expenses	5,993,637	5,993,637		(868)	5,992,769
3	Other (Excl Inc. Taxes)	1,328,875	1,328,875			1,328,875
4	State Income Taxes	119,080	119,080		(19,960)	99,119
5	Federal Income Taxes	321,856	544,586	(303,804)	(56,382)	265,474
6	Net Income	1,551,564	1,328,834		(212,104)	1,339,461
7	Rate Base	19,046,988	19,046,988			19,046,988
8	ROR	8.15%	6.98%			7.03%
9	Weighted ROE	6.72%	5.55%			5.61%

2019						
Line No.	Description	2019 Normalized 21%	2019 Normalized 34%	Tax Diff * Gross up	Amt to Auth RoR	2019 at 21% & Auth
1	Revenues	9,184,412	9,184,412		351,990	9,536,402
2	Operating Expenses	6,274,534	6,274,534		1,056	6,275,590
3	Other (Excl Inc. Taxes)	1,431,638	1,431,638			1,431,638
4	State Income Taxes	82,025	82,025		24,285	106,309
5	Federal Income Taxes	210,203	375,122	(224,950)	68,596	278,800
6	Net Income	1,186,012	1,021,093		258,053	1,444,065
7	Rate Base	20,534,455	20,534,455			20,534,455
8	ROR	5.78%	4.97%			7.03%
9	Weighted ROE	4.35%	3.55%			5.61%

1 **Q. Why did the Stipulating Parties conduct an earnings test in association**
 2 **with amounts to be amortized?**

3 A. ORS 757.259(5) requires the Commission to review a utility’s earnings prior to
 4 amortization of deferred amounts. Regarding the use of an earnings test, the
 5 Commission has stated that “[b]efore amortization has been authorized,
 6 recovery of a deferred account balance may be subject to a prudence review
 7 and earnings test.”¹⁰⁸ The Commission has wide discretion in designing an
 8 earnings test, whose purpose is “to determine whether any amortization is

¹⁰⁸ See Order No. 05-1070, Docket No. UM 1147, page 14.

1 appropriate.”¹⁰⁹ The Commission has stated that “[t]he test ensures that
2 utilities do not receive extraordinary relief through retroactive ratemaking for
3 additional costs incurred when their overall earnings are sufficient. Conversely,
4 the test ensures that utilities are not to refund amounts to customers while
5 earnings are below reasonable levels.”¹¹⁰

6 The application of an earnings test to the Annual Rate Savings and EDIT in this
7 case would differ from the treatment given the energy utilities with regard to
8 their TCJA deferrals, as they all waived their right to have an earnings test
9 applied to deferred TCJA amounts prior to amortization. As described further
10 below, given the size of Avion, with much less ability to absorb unplanned
11 expenses, Staff and Avion agreed that an earnings test, excluding the CIAC
12 Tax Benefits, set at the Company’s ROE appropriately balanced the interests
13 of shareholders and ratepayers.

14 **Q. Why do the Stipulating Parties feel Avion’s authorized Return on**
15 **Equity (ROE) from UW 171 represents a reasonable benchmark for use**
16 **in the earnings test for Annual Tax Benefits and EDIT?**

17 A. The Stipulating Parties agreed that an earnings test set at Avion’s authorized
18 ROE over the deferral period represented the fairest position for both the
19 Company and customers, and is consistent with prior Commission practice.¹¹¹
20 In years where Avion earned more than its ROE, the result of the earnings test
21 would allow customers to receive the full amount of benefits that would result in

¹⁰⁹ *In re Idaho Power Co.*, OPUC Docket No. UE 233, Order No. 13-416 at 11.

¹¹⁰ *Id.* at 12.

¹¹¹ Order No. 13-416 at 7-8.

1 Avion earning its authorized ROE, rather than the tax savings being a windfall
2 to the Company. In years where Avion earned less than its ROE, the Company
3 would not be further impacted by having to absorb an additional expense that
4 would require the Company to effectively under-earn for the deferral period.
5 Avion has agreed to waive an earnings test that would result in a sharing of
6 CIAC Tax Benefits between the Company and Customers until the next rate
7 case.

8 **Q. Please summarize the TARC that Avion will use to pass back tax benefits**
9 **as a result of the Commission adopting the Stipulating Parties'**
10 **recommendation.**

11 A. As described above, tax benefits will be passed back to customers via the
12 TARC as follows:

13 **Initial TARC Rate** –the initial tax benefits credited to customers through the
14 TARC will occur over August and September of 2021 and will include all 1)
15 Annual Tax Rate, 2) EDIT and 3) CIAC Tax Benefits to be amortized
16 associated with deferrals from March 1, 2018 through December 31, 2020.

17 **Ongoing TARC Rate** – the TARC will be updated annually, beginning in 2022,
18 with credits to customers in August and September of each year, to reflect all
19 CIAC Tax Benefits deferred for the prior calendar year.

20 **Rate Spread** – All tax benefits will be provided to customers on a uniform per
21 customer basis. The Stipulating Parties believe a uniform per customer basis
22 represents a reasonable way to equally distribute the deferred savings to
23 customers. The Stipulating Parties also believe provision of the credit during

1 the summer months will be most beneficial to customers as their bills are often
2 highest during this time due to increased irrigation usage.

3 **Q. Please describe changes that have occurred in the Stipulating Parties’**
4 **proposed treatment of CIAC Tax Benefits.**

5 A. The Stipulating Parties’ treatment of CIAC Tax Benefits in this case represents
6 a departure from the Commission’s prior decision at its February 27, 2018
7 public meeting. In initial discussions regarding Avion’s Schedule No. 8 CIAC
8 Tax Fee, Staff and the Company agreed that the CIAC-related Tax Benefits
9 should be passed back to the contributors (i.e., that the depreciation tax benefit
10 should be enjoyed by those persons paying the tax liability), which was part of
11 Staff’s recommendation to the Commission in approving Avion’s Schedule 8
12 through ADV 723. Further, Avion agreed that it would keep accurate and
13 detailed records of contributors (both customers and developers) of CIAC tax
14 fees pursuant to Schedule 8, to allow that to happen.¹¹²
15 Subsequent to the filing of ADV 723, Avion has expressed concerns with the
16 viability of tracking and returning the appropriate amount to the CIAC
17 contributors stating, “... at this point, there are 194 people who would need to
18 be tracked for 25 years as of the end of October 2020. As this continues, Avion
19 would need to track thousands of people,” and “...the development companies
20 often form separate subsidiaries or separate legal entities which are created
21 only for the life of a particular project—which is typically much shorter than the
22 life of the CIAC asset—and are then dissolved upon completion of that project.”

¹¹² See February 14, 2018 Staff Report in ADV 723, page 6.

1 Due to difficulties explained above, the Stipulating Parties are now proposing
2 these amounts be passed back to the general customer base through the
3 annual TARC Schedule.

ISSUE 10 – OTHER ISSUES**Q. Did Avion notify customers of its requested rate increase?**

A. Yes. Avion worked with Staff to draft a customer notice that met the requirements of OAR 860-036-2030.¹¹³ Avion provided the notice to its mailing service on July 13, 2020, and provided a copy to the Commission's Consumer Services Section on July 14, 2020. The notices were provided within 15 calendar days of the filing of the Application, in compliance with the rule. Although Avion has typically posted rate increase notices in the local newspaper in past rate cases, in compliance with the current requirements of OAR 860-036-2030(2), Avion provided a separate written notice of its proposed increase to each customer.

Q. Did any customers contact the Commission regarding Avion's proposed rate increase?

A. Yes. Staff received correspondence from four customers expressing general opposition to the proposed rate increase. Three of the comments specifically opposed the magnitude of the proposed 14 percent increase. One customer suggested that a two to five percent increase would be more appropriate, and one suggested that the Commission wait one year to consider a rate increase proposal from Avion. Customer comments were received through the Commission's Consumer Services Section, and Consumer Services representatives provided customers with additional information regarding the

¹¹³ See Exhibit Staff/103, Yamada/94-95, Avion's UW 181 customer notice.

1 rate case process. No customers attended the September 2, 2020, Public
2 Comment Hearing, and no customers petitioned to intervene in this case.

3 **Q. Did the Stipulating Parties agree on a rate effective date?**

4 A. Yes. The Stipulating Parties agreed to the new rates becoming effective on
5 January 1, 2021.

6 **Q. Does this conclude your testimony?**

7 A. Yes.

CASE: UW 181
WITNESS: STEPHANIE YAMADA

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

Witness Qualifications Statement

November 19, 2020

WITNESS QUALIFICATION STATEMENT

NAME: Stephanie Yamada

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst,
Telecommunications and Water Division

ADDRESS: 201 High St SE, Suite 100, Salem, OR, 97301

EDUCATION: Master of Business Administration
Western Governors University

Bachelor of Science in Accounting
University of Oregon

EXPERIENCE: I have been employed with the Public Utility Commission of Oregon since 2013. I am currently a Senior Utility Analyst in the Telecommunications and Water Division. My responsibilities include leading research and providing technical support on a wide range of technical and policy issues for water and telecommunications companies. I have analyzed and addressed numerous telecommunications issues including special contracts, promotional concessions, tariff changes, price listings, numbering issues, service abandonment, property sales, and price plans, and provided testimony in UM 1895. With regard to water, I have analyzed and addressed numerous issues including tariff changes, property sales, affiliated interest transactions, financing requests, revenue requirement calculations, cost of service, rate spread, and rate design. I have also served as case manager on several water rate cases, and have provided testimony in UW 163, UW 166, UW 173, UP 384, and UW 176.

CASE: UW 181
WITNESS: STEPHANIE YAMADA

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 102

**Exhibits in Support of Testimony
Summary Tables**

November 19, 2020

Revenue Requirement

Company Proposed Increase
14.04%

Stipulated Increase
9.09%

REVENUES

#	Account	Test Year	Company Adjustments	Company Proposed Totals	Stipulated Adjustments to Company Totals	Stipulated Totals
460	Unmetered			\$ -		\$ -
461.1	Residential	7,035,725	1,092,620	\$ 8,128,345	(730,191)	\$ 7,398,154
461.2	Commercial	960,672	149,189	\$ 1,109,861	29,114	\$ 1,138,975
462	Fire Protection Sales	31,777	4,935	\$ 36,712	(2,786)	\$ 33,926
465	Irrigation Water Sales	464,950	-	\$ 464,950	31,441	\$ 496,391
466	Water Sales for Resale	30,621	4,755	\$ 35,376	(2,684)	\$ 32,692
471	Miscellaneous Services	144,791		\$ 144,791	9,791	\$ 154,582
475	Cross Connection Control	245,463		\$ 245,463	16,599	\$ 262,062
	Other (Franchise Fees)	-		\$ -	207,330	\$ 207,330
	Total Revenue	\$ 8,913,999	\$ 1,251,499	\$ 10,165,498	\$ (441,387)	\$ 9,724,111

OPERATING EXPENSES

601	Salaries and Wages - Employees	1,868,546	247,659	\$ 2,116,205	\$ (868)	\$ 2,115,337
603	Salaries and Wages - Officers	510,353		\$ 510,353	\$ (209)	\$ 510,144
604	Employee Pension & Benefits	843,300	24,965	\$ 868,265	\$ (15,516)	\$ 852,749
610	Purchased Water	227,065		\$ 227,065	\$ -	\$ 227,065
611	Telephone/Communications	81,669		\$ 81,669	\$ -	\$ 81,669
615	Purchased Power	913,946	42,203	\$ 956,149	\$ (32,509)	\$ 923,640
616	Fuel for Power Production	-		\$ -	\$ -	\$ -
617	Other Utilities	10,981		\$ 10,981	\$ -	\$ 10,981
618	Chemical / Treatment Expense	-		\$ -	\$ -	\$ -
619	Office Supplies	9,391		\$ 9,391	\$ -	\$ 9,391
619.1	Postage	3,771		\$ 3,771	\$ -	\$ 3,771
620	O&M Materials/Supplies	254,031		\$ 254,031	\$ 32,226	\$ 286,257
621	Repairs to Water Plant	335,049		\$ 335,049	\$ (104,818)	\$ 230,231
631	Contract Svcs - Engineering	-		\$ -	\$ -	\$ -
632	Contract Svcs - Accounting	15,436	88	\$ 15,524	\$ -	\$ 15,524
633	Contract Svcs - Legal	27,580		\$ 27,580	\$ -	\$ 27,580
634	Contract Svcs - Management Fees	-		\$ -	\$ -	\$ -
635	Contract Svcs - Testing	50,903		\$ 50,903	\$ (5,636)	\$ 45,267
636	Contract Svcs - Labor	1,419		\$ 1,419	\$ -	\$ 1,419
637	Contract Svcs - Billing/Collection	109,855		\$ 109,855	\$ -	\$ 109,855
638	Contract Svcs - Meter Reading	130,918		\$ 130,918	\$ -	\$ 130,918
639	Contract Svcs - Other	61,968		\$ 61,968	\$ 5,120	\$ 67,088
641	Rental of Building/Real Property	26,406	144,000	\$ 170,406	\$ (143,760)	\$ 26,646
642	Rental of Equipment	30,559		\$ 30,559	\$ -	\$ 30,559
643	Small Tools	14,084		\$ 14,084	\$ -	\$ 14,084

#	Account	Test Year	Company Adjustments	Company Proposed Totals	Stipulated Adjustments to Company Totals	Stipulated Totals
648	Computer/Electronic Expenses	52,833		\$ 52,833	\$ -	\$ 52,833
650	Transportation	288,767		\$ 288,767	\$ -	\$ 288,767
656	Vehicle Insurance	19,214		\$ 19,214	\$ -	\$ 19,214
657	General Liability Insurance	45,019		\$ 45,019	\$ -	\$ 45,019
658	Workers' Comp Insurance	35,336	7,335	\$ 42,671	\$ (17)	\$ 42,654
659	Insurance - Other	11,450		\$ 11,450	\$ -	\$ 11,450
660	Public Relations/Advertising	1,176		\$ 1,176	\$ -	\$ 1,176
666	Amortz. of Rate Case	-		\$ -	\$ -	\$ -
667	Gross Revenue Fee (PUC)	28,640	1,856	\$ 30,496	\$ 3,538	\$ 34,034
668	Conservation Expense	19,210		\$ 19,210	\$ 28,790	\$ 48,000
670	Bad Debt Expense	25,465		\$ 25,465	\$ (9,761)	\$ 15,704
671	Cross Connection Control Program	-		\$ -	\$ -	\$ -
673	Training and Certification	25,472		\$ 25,472	\$ -	\$ 25,472
674	Consumer Confidence Report	1,350		\$ 1,350	\$ -	\$ 1,350
675	Miscellaneous Expense	240,670		\$ 240,670	\$ -	\$ 240,670
OE1	Other Expense 1			\$ -	\$ -	\$ -
OE4	Other Expense 4			\$ -	\$ -	\$ -
OE5	Other Expense 5			\$ -	\$ -	\$ -
	TOTAL OPERATING EXPENSE	\$ 6,321,832	\$ 468,106	\$ 6,789,938	\$ (243,419)	\$ 6,546,519

OTHER REVENUE DEDUCTIONS

403	Depreciation Expense	712,024	39,892	\$ 751,916	\$ 35,849	\$ 787,765
406	Amort of Plant Acquisition Adjustment	-		\$ -	\$ -	\$ -
407	Amortization Expense	-		\$ -	\$ -	\$ -
408.11	Property Tax	316,543		\$ 316,543	\$ 8,311	\$ 324,854
408.12	Payroll Tax	191,180	12,316	\$ 203,496	\$ (83)	\$ 203,413
408.13	Other (Bend Franchise Fee & CAT)	208,800	49,214	\$ 258,014	\$ 763	\$ 258,777
409.1	Federal Income Tax	194,884	73,172	\$ 268,056	\$ (58,901)	\$ 209,155
409.11	Oregon Income Tax	65,577	28,590	\$ 94,167	\$ (15,503)	\$ 78,665
409.13	Extraordinary Items Income Tax			\$ -	\$ -	\$ -
	TOTAL REVENUE DEDUCTIONS	\$ 8,010,840	\$ 671,290	\$ 8,682,130	\$ (272,983)	\$ 8,409,147
	Net Operating Income	\$ 903,159	\$ 580,209	\$ 1,483,368	\$ (168,404)	\$ 1,314,964

UTILITY RATE BASE

101	Utility Plant in Service	59,339,705	2,010,835	\$ 61,350,540	\$ (300,853)	\$ 61,049,687
105	Construction Work in Progress			\$ -	\$ -	\$ -
108	- Accumulated Depreciation of Plant	19,596,887		\$ 19,596,887	\$ 1,486,527	\$ 21,083,414
271	- Contributions in Aid of Construction	27,692,999		\$ 27,692,999	\$ (0)	\$ 27,692,999
272	+ Accumulated Amortization of CIAC	8,182,217		\$ 8,182,217	\$ 593,992	\$ 8,776,209
281	- Accumulated Deferred Income Tax	3,099,541		\$ 3,099,541	\$ -	\$ 3,099,541
	- Excess Capacity			\$ -	\$ -	\$ -
	= NET RATE BASE INVESTMENT	\$ 17,132,495	\$ 2,010,835	\$ 19,143,330	\$ (1,193,388)	\$ 17,949,942

#	Account	Test Year	Company Adjustments	Company Proposed Totals	Stipulated Adjustments to Company Totals	Stipulated Totals
Plus: (working capital)						
151	Materials and Supplies Inventory	302,209		\$ 302,209	\$ -	\$ 302,209
	Working Cash (Total Op Exp /12)	526,819	39,009	\$ 565,828	\$ (20,285)	\$ 545,543
	TOTAL RATE BASE	\$ 17,961,523	\$ 2,049,844	\$ 20,011,367	\$ (1,213,673)	\$ 18,797,694
	Rate of Return	5.03%		7.41%		7.00%

Adjustment Summary

	Account	Company Proposed Totals	Stipulated Adjustments to Company Totals	Stipulated Totals	Explanation of Adjustment
460	Unmetered	\$ -	\$ -	\$ -	
461.1	Residential	\$ 8,128,345	\$ (730,191)	\$ 7,398,154	Revenues spread based on test year.
461.2	Commercial	\$ 1,109,861	\$ 29,114	\$ 1,138,975	Revenues spread based on test year. Includes Large Irrigation (DR 72).
462	Fire Protection Sales	\$ 36,712	\$ (2,786)	\$ 33,926	Revenues spread based on test year.
465	Irrigation Water Sales	\$ 464,950	\$ 31,441	\$ 496,391	Revenues spread based on test year.
466	Water Sales for Resale	\$ 35,376	\$ (2,684)	\$ 32,692	Revenues spread based on test year.
471	Miscellaneous Services	\$ 144,791	\$ 9,791	\$ 154,582	Revenues spread based on test year.
475	Cross Connection Control	\$ 245,463	\$ 16,599	\$ 262,062	Revenues spread based on test year.
	Other (Franchise Fees)	\$ -	\$ 207,330	\$ 207,330	City of Bend franchise fees.
	Total Revenue	\$ 10,165,498	\$ (441,387)	\$ 9,724,111	

OPERATING EXPENSES

601	Salaries and Wages - Employees	\$ 2,116,205	\$ (868)	\$ 2,115,337	Staff W&S Model; escalation through 2021 (includes new employee).
603	Salaries and Wages - Officers	\$ 510,353	\$ (209)	\$ 510,144	Staff W&S Model; escalation through 2021.
604	Employee Pension & Benefits	\$ 868,265	\$ (15,516)	\$ 852,749	Removed parties.
610	Purchased Water	\$ 227,065	\$ -	\$ 227,065	
611	Telephone/Communications	\$ 81,669	\$ -	\$ 81,669	
615	Purchased Power	\$ 956,149	\$ (32,509)	\$ 923,640	Removed Pacific Power increase.
616	Fuel for Power Production	\$ -	\$ -	\$ -	
617	Other Utilities	\$ 10,981	\$ -	\$ 10,981	
618	Chemical / Treatment Expense	\$ -	\$ -	\$ -	
619	Office Supplies	\$ 9,391	\$ -	\$ 9,391	
619.1	Postage	\$ 3,771	\$ -	\$ 3,771	
620	O&M Materials/Supplies	\$ 254,031	\$ 32,226	\$ 286,257	Increased to three-year average (DR 20).
621	Repairs to Water Plant	\$ 335,049	\$ (104,818)	\$ 230,231	Decreased to three-year average (DR 21).
631	Contract Svcs - Engineering	\$ -	\$ -	\$ -	
632	Contract Svcs - Accounting	\$ 15,524	\$ -	\$ 15,524	
633	Contract Svcs - Legal	\$ 27,580	\$ -	\$ 27,580	
634	Contract Svcs - Management Fees	\$ -	\$ -	\$ -	
635	Contract Svcs - Testing	\$ 50,903	\$ (5,636)	\$ 45,267	Based on three-year projection (DR 24).
636	Contract Svcs - Labor	\$ 1,419	\$ -	\$ 1,419	
637	Contract Svcs - Billing/Collection	\$ 109,855	\$ -	\$ 109,855	
638	Contract Svcs - Meter Reading	\$ 130,918	\$ -	\$ 130,918	
639	Contract Svcs - Other	\$ 61,968	\$ 5,120	\$ 67,088	Removed lobbying; increased for DRC and janitorial (DR 26)

	Account	Company Proposed Totals	Stipulated Adjustments to Company Totals	Stipulated Totals	Explanation of Adjustment
641	Rental of Building/Real Property	\$ 170,406	\$ (143,760)	\$ 26,646	Removed new service center lease.
642	Rental of Equipment	\$ 30,559	\$ -	\$ 30,559	
643	Small Tools	\$ 14,084	\$ -	\$ 14,084	
648	Computer/Electronic Expenses	\$ 52,833	\$ -	\$ 52,833	
650	Transportation	\$ 288,767	\$ -	\$ 288,767	
656	Vehicle Insurance	\$ 19,214	\$ -	\$ 19,214	
657	General Liability Insurance	\$ 45,019	\$ -	\$ 45,019	
658	Workers' Comp Insurance	\$ 42,671	\$ (17)	\$ 42,654	Decreased for corresponding wage decrease.
659	Insurance - Other	\$ 11,450	\$ -	\$ 11,450	
660	Public Relations/Advertising	\$ 1,176	\$ -	\$ 1,176	
666	Amortz. of Rate Case	\$ -	\$ -	\$ -	
667	Gross Revenue Fee (PUC)	\$ 30,496	\$ 3,538	\$ 34,034	Automatic adjustment.
668	Conservation Expense	\$ 19,210	\$ 28,790	\$ 48,000	Increased to DR 43 amount.
670	Bad Debt Expense	\$ 25,465	\$ (9,761)	\$ 15,704	Removed employee loan writeoff (DR 44).
671	Cross Connection Control Program	\$ -	\$ -	\$ -	
673	Training and Certification	\$ 25,472	\$ -	\$ 25,472	
674	Consumer Confidence Report	\$ 1,350	\$ -	\$ 1,350	
675	Miscellaneous Expense	\$ 240,670	\$ -	\$ 240,670	
OE1	Other Expense 1	\$ -	\$ -	\$ -	
OE4	Other Expense 4	\$ -	\$ -	\$ -	
OE5	Other Expense 5	\$ -	\$ -	\$ -	
	TOTAL OPERATING EXPENSE	\$ 6,789,938	\$ (243,419)	\$ 6,546,519	

OTHER REVENUE DEDUCTIONS

403	Depreciation Expense	\$ 751,916	\$ 35,849	\$ 787,765	2020 expense, based on in-service dates (partial yr. deprec. on new assets)
406	Amort of Plant Acquisition Adjustment	\$ -	\$ -	\$ -	
407	Amortization Expense	\$ -	\$ -	\$ -	
408.11	Property Tax	\$ 316,543	\$ 8,311	\$ 324,854	3% increase for 2020 (DR 49).
408.12	Payroll Tax	\$ 203,496	\$ (83)	\$ 203,413	Decreased for corresponding wage decrease.
408.13	Other (Bend Franchise Fee & CAT)	\$ 258,014	\$ 763	\$ 258,777	Adjusted CAT based on rev requirement.
409.10	Federal Income Tax	\$ 268,056	\$ (58,901)	\$ 209,155	Automatic calculation at 21%; reduced by UM 1936 amount.
409.11	Oregon Income Tax	\$ 94,167	\$ (15,503)	\$ 78,665	Automatic calculation. 6.6% to \$1 million; 7.6% after \$1 million.
409.13	Extraordinary Items Income Tax	\$ -	\$ -	\$ -	
	TOTAL REVENUE DEDUCTIONS	\$ 8,682,130	\$ (272,983)	\$ 8,409,147	
	Net Operating Income	\$ 1,483,368	\$ (168,404)	\$ 1,314,964	

	Account	Company Proposed Totals	Stipulated Adjustments to Company Totals	Stipulated Totals	Explanation of Adjustment
UTILITY RATE BASE					
101	Utility Plant in Service	\$ 61,350,540	\$ (300,853)	\$ 61,049,687	Removed leasehold improvements; adjusted 2020 costs to actuals.
105	Construction Work in Progress	\$ -	\$ -	\$ -	
108	- Accumulated Depreciation of Plant	\$ 19,596,887	\$ 1,486,527	\$ 21,083,414	Increased through 2020. Includes new plant assets.
271	- Contributions in Aid of Construction	\$ 27,692,999	\$ (0)	\$ 27,692,999	
272	+ Accumulated Amortization of CIAC	\$ 8,182,217	\$ 593,992	\$ 8,776,209	Increased through 2020.
281	- Accumulated Deferred Income Tax	\$ 3,099,541	\$ -	\$ 3,099,541	
	- Excess Capacity	\$ -	\$ -	\$ -	
	= NET RATE BASE INVESTMENT	\$ 19,143,330	\$ (1,193,388)	\$ 17,949,942	
Plus: (working capital)					
151	Materials and Supplies Inventory	\$ 302,209	\$ -	\$ 302,209	
	Working Cash (Total Op Exp /12)	\$ 565,828	\$ (20,285)	\$ 545,543	Decreased in accordance with total operating expenses.
	TOTAL RATE BASE	\$ 20,011,367	\$ (1,213,673)	\$ 18,797,694	
	Rate of Return	7.41%	0.00%	7.00%	Reduced ROE to 9.5 percent.

Rate Comparison

Service	Size	Current	Company Proposed		Stipulated	
		Rate	Rate	Increase from Current	Rate	Increase from Current
Res/Comm Base	5/8"	\$ 26.17	\$ 27.34	4%	\$ 25.46	-3%
Res/Comm Base	3/4"	\$ 35.69	\$ 41.01	15%	\$ 34.72	-3%
Res/Comm Base	1"	\$ 59.48	\$ 68.36	15%	\$ 57.87	-3%
Res/Comm Base	1 1/2"	\$ 107.06	\$ 136.72	28%	\$ 115.75	8%
Res/Comm Base	2"	\$ 190.34	\$ 218.75	15%	\$ 185.20	-3%
Res/Comm Base	3"	\$ 356.88	\$ 410.15	15%	\$ 347.25	-3%
Res/Comm Base	4"	\$ 594.80	\$ 683.58	15%	\$ 578.75	-3%
Res/Comm Base	6"	\$ 951.68	\$ 1,367.16	44%	\$ 1,157.50	22%
Res/Comm Base	8"	\$ 1,903.35	\$ 2,187.46	15%	\$ 1,852.00	-3%
Res/Comm Variable (per 100 cf)	All	\$ 0.95	\$ 1.13	19%	\$ 0.99	4%
Irrigation Base	N/A	\$ 10.43	\$ 10.43	0%	\$ 10.36	-1%
Irrigation Per Acre Foot	N/A	\$ 7.78	\$ 7.78	0%	\$ 7.56	-3%
Nottingham Irrigation	N/A	\$ 36.57	\$ 36.57	0%	\$ 35.86	-2%
Large Irrigation	4" & 6"	\$ 0.40	\$ 0.40	0%	\$ 0.48	20%
Private Fire	<= 4"	\$ 21.68	\$ 32.76	51%	\$ 30.28	40%
Private Fire	6"	\$ 47.47	\$ 71.75	51%	\$ 66.30	40%
Private Fire	8"	\$ 83.24	\$ 125.81	51%	\$ 116.26	40%
Private Fire	10"	\$ 129.19	\$ 195.26	51%	\$ 180.44	40%
Private Fire	12"	\$ 185.33	\$ 280.12	51%	\$ 258.86	40%
Hydrant Maintenance	N/A	\$ 13.66	\$ 20.64	51%	\$ 19.07	40%
Sales for Resale - Variable (per 100 cf)	N/A	\$ 1.06	\$ 1.32	25%	\$ 1.22	15%

Revenue Calculation at Stipulated Rates

Service	Size	Customers	Avg Monthly Consumption	Consumption unit	Base Rate	Variable Rate	Revenue
Res/Comm	5/8"	12,923	198,764	100 cf	\$ 25.46	\$ 0.99	\$ 6,309,562
Res/Comm	3/4"	340	2,790	100 cf	\$ 34.72	\$ 0.99	\$ 174,807
Res/Comm	1"	940	27,188	100 cf	\$ 57.87	\$ 0.99	\$ 975,699
Res/Comm	1 1/2"	40	4,310	100 cf	\$ 115.75	\$ 0.99	\$ 106,738
Res/Comm	2"	81	10,104	100 cf	\$ 185.20	\$ 0.99	\$ 300,004
Res/Comm	3"	11	5,379	100 cf	\$ 347.25	\$ 0.99	\$ 109,718
Res/Comm	4"	12	21,609	100 cf	\$ 578.75	\$ 0.99	\$ 339,953
Res/Comm	6"	1	6,563	100 cf	\$ 1,157.50	\$ 0.99	\$ 91,832
Res/Comm	8"	0	0	100 cf	\$ 1,852.00	\$ 0.99	\$ -
Irrigation Standard	N/A	781	713	Acre feet	\$ 10.36	\$ 7.56	\$ 161,794
Irrigation Nottingham	N/A	180	-	N/A	\$ 35.86	N/A	\$ 77,465
Irrigation Large	4" & 6"	N/A	22,407	100 cf	N/A	\$ 0.48	\$ 128,816
Private Fire	4" or Smaller	50	0	N/A	\$ 30.28	N/A	\$ 18,166
Private Fire	6"	10	0	N/A	\$ 66.30	N/A	\$ 7,957
Private Fire	8"	1	0	N/A	\$ 116.26	N/A	\$ 1,395
Private Fire	10"	0	0	N/A	\$ 180.44	N/A	\$ -
Private Fire	12"	0	0	N/A	\$ 258.86	N/A	\$ -
Hydrant Maintenance	N/A	28	0	N/A	\$ 19.07	N/A	\$ 6,409
Sales for Resale	N/A	N/A	2,233	100 cf	N/A	\$ 1.22	\$ 32,692
Irrigation Assessments							\$ 257,132
Miscellaneous Services							\$ 154,582
Cross Connection Control							\$ 262,062
Other (Franchise Fees)							\$ 207,330
TOTAL							\$ 9,724,111

Invested Plant

Acct No.	Account Description	Total Plant	Asset Life	2020 Depreciation	Accum. Deprec.	Remaining Plant
301	Organization	\$ 211	-	\$ -	\$ -	\$ 211
302	Franchises	\$ -	-	\$ -	\$ -	\$ -
303	Land and Land Rights	\$ 2,614,254	-	\$ -	\$ -	\$ 2,614,254
304	Structures and Improvements	\$ 1,304,207	35	\$ 35,688	\$ 723,807	\$ 580,400
305	Collecting and Impounding Reservoirs	\$ 1,850	50	\$ 37	\$ 801	\$ 1,050
306	Lake, River and Other Intakes	\$ 34,925	35	\$ 982	\$ 30,401	\$ 4,523
307	Wells and Springs	\$ 2,647,345	25	\$ 87,807	\$ 900,545	\$ 1,746,800
308	Infiltration Galleries and Tunnels	\$ -	25	\$ -	\$ -	\$ -
309	Supply Main	\$ 265,230	50	\$ 5,305	\$ 39,718	\$ 225,512
310	Power Generation Equipment	\$ 110	30	\$ -	\$ 110	\$ -
311	Pumping Equipment	\$ 1,415,261	20	\$ 37,457	\$ 1,237,347	\$ 177,914
320	Water Treatment Equipment	\$ 21,100	20	\$ 1,055	\$ 8,172	\$ 12,928
330	Distribution Reservoir and Standpipes	\$ 2,499,960	50	\$ 49,999	\$ 981,221	\$ 1,518,739
331	Transmission and Distribution Mains	\$ 18,251,356	50	\$ 361,802	\$ 5,511,707	\$ 12,739,649
333	Services	\$ 975,258	30	\$ 26,112	\$ 665,431	\$ 309,827
334	Meters and Meter Installations	\$ 1,177,003	20	\$ 48,620	\$ 634,402	\$ 542,601
335	Hydrants	\$ 140,999	40	\$ 3,525	\$ 50,058	\$ 90,940
336	Cross Connection Control	\$ 336,416	15	\$ 22,428	\$ 162,735	\$ 173,681
339	Other Plant	\$ 210,605	30	\$ 7,020	\$ 178,708	\$ 31,897
340	Office Furniture and Equipment	\$ 125,486	20	\$ 3,893	\$ 106,244	\$ 19,242
341	Transportation Equipment	\$ 589,722	7	\$ 46,595	\$ 509,886	\$ 79,835
343	Tools, Shop, and Garage Equipment	\$ 111,142	15	\$ 4,675	\$ 69,291	\$ 41,850
344	Laboratory Equipment	\$ -	15	\$ -	\$ -	\$ -
345	Power Operated Equipment	\$ 170,192	10	\$ 6,770	\$ 140,539	\$ 29,653
346	Communication Equipment	\$ 165,758	10	\$ 8,481	\$ 115,008	\$ 50,749
347	Electronic/Computer Equipment	\$ 284,188	5	\$ 28,499	\$ 227,809	\$ 56,379
348	Miscellaneous Equipment	\$ 14,112	10	\$ 1,016	\$ 13,262	\$ 850
TOTALS		\$ 33,356,688	Various	\$ 787,765	\$ 12,307,205	\$ 21,049,483

CIAC Plant

Acct No.	Account Description	Total Plant	Asset Life	2020 Depreciation	Accum. Amortz.	Remaining Plant
301	Organization	\$ -	-	\$ -	\$ -	\$ -
302	Franchises	\$ -	-	\$ -	\$ -	\$ -
303	Land and Land Rights	\$ 41,000	-	\$ -	\$ -	\$ 41,000
304	Structures and Improvements	\$ 373,248	35	\$ 9,285	\$ 198,566	\$ 174,682
305	Collecting and Impounding Reservoirs	\$ 2,919	50	\$ 58	\$ 2,578	\$ 341
306	Lake, River and Other Intakes	\$ -	35	\$ -	\$ -	\$ -
307	Wells and Springs	\$ 532,554	25	\$ 21,302	\$ 220,411	\$ 312,143
308	Infiltration Galleries and Tunnels	\$ 106	25	\$ -	\$ 106	\$ -
309	Supply Main	\$ 168,476	50	\$ 3,370	\$ 19,930	\$ 148,546
310	Power Generation Equipment	\$ 1,093	30	\$ -	\$ 1,093	\$ -
311	Pumping Equipment	\$ 213,170	20	\$ 10,659	\$ 170,668	\$ 42,502
320	Water Treatment Equipment	\$ -	20	\$ -	\$ -	\$ -
330	Distribution Reservoir and Standpipes	\$ 1,169,337	50	\$ 23,387	\$ 382,159	\$ 787,178
331	Transmission and Distribution Mains	\$ 24,240,564	50	\$ 484,811	\$ 7,296,477	\$ 16,944,087
333	Services	\$ 363,362	30	\$ 6,781	\$ 266,111	\$ 97,251
334	Meters and Meter Installations	\$ 468,470	20	\$ 23,424	\$ 142,329	\$ 326,141
335	Hydrants	\$ 28,621	40	\$ 52	\$ 27,345	\$ 1,277
336	Cross Connection Control	\$ -	15	\$ -	\$ -	\$ -
339	Other Plant	\$ 108	30	\$ -	\$ 108	\$ -
340	Office Furniture and Equipment	\$ -	20	\$ -	\$ -	\$ -
341	Transportation Equipment	\$ 76,042	7	\$ 10,863	\$ 34,400	\$ 41,642
343	Tools, Shop, and Garage Equipment	\$ 4,924	15	\$ -	\$ 4,924	\$ -
344	Laboratory Equipment	\$ -	15	\$ -	\$ -	\$ -
345	Power Operated Equipment	\$ -	10	\$ -	\$ -	\$ -
346	Communication Equipment	\$ 8,955	10	\$ -	\$ 8,955	\$ -
347	Electronic/Computer Equipment	\$ -	5	\$ -	\$ -	\$ -
348	Miscellaneous Equipment	\$ 49	10	\$ -	\$ 49	\$ -
TOTALS		\$ 27,692,999	Various	\$ 593,992	\$ 8,776,209	\$ 18,916,790

CASE: UW 181
WITNESS: STEPHANIE YAMADA

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 103

**Exhibits in Support of Testimony
Data Responses & Attachments**

November 19, 2020

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 7

Request:

- 7. Avion proposes to increase Account 601, Employee Salaries and Wages, by \$247,659, or 13.25 percent, over the test year amount of \$1,868,546. Please provide a breakdown of what the \$247,659 increase consists of and explain why it is necessary.**

Response:

The \$247,659 increase in wages consists of the following components:

New employee:	\$ 49,920
Reduction in capitalized wages	\$141,683
3% raises for crew/staff	<u>\$ 56,056</u>
	<u>\$247,659</u>

A new employee is necessary because of the growth in Avion's system (please see Data Request No. 5). Avion has completed the capital projects financed with the loan proceeds authorized in UF 4305. Consequently, the amount of wages that will be capitalized will be reduced. Crew and staff raises are necessary because of the very rapid increases in housing and cost of living in the Central Oregon area.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 8

Request:

8. Avion's proposed amount in Account 601, Employee Salaries and Wages, represents an increase of \$547,178, or 34.87 percent, over the UW 171-assumed amount of \$1,569,027. Please provide a breakdown of what the \$547,178 increase consists of and explain why it is necessary.

Response:

Assumed Employee Salaries and Wages expense (Account 601) in UW 171 was \$1,569,027. In this case, Avion proposed Employee Salaries and Wages Expense of \$2,116,205 in UW 181. The proposed amount is an increase of \$547,178 or 34.87 percent over the assumed amount in UW 171.

The \$547,178 increase represents:

One new full-time employee (already hired see Data Request No. 6)	\$ 56,000
Two employees training for GIS and SCADA employee replacement	\$ 94,000
Two former full FTEs reduced to .2 FTE	\$ 12,000
Increase in backflow tests	\$ 28,000
Over-all increase in bonuses	\$ 35,000
Inclusion of 50% of bonuses disallowed in UW 171	\$ 15,000
Raises and cost of living increases	\$ 74,000
Proposed new employee (Please see Data Request No. 5 and 7)	\$ 49,920
Reduction in capitalized wages (Please see Data Request No. 7)	\$141,683

Proposed raises and cost of living increases (Please see Data Request No. 7) \$ 56,056

Increases in staff and wages are necessary for Avion to continue to provide the high level of service our customers desire and expect. Avion believe bonuses should be a 100% ratable expense because we see it as a flexible tool to attract and retain employees in a very competitive employment market and expensive area to live.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

**Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 11**

Request:

11. Does Avion's test year amount of \$1,868,546 in Account 601, Employee Salaries and Wages, include any employee bonuses, retirement payments, or abnormal costs that are not expected to recur? If so, please identify all such costs, and include a short description and the amount associated with each.

Response:

Avion's test year amount of \$1,868,546 includes:

Bonuses \$64,500

Severance and retirement payments \$16,783

Avion believes that 100% of bonuses should be included as a ratable expense because it is a flexible tool to attract and retain employees in a very competitive job market and an expensive area to live.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 8

Request:

8. Avion's proposed amount in Account 601, Employee Salaries and Wages, represents an increase of \$547,178, or 34.87 percent, over the UW 171-assumed amount of \$1,569,027. Please provide a breakdown of what the \$547,178 increase consists of and explain why it is necessary.

Response:

Assumed Employee Salaries and Wages expense (Account 601) in UW 171 was \$1,569,027. In this case, Avion proposed Employee Salaries and Wages Expense of \$2,116,205 in UW 181. The proposed amount is an increase of \$547,178 or 34.87 percent over the assumed amount in UW 171.

The \$547,178 increase represents:

One new full-time employee (already hired see Data Request No. 6)	\$ 56,000
Two employees training for GIS and SCADA employee replacement	\$ 94,000
Two former full FTEs reduced to .2 FTE	\$ 12,000
Increase in backflow tests	\$ 28,000
Over-all increase in bonuses	\$ 35,000
Inclusion of 50% of bonuses disallowed in UW 171	\$ 15,000
Raises and cost of living increases	\$ 74,000
Proposed new employee (Please see Data Request No. 5 and 7)	\$ 49,920
Reduction in capitalized wages (Please see Data Request No. 7)	\$141,683

Proposed raises and cost of living increases (Please see Data Request No. 7) \$ 56,056

Increases in staff and wages are necessary for Avion to continue to provide the high level of service our customers desire and expect. Avion believe bonuses should be a 100% ratable expense because we see it as a flexible tool to attract and retain employees in a very competitive employment market and expensive area to live.

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 5

Request:

- 5. As indicated on Page 6 of its Application, Avion proposes to hire a new full-time employee at a rate of \$24.00/hr. Regarding the proposed new employee,**
- a. Please explain why the additional employee is necessary, and describe any recent changes to Avion's operations that necessitate the addition of new human labor resources.**
 - b. Has the new employee been hired yet? If so, please provide the new employee's actual start date. If the new employee has not yet been hired, please provide the anticipated start date.**
 - c. Do Avion's 2019 test year figures include any amounts attributable to the new employee? If so, please provide such amounts, and identify the associated accounts in which those amounts are included.**

Response:

- a. Avion proposes to hire one new full-time employee in the role of Serviceman. This additional employee is needed to maintain Avion plant that is in construction areas and repair plant that is damaged by construction so that Avion is able to maintain current service levels to its customers. Avion identified the need for this employee because it currently employs 18 employees in service department, but recently tasks, such as locating are taking more time and routine maintenance is being deferred and the backlog of deferred maintenance is growing. In particular, the Bend, Oregon area is experiencing rapid growth, especially in residential housing. Because of the construction in the area, the City of Bend has undertaken many infrastructure and road improvements, such as sewer expansions and traffic circle installations, that affect Avion's plant and construction in general has required much more time doing locates.
- b. The new employee has not been hired yet, but Avion expects to complete hiring in time to allow for a start date of January 1, 2021.
- c. Adjustments to the 2019 test year figures include the following amounts for a new employee:

Salaries and Wages (Acct. No. 601)	\$49,920
Payroll taxes (Acct. No. 408.12)	\$ 8,028
Worker's Comp. Ins. (Acct. No. 658)	\$ 3,454
Pension and Benefits (Acct. No. 604)	\$19,359

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 14

Request:

14. Please describe the employee benefits that Avion employees generally receive as part of their employment (health, dental, retirement, etc.).

Response:

Avion provides the following benefits to its employees:

Health insurance

Dental insurance

401(k) retirement plan

Medical Expense Reimbursement (MERP) plan

MASA Medical Transport

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 15

Request:

15. Does Avion's test year amount in Account 604, Employee Pensions & Benefits, include any amounts attributable to meals and refreshments, parties, gifts from Avion to its employees, or abnormal costs that are not expected to recur? If so, please identify all such costs, and include a short description and the amount associated with each.

Response:

Employee Pensions and Benefits includes the following amounts attributable to meals, refreshments, parties and gifts from Avion to its employees:

Parties and other company activities	\$13,225.01
Office refreshments	\$ 2,291.26
Meals related to classes/conference/travel	\$ 1,336.00
Meals/refreshments related to leak repairs and project construction when the crew was not able to leave	<u>\$ 1,035.52</u>
Total	<u>\$17,887.79</u>

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 16

Request:

16. Avion's proposed amount of \$868,265 in Account 604, Employee Pensions & Benefits, represents an increase of \$24,965, or 2.96 percent over the test year amount. Please provide a breakdown of what the \$24,965 increase consists of and explain why it is necessary.

Response:

The increase of \$24,965 consists of the following estimates of additional costs for one additional employee and the expected increase in the company 401(k) contribution related to the proposed 3 percent employee raises and cost of living adjustment:

New employee 401(k) contribution	\$ 4,992
New employee health and dental insurance	\$14,367
3 percent wage increase effect on 401(k) contribution	\$ 5,606

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

**Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 17**

Request:

17. Avion's proposed Purchased Water (Account 610) expense of \$227,065 is \$47,229, or 17.22 percent, lower than the amount of \$274,294 assumed in UW 171. What is the cause of the substantial decrease in this account? If the decrease relates to any change in Avion's customers, usage, or in the rates charged by Avion's water suppliers, please include the relevant amounts associated with such changes.

- a. Going forward, does Avion expect the test year amount to be representative of a typical year? Please explain, and include any adjustments that Avion would make to normalize the amount in this account.**

Response:

The \$274,294 assumed in UW 171 included an exit fee of \$57,177 to Central Oregon Irrigation District related to the permanent exiting of water rights from their system. The exit fee is not related to the number of customers, irrigation company assessments or usage.

Avion expected more exit fees at that time. However, the water rights market has "frozen" due to a number of issues and Avion does not expect additional exit fees in the next three years.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 18

Request:

18. Avion's proposed Telephone/Communications (Account 611) expense of \$81,669 represents an increase of \$16,777, or 25.85 percent, over the UW 171-assumed amount of \$64,892. Please explain Avion's proposed increase to this expense.

Response:

Avion's Telephone/Communications Expense (Acct. No. 611) has increased because of increased use of cell phones to provide SCADA communication between the wells and reservoirs and SCADA computers in Avion's office. Cell phones are also now being used to provide up to date maps to the crew in the field.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

**Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 19**

Request:

19. Avion's proposed Purchased Power (Account 615) expense of \$956,149 represents an increase of \$42,203, or 4.62 percent, over the test year amount of \$913,946. Please provide a breakdown of what this increase consists of and explain why it is necessary. If any portion of the increase is attributable to an increase in the rates charged by Avion's power supplier(s), please provide documentation of such increases.

Response:

The proposed adjustment of \$42,203 to Purchased Power (Acct. No. 615) is due to increases in power rates from Pacific Power and Central Electric Cooperative. Pacific Power is raising rates by 5.4% (please see OPUC Docket UE 374) and Central Electric is raising rates by 5.5%. Copies of the notifications regarding rate increases from each utility are included in Attachment DR-019.



November 06, 2019

AVION WATER CO INC
60813 PARRELL RD
BEND OR 97702

Dear: AVION WATER CO INC

Service Location: 60615 TEKAMPE RD/WELL

This year, Central Electric has communicated to its members in various ways about the likely need to increase electric rates in 2020. After careful consideration, the board of directors recently approved increases for all rate classes. **Industrial power customers will see a 5.5% increase reflected** in February's billing.

Two major cost drivers influenced the need to move forward with raising rates. The first is outside CEC's control. The Bonneville Power Administration, the supplier of virtually all of CEC's wholesale electricity, raised transmission rates on its customers for the 2020-2021 rate period, a 5.7% increase for CEC. BPA also imposed a 1.5% surcharge on its customers to ensure BPA retains levels of financial reserves above the minimum required to remain solvent.

The other driver is CEC's commitment to upgrading its electrical infrastructure to increase capacity and ensure the continued safety and reliability of the electricity we deliver to you. CEC has budgeted approximately \$147 million from 2019 to 2028 towards the replacement of aged underground cables, power poles and upgrades to our substations to serve the rapid growth in Central Oregon. A combination of a rate increase and borrowing will fund these projects.

Central Electric values your business and the contribution you make to the success of the cooperative. In return, CEC is committed to running a lean and efficient operation and makes every effort to keep members rates low. Yet, to maintain the co-op's financial strength while investing in fortifying our electric system for the future, it required CEC to raise rates for only the fourth time in the last 20 years.

Please feel free to contact me with any questions or concerns.

Regards,

Brent ten Pas
Director of Member and Public Relations

Managing our business to serve our customers

Pacific Power is committed to providing you with safe and reliable power. To meet that commitment, we must continue investing in our system. We understand the impact that price increases have on our customers and we're continuing to take measures to keep our costs down.

On February 14, 2020, Pacific Power requested an overall rate change of \$70.8 million, or 5.4 percent, to become effective on January 1, 2021. If approved by the Public Utility Commission of Oregon, the expected impact on an average residential customer using 900 kWh per month would be \$6.98 per month.

In addition to the overall rate change request, Pacific Power filed its annual power cost adjustment on February 14, 2020, forecasting a **reduction** of \$49.2 million in costs for 2021. If approved by the Public Utility Commission of Oregon, the **combined requested rate change effective on January 1, 2021**, would be an overall increase of \$21.6 million, or 1.6 percent. The expected combined impact on an average residential customer using 900 kWh per month would be \$4.03.

As part of its overall rate change request, Pacific Power is seeking to redesign rates for residential customers so that they more fairly reflect costs across different usage levels and remove disincentives for customers who make the choice to get an electric vehicle. Pacific Power is also requesting a new time of use pilot that can help customers save when they shift energy to the right times and a 50 cent per month bill credit for all customers who choose paperless billing.

The primary reason for this filing is to recover the costs of ongoing new investments in the electrical system, providing safe, reliable electricity for our customers and complying with regulatory mandates.

We understand the impact that price increases have on our customers and work to mitigate that impact as much as possible. Customers can visit pacificpower.net/wattsmart for energy- and money-saving tips and information. Energy Trust of Oregon also offers energy efficiency programs and information to Oregon residents and businesses. Contact Energy Trust of Oregon at energytrust.org or 1-866-368-7878 for more information.

Copies of Pacific Power's rate request application are available at our main office, located at 825 NE Multnomah Street, Portland, Oregon 97232 and on our website at pacificpower.net/rates. Customers may contact Pacific Power for additional information about the filing by mail to Pacific Power's main office at the address above, or by calling **1-888-221-7070**. TDD/TTY users can call the National Relay Service or **1-888-221-7070**. *Para un representante que habla español, llame al 1-888-225-2611.*

Requests to receive notice of the time and place of any hearing on this application may be directed to the Public Utility Commission of Oregon at 201 High Street SE, Suite 100, Salem, Oregon 97301-3398 or by calling 1-800-522-2404.

The purpose of this announcement is to provide our customers with general information regarding the company's price increase application and the expected effect on customers. Calculations and statements contained in this notice are not binding on the Public Utility Commission of Oregon.



TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 20

Request:

20. Avion's proposed Materials/Supplies (Account 620) expense of \$254,031 represents a decrease of \$75,084, or 22.81 percent, from the UW 171-assumed amount of \$329,115. Regarding this decrease,

- a. Please explain why the amount in this account has decreased substantially since Avion's last rate case.**
- b. Going forward, does Avion expect the test year amount to be representative of a typical year? Please explain, and include any adjustments that Avion would make to normalize the amount in this account.**

Response:

The amount of time and money expended on Materials & Supplies (Acct. No. 620) varies on the other activities Avion experiences in a year. In 2019, Materials & Supplies decreased due to the time and money spent on Repairs to Plant (Acct. No. 621) (please see Data Request No. 21) and the number of capital projects undertaken in 2019.

Materials & Supplies Expense for the past three years were:

2017 - \$300,746

2018 - \$303,995

2019 - \$254,031

The three-year average from 2017 to 2019 is \$286,257. Avion expects Materials & Supplies Expense to be closer to this average number in the mid-term of three years.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 21

Request:

21. Avion's proposed Repairs to Water Plant (Account 621) expense of \$335,049 is \$219,504, or 189.97 percent, higher than the UW 171-assumed amount of \$115,545. Regarding this increase,

- a. Please explain why the amount in this account has increased substantially since Avion's last rate case.**
- b. Going forward, does Avion expect the test year amount to be representative of a typical year? Please explain, and include any adjustments that Avion would make to normalize the amount in this account.**

Response:

Expense for Repairs to Water Plant (Acct. No. 621) was higher in the test year because of three major well repairs. The wells (Squaw Creek Well, Tekampe Well and Parrell Well) need major repairs because of age, lightning strikes and mechanical malfunctions.

Repairs to Plant Expense for the last three years were:

2017 - \$155,122

2018 - \$200,523

2019 - \$335,049

The three-year average would be \$230,231. Avion expects Repairs to Plant Expense to be closer to this average amount over the mid-term of the next three years.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 22

Request:

- 22. Avion's proposed Contract Services—Legal (Account 633) expense of \$27,580 represents an increase of \$5,617, or 25.57 percent, over the UW 171-assumed amount of \$21,963. Please explain why this amount has increased since Avion's last rate case.**
- a. Going forward, does Avion expect the test year amount to be representative of a typical year? Please explain, and include any adjustments that Avion would make to normalize the amount in this account.**

Response:

Avion requires additional legal services due to increasingly complex legal matters in employment law, regulatory issues, and general business matters.

Avion expects that the proposed Contract Services-Legal Expense (Acct. No. 633) of \$27,580 will be low in the mid-term of the next three years.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 23

Request:

23. Does Avion's proposed Account 633 expense of \$27,580 include any amounts attributable to the present rate case? If so, please identify such amounts.

Response:

No, the proposed Contract Services-Legal (Acct. No. 633) amount of \$27,580 does not include any amounts attributable to the present rate case.

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 24

Request:

24. Please provide a breakdown of all water tests that Avion is required to perform over the next three years, along with the associated cost for each test. Please include any available documentation to support the provided cost estimates.

Response:

Please find attached:

Avion's anticipated schedule of tests and related costs for the next three years, included as Attachment DR-024A.

The schedule of testing required by the State of Oregon for each Public Water System (PWS) operated by Avion, included in the zip file Attachment DR-024B.

A price list from Edge Analytical, the water testing service that Avion uses, included as Attachment DR-024C.

The State of Oregon is increasing the frequency of some scheduled tests for certain water systems. In addition to the known, scheduled tests for each PWS, Avion must perform additional tests due to line breaks, construction, and when a test result is positive. Avion is subject to other unscheduled but required tests, such as the Unregulated Contaminant Monitoring (UCMR) tests required by the Environmental Protection Agency (EPA). Like the increase in scheduled test frequency, Avion has seen an increase in the frequency of unscheduled tests, such as UCMRs, and expect them to continue for the foreseeable future.

	2021		2022		2023		Total Cost
	Tests	Cost	Tests	Cost	Tests	Cost	
Greater Avion							
Nitrate	6	\$ 246	6	\$ 246	6	\$ 246	\$ 738
Nitrite	-	\$ -	-	\$ -	-	\$ -	\$ -
Gross Alpha	1	\$ 114	-	\$ -	-	\$ -	\$ 114
Radium 226/228	1	\$ 216	-	\$ -	1	\$ 216	\$ 432
Uranium	2	\$ 72	-	\$ -	1	\$ 36	\$ 108
Asbestos	-	\$ -	1	\$ 298	-	\$ -	\$ 298
Picloram	4	\$ 756	4	\$ 756	-	\$ -	\$ 1,512
Diquat	4	\$ 704	4	\$ 704	-	\$ -	\$ 1,408
SOC	3	\$ 3,207	2	\$ 2,138	1	\$ 1,069	\$ 6,414
SOCR	4	\$ 2,972	4	\$ 2,972	1	\$ 743	\$ 6,687
VOC	3	\$ 450	3	\$ 450	-	\$ -	\$ 900
Lead & Copper	30	\$ 1,410	30	\$ 1,410	30	\$ 1,410	\$ 4,230
Coliform	360	\$ 9,000	360	\$ 9,000	360	\$ 9,000	\$ 27,000
Brasada							
Nitrate	2	\$ 82	2	\$ 82	2	\$ 82	\$ 246
Nitrite	-	\$ -	-	\$ -	-	\$ -	\$ -
Gross Alpha	1	\$ 114	-	\$ -	-	\$ -	\$ 114
Radium 226/228	-	\$ -	-	\$ -	-	\$ -	\$ -
Uranium	1	\$ 36	-	\$ -	1	\$ 36	\$ 72
Asbestos	-	\$ -	1	\$ 298	-	\$ -	\$ 298
Picloram	-	\$ -	-	\$ -	-	\$ -	\$ -
Diquat	-	\$ -	-	\$ -	-	\$ -	\$ -
SOC	1	\$ 1,069	1	\$ 1,069	-	\$ -	\$ 2,138
SOCR	-	\$ -	-	\$ -	-	\$ -	\$ -
VOC	1	\$ 150	1	\$ 150	-	\$ -	\$ 300
Lead & Copper		\$ -	-	\$ -	10	\$ 470	\$ 470
Coliform	24	\$ 600	24	\$ 600	24	\$ 600	\$ 1,800
Chaparral							

	2021		2022		2023		Total Cost
	Tests	Cost	Tests	Cost	Tests	Cost	
Nitrate	2	\$ 82	2	\$ 82	2	\$ 82	\$ 246
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha		\$ -		\$ -	2	\$ 228	\$ 228
Radium 226/228		\$ -		\$ -	1	\$ 216	\$ 216
Uranium		\$ -		\$ -	1	\$ 36	\$ 36
Asbestos	1	\$ 298		\$ -		\$ -	\$ 298
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -	1	\$ 1,069	1	\$ 1,069	\$ 2,138
SOCR		\$ -	-	\$ -		\$ -	\$ -
VOC		\$ -	1	\$ 150	1	\$ 150	\$ 300
Lead & Copper	5	\$ 235	-	\$ -	-	\$ -	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Cinder Butte							
Nitrate	2	\$ 82	2	\$ 82	2	\$ 82	\$ 246
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha	2	\$ 228		\$ -		\$ -	\$ 228
Radium 226/228	2	\$ 432		\$ -		\$ -	\$ 432
Uranium		\$ -		\$ -	2	\$ 72	\$ 72
Asbestos	1	\$ 298		\$ -		\$ -	\$ 298
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -	2	\$ 2,138		\$ -	\$ 2,138
SOCR		\$ -		\$ -		\$ -	\$ -
VOC		\$ -		\$ -	2	\$ 300	\$ 300
Lead & Copper	5	\$ 235	-	\$ -	-	\$ -	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Desert Springs							
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123

	2021		2022		2023		Total Cost
	Tests	Cost	Tests	Cost	Tests	Cost	
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha		\$ -		\$ -		\$ -	\$ -
Radium 226/228		\$ -		\$ -		\$ -	\$ -
Uranium		\$ -		\$ -	1	\$ 36	\$ 36
Asbestos	1	\$ 298		\$ -		\$ -	\$ 298
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -	1	\$ 1,069		\$ -	\$ 1,069
SOCR		\$ -		\$ -		\$ -	\$ -
VOC		\$ -	1	\$ 150		\$ -	\$ 150
Lead & Copper		\$ -	5	\$ 235	-	\$ -	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
DRID							
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123
Nitrite	1	\$ -		\$ -		\$ -	\$ -
Arsenic		\$ -	1	\$ 28	-	\$ -	\$ 28
Gross Alpha		\$ -		\$ -		\$ -	\$ -
Radium 226/228		\$ -		\$ -		\$ -	\$ -
Uranium		\$ -	1	\$ 36		\$ -	\$ 36
Asbestos	1	\$ 298		\$ -		\$ -	\$ 298
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
IOC	-	\$ -	1	\$ 314	-	\$ -	\$ 314
SOC		\$ -	1	\$ 1,069		\$ -	\$ 1,069
SOCR		\$ -		\$ -		\$ -	\$ -
VOC		\$ -	1	\$ 150		\$ -	\$ 150
Lead & Copper	5	\$ 235	-	\$ -	-	\$ -	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Happy Acres							

	2021		2022		2023		Total Cost
	Tests	Cost	Tests	Cost	Tests	Cost	
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha		\$ -		\$ -		\$ -	\$ -
Radium 226/228		\$ -		\$ -		\$ -	\$ -
Uranium		\$ -		\$ -		\$ -	\$ -
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -		\$ -		\$ -	\$ -
SOCR		\$ -		\$ -		\$ -	\$ -
VOC		\$ -		\$ -		\$ -	\$ -
Lead & Copper		\$ -	-	\$ -	-	\$ -	\$ -
Coliform	4	\$ 100	4	\$ 100	4	\$ 100	\$ 300
Highland							
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha		\$ -		\$ -		\$ -	\$ -
Radium 226/228		\$ -		\$ -	1	\$ 216	\$ 216
Uranium		\$ -		\$ -		\$ -	\$ -
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -	1	\$ 1,069		\$ -	\$ 1,069
SOCR		\$ -		\$ -		\$ -	\$ -
VOC		\$ -	1	\$ 150		\$ -	\$ 150
Lead & Copper	10	\$ 470	10	\$ 470	10	\$ 470	\$ 1,410
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Odin Falls							
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123

	2021		2022		2023		Total Cost
	Tests	Cost	Tests	Cost	Tests	Cost	
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha		\$ -	1	\$ 114		\$ -	\$ 114
Radium 226/228		\$ -	1	\$ 216		\$ -	\$ 216
Uranium		\$ -	1	\$ 36		\$ -	\$ 36
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -	1	\$ 1,069		\$ -	\$ 1,069
SOCR		\$ -		\$ -		\$ -	\$ -
VOC		\$ -	1	\$ 150		\$ -	\$ 150
Lead & Copper		\$ -	5	\$ 235	-	\$ -	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Red Cloud							
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha		\$ -	1	\$ 114		\$ -	\$ 114
Radium 226/228		\$ -	1	\$ 216		\$ -	\$ 216
Uranium	1	\$ 36		\$ -		\$ -	\$ 36
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -	1	\$ 1,069		\$ -	\$ -
SOCR		\$ -		\$ -		\$ -	\$ -
DBP	1	\$ 274	1	\$ 274	1	\$ 274	\$ 822
VOC		\$ -	1	\$ 150		\$ -	\$ 150
Lead & Copper		\$ -	10	\$ 1,500	-	\$ -	\$ 1,500
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
South Redmond Heights							
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123

	2021		2022		2023		Total Cost
	Tests	Cost	Tests	Cost	Tests	Cost	
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha		\$ -	1	\$ 114		\$ -	\$ 114
Radium 226/228		\$ -	1	\$ 216		\$ -	\$ 216
Uranium		\$ -	1	\$ 36		\$ -	\$ 36
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC	1	\$ 1,069		\$ -		\$ -	\$ 1,069
SOCR		\$ -		\$ -		\$ -	\$ -
VOC	1	\$ 150		\$ -		\$ -	\$ 150
Lead & Copper	5	\$ 235	-	\$ -	-	\$ -	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Squaw Creek Canyon							
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123
Nitrite		\$ -		\$ -		\$ -	\$ -
Arsenic	1	\$ 28					\$ 28
Gross Alpha	1	\$ 114		\$ -		\$ -	\$ 114
Radium 226/228	1	\$ 216		\$ -		\$ -	\$ 216
Uranium	1	\$ 36		\$ -		\$ -	\$ 36
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC	1	\$ 1,069		\$ -		\$ -	\$ 1,069
SOCR		\$ -		\$ -		\$ -	\$ -
VOC	1	\$ 150		\$ -		\$ -	\$ 150
Lead & Copper		\$ -	-	\$ -	5	\$ 235	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Tetherow							
Nitrate	2	\$ 82	2	\$ 82	2	\$ 82	\$ 246

	2021		2022		2023		Total Cost
	Tests	Cost	Tests	Cost	Tests	Cost	
Nitrite		\$ -		\$ -		\$ -	\$ -
Arsenic	1	\$ 28					\$ 28
Gross Alpha	1	\$ 114		\$ -		\$ -	\$ 114
Radium 226/228	1	\$ 216		\$ -		\$ -	\$ 216
Uranium	1	\$ 36		\$ -		\$ -	\$ 36
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC	1	\$ 1,069		\$ -		\$ -	\$ 1,069
IOC	1	\$ 314					\$ 314
SOCR		\$ -		\$ -		\$ -	\$ -
VOC	1	\$ 150		\$ -		\$ -	\$ 150
Lead & Copper	5	\$ 235	-	\$ -	-	\$ -	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Tumalo Rim							
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha		\$ -		\$ -	1	\$ 114	\$ 114
Radium 226/228		\$ -		\$ -		\$ -	\$ -
Uranium		\$ -		\$ -		\$ -	\$ -
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -	1	\$ 1,069		\$ -	\$ 1,069
SOCR		\$ -	1	\$ 743		\$ -	\$ 743
VOC		\$ -	1	\$ 150		\$ -	\$ 150
Lead & Copper		\$ -	5	\$ 235	-	\$ -	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Turner							

	2021		2022		2023		Total Cost
	Tests	Cost	Tests	Cost	Tests	Cost	
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha		\$ -		\$ -		\$ -	\$ -
Radium 226/228		\$ -		\$ -	1	\$ 216	\$ 216
Uranium		\$ -		\$ -		\$ -	\$ -
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -	1	\$ 1,069		\$ -	\$ 1,069
SOCR		\$ -		\$ -		\$ -	\$ -
VOC		\$ -	1	\$ 150		\$ -	\$ 150
Lead & Copper	10	\$ 470	10	\$ 470	10	\$ 470	\$ 1,410
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Tuscarora							
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha	1	\$ 114		\$ -		\$ -	\$ 114
Radium 226/228	1	\$ 216		\$ -		\$ -	\$ 216
Uranium		\$ -		\$ -		\$ -	\$ -
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -	1	\$ 1,069		\$ -	\$ 1,069
SOCR		\$ -	1	\$ 743		\$ -	\$ 743
VOC		\$ -	1	\$ 150		\$ -	\$ 150
Lead & Copper	5	\$ 235	-	\$ -	-	\$ -	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
Wild River							
Nitrate	1	\$ 41	1	\$ 41	1	\$ 41	\$ 123

	2021		2022		2023		Total Cost
	Tests	Cost	Tests	Cost	Tests	Cost	
Nitrite		\$ -		\$ -		\$ -	\$ -
Gross Alpha		\$ -	1	\$ 114		\$ -	\$ 114
Radium 226/228		\$ -	1	\$ 216		\$ -	\$ 216
Uranium		\$ -	1	\$ 36		\$ -	\$ 36
Asbestos		\$ -		\$ -		\$ -	\$ -
Picloram		\$ -		\$ -		\$ -	\$ -
Diquat		\$ -		\$ -		\$ -	\$ -
SOC		\$ -	1	\$ 1,069		\$ -	\$ 1,069
SOCR		\$ -		\$ -		\$ -	\$ -
VOC		\$ -	1	\$ 150		\$ -	\$ 150
Lead & Copper	5	\$ 235	-	\$ -	-	\$ -	\$ 235
Coliform	12	\$ 300	12	\$ 300	12	\$ 300	\$ 900
total scheduled costs		\$ 36,072		\$ 46,250		\$ 23,048	\$ 104,301
Unscheduled Coliforms	300	\$ 7,500	300	\$ 7,500	300	\$ 7,500	\$ 22,500
UCMR 5						\$ 9,000	\$ 9,000
Total testing costs		\$ 43,572		\$ 53,750		\$ 39,548	\$ 135,801

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

**Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 25**

Request:

25. Avion's proposed Contract Services—Billing/Collection (Account 637) expense of \$109,855 represents an increase of \$20,973, or 23.6 percent, over the UW 171-assumed amount of \$88,882. Please explain this increase, including any changes in Avion's operations or manner of billing that may have contributed to the change.

- a. Going forward, does Avion expect the test year amount to be representative of a typical year? Please explain, and include any adjustments that Avion would make to normalize the amount in this account.**

Response:

Avion's Contract Services-Billing (Acct. No. 637) has increased due to postage increases in 2018 and 2019 (Monthly invoices, 15-day notices and 7-day notices are mailed directly from the billing service and the cost passed through to Avion). The increase also reflects the operational change required by Oregon Administrative Rules (OARs) for disconnection of service due to non-payment. Avion, in accordance with the OARs now sends out a 15-day notice to customers, which it did not do in UW 171.

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 26

Request:

26. Going forward, does Avion expect the test year amount of \$61,968 for Contract Services—Other (Account 639) to be representative of a typical year? Please explain, and include any adjustments that Avion would make to normalize the amount in this account.

Response:

The test year amount of \$61,968 was not typical because Avion had not been receiving monthly invoices from the Deschutes River Conservancy (DRC) for their services. At the time of submission Avion was working with the DRC to correct this situation. The DRC has resumed monthly invoicing of \$1,500 per month or \$18,000 per year. Avion has also changed its contractor for janitorial services due to performance concerns with the original contractors. The new contract for janitorial services represents an increase of \$480 per month or \$5,760 per year for janitorial services. A more representative amount for Contract Services – Other (Acct. No. 639) would be \$85,728.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 27

Request:

27. Avion's rate case application shows a test year expense in Account 641 (Rental of Building/Real Property) of \$26,406. Please explain what the test year amount consists of.

Response:

Rental of Building/Real Property (Acct. No. 641) consists of rent and lease payments for various easements from the U.S. Government, State of Oregon and private individuals.

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 27

Request:

27. Avion's rate case application shows a test year expense in Account 641 (Rental of Building/Real Property) of \$26,406. Please explain what the test year amount consists of.

First Supplemental Response:

Subsequent to Avion's original response to Data Request No. 27, notice was received from the landlord that the storage unit rent will be increased by \$20 from \$175 per month to \$195 per month or \$240 annually. A more appropriate adjusted amount of Rental of Building/Real Property expense (Account No. 641), including the new service center lease would be \$170,646. Please see Attachment DR-027.

Original Response:

Rental of Building/Real Property (Acct. No. 641) consists of rent and lease payments for various easements from the U.S. Government, State of Oregon and private individuals.

Southside Storage
20205 Badger Rd.
Bend, OR 97702

0.*

9/15/2020

0.*

Avion Water
C/O Jason Wick,
60813 Parrell Rd
Bend, OR 97702

000

195.00+

175.00-

20.00*

*Annual
Storage rent
increase*

20.00x

12.=

240.00*

Re: Unit#: 00226
Size: 10 X 20

Notice of Rate Increase

Dear Avion Water,

This is to inform you that as of November 1, 2020 your rent on your unit(s) will be increased.

We have done everything in our power to keep rents as low as possible. We value you as a customer and hope that this does not create a hardship on you
Your Account Status is as follows:

Unit	Effective Date	Current Rate	New Rate
00226	11/1/2020	\$175.00	\$195.00
New Rent Total			\$195.00

If you have any questions, please call 541-388-9900.

Very truly yours,

Wendy Dillard
Site Manager

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Jan Wick
Exec. Vice President and Chairman of the Board, Avion Water Company, Inc.
(Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 29

Request:

29. Avion proposes to lease the new service center building for \$12,000 a month. Regarding the proposed building lease,

- a. Who will own the new building (i.e., who will be the lessor from whom Avion will lease the building)?**
- b. Why does Avion propose to own the land associated with the building, but not the building itself?**

Response:

- a. The owner of building will be KW Investments, LLC.
- b. Avion negotiated an arrangement with KW Investments, LLC ("KW") for the development of Avion's new service center in which KW will develop and own the building and lease it to Avion, and Avion will own the land. Avion proposes to own the land for two reasons: (1) KW indicated it prefers not to own the land, and (2) Avion's ownership of the land was determined to be the best approach to address planning and zoning requirements from the City of Bend.

In particular, Avion, in coordination with the City of Bend, determined that the most streamlined and cost effective way to address zoning for the land to be used for the new service center (currently zoned for residential use) is to use a lot line adjustment to append the land to Avion's adjacent property and current service center site. Avion's proposed lot line adjustment has been submitted to the City of Bend and is currently pending. Accordingly, Avion determined that the best approach was for Avion to own the land to meet the planning and zoning requirements from the City of Bend.

Avion also evaluated ownership v. leasing of the building, and determined that it would not be prudent to dedicate a significant portion of its available credit to developing the service center, which may limit Avion's ability to use its credit for needed investments in utility plant. Accordingly, leasing the building best met Avion's needs for a larger and more modern service center site while preserving flexibility for Avion to use its credit for investment in utility plant.

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 71

Request:

71. During the October 13, 2020, settlement conference, Avion revised its proposed lease expense for its new service center building from \$144,000 to \$140,000 per year. In addition to its lease expense, Avion proposes to include capital costs associated with its new service center in rates. Specifically, Avion proposes to include \$375,000 in land and \$842,200 in leasehold improvements in rate base. Avion also proposes to include 12 months of depreciation on the depreciable portion of these assets in depreciation expense. As shown below, Staff estimates the total cost of Avion's new building at approximately \$39.93 per square foot annually.

Item	Amount
Annual lease	\$140,000
Return on land & leasehold improvements (tax inclusive)	\$103,446
Depreciation expense (using 35 year asset life)	\$24,063
Total Annual Cost of New Service Center	\$267,509
Square footage of new building	6,700
Total Annual Cost per Square Foot	\$39.93

Please compare the cost per square foot reflected in Avion's request to the market rate for comparable leases, and indicate whether Avion's proposal reflects the least-cost option. Please include all analyses and documentation relied upon in Avion's response.

Response:

Subsequent to the October 13, 2020 settlement conference, Avion and its investors reevaluated the proposed timing and financing approach for the service center project, and currently there is no lease agreement in place. Accordingly, Avion is withdrawing the lease amount and leasehold improvements relating to the new office building at this time. Avion will continue to explore financing options for the new building. Avion is continuing to seek cost recovery for the purchased land in the current rate case because it is already in use for Avion's operations.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 32

Request:

- 32. Avion's proposed Rental of Equipment (Account 642) expense represents an increase of \$27,533, or 909.88 percent, over the UW 171-assumed amount of \$3,026. Regarding this increase,**
- a. Please explain why the amount in this account has increased substantially since Avion's last rate case.**
 - b. Going forward, does Avion expect the test year amount to be representative of a typical year? Please explain, and include any adjustments that Avion would make to normalize the amount in this account.**

Response:

Rental of Equipment expense (Acct. No. 642) assumed in UW 171 was \$3,026. The proposed amount of Rental of Equipment in UW 181 is \$30,559, which is an increase of \$27,533 or 909.88%. The UW 171 assumed amount included leased office equipment mostly consisting of printers. In addition to the continued leases of office equipment, Avion now leases two large pieces of equipment, a skid steer and a vac trailer. These pieces of equipment are vital to maintaining Avion's infrastructure. Avion also rented miscellaneous other equipment during the year as needed for various activities.

Avion expects that proposed Rental of Equipment expense will be representative of a typical year.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 33

Request:

33. Avion's proposed Small Tools (Account 643) expense represents an increase of \$8,204, or 139.52 percent, over the UW 171-assumed amount of \$5,880. Regarding this increase,

- a. Please explain why the amount in this account has increased substantially since Avion's last rate case.**
- b. Going forward, does Avion expect the test year amount to be representative of a typical year? Please explain, and include any adjustments that Avion would make to normalize the amount in this account.**

Response:

Small Tools Expense (Acct. No. 643) assumed in UW 171 was \$5,880. The proposed amount in UW 181 is \$14,084, which is an increase of \$8,204 or 139.52 percent. The increase is due to different tools needed to repair and maintain Avion's plant.

Avion expects the test year amount to be representative of a typical year.

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 34

Request:

34. Avion's proposed Computer/Electronic (Account 648) expense of \$52,833 represents an increase of \$25,342, or 92.18 percent, over the UW 171-assumed amount of \$27,491. Regarding this increase,

- a. Please explain why the amount in this account has increased substantially since Avion's last rate case.**
- b. Going forward, does Avion expect the test year amount to be representative of a typical year? Please explain, and include any adjustments that Avion would make to normalize the amount in this account.**

Response:

Computer/Electronic Expense (Acct. No. 648) assumed in UW 171 was \$27,491. The proposed amount in UW 181 is \$52,833, which is an increase of \$25,342 or 92.18 percent.

Computer/Electronic Expense increased for several reasons. The assumed amount in UW 171 was artificially low because a three-year average was used instead of the original proposed amount of \$31,224 despite the upward trend in the expense. Avion has also entered into a maintenance plan with our IT provider, Weston Technologies in an effort to monitor Avion's computer systems in order to prevent costly repairs and potential water outages to customers depending on which computer system is affected.

Avion expects the proposed test year amount of \$52,833 to be representative of a typical year.

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 35

Request:

35. Avion's proposed Transportation (Account 650) expense of \$288,767 represents an increase of \$140,058, or 94.18 percent, over the UW 171-assumed amount of \$148,709. Regarding this increase,

- a. Please explain why the amount in this account has increased substantially since Avion's last rate case.**
- b. Going forward, does Avion expect the test year amount to be representative of a typical year? Please explain, and include any adjustments that Avion would make to normalize the amount in this account.**

Response:

Transportation Expense (Acct. No. 650) assumed in UW 171 was \$148,709. The proposed Transportation Expense in UW 181 is \$288,767, which is an increase of \$140,058 or 94.18 percent.

Transportation expenses have increase because Avion has started leasing service trucks instead of purchasing new ones. Due to rising vehicle costs, Avion could not replace its aging service fleet quickly enough to avoid costly repairs to vehicles which were being run with up to 300,000 miles, and which had become unreliable.

Avion expects Transportation Expenses to continue to rise as the remainder of the aged service fleet is replaced with leased reliable service trucks. Avion plans on replacing twelve more service trucks in 2021 and 2022. Based upon the existing leases, Avion estimates that leasing costs will increase by \$68,000 in 2021 and \$56,000 in 2022.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 36

Request:

36. Avion's proposed Transportation (Account 650) expense of \$288,767 includes the following payments to Enterprise Fleet Management, netting \$66,726.58 in the test year.

Vendor	Invoice	Date	Amount
ENTERPRI	Invoice: FBN3618229 /	1/4/2019	2,052.55
ENTERPRI	Invoice: FBN3636838 /	2/5/2019	2,596.79
ENTERPRI	Invoice: FBN3662955 /	3/5/2019	10,585.17
ENTERPRI	Invoice: FBN3682682 /	4/3/2019	20,944.20
ENTERPRI	Invoice: FBN3709414 /	5/3/2019	4,141.42
ENTERPRI	Invoice: FBN3729614 /	6/5/2019	4,119.76
ENTERPRI	Invoice: FBN3749643 /	7/3/2019	4,119.76
ENTERPRI	Invoice: FBN3763447 /	8/3/2019	5,624.28
ENTERPRI	Invoice: FBN3777651 /	9/5/2019	4,875.28
ENTERPRI	Invoice: FBN3800826 /	10/3/2019	-2,812.21
ENTERPRI	Invoice: FBN3831288 /	11/5/2019	4,717.79
ENTERPRI	Invoice: FBN3843367 /	12/4/2019	5,761.79
			66,726.58

This amount appears to include monthly lease payments on several 2019 vehicles. Regarding these payments,

- a. Please provide a list of vehicles leased by Avion in the test year, along with the corresponding test year lease expense attributable to each.**
- b. Does the lease of these vehicles represent the most cost-effective method for accessing the necessary transportation resources? Please explain.**

Response:

- a. Please see the table in Attachment DR-036 for a breakdown of each of the invoices listed above.
- b. Yes, leasing vehicles represents the most cost-effective method for accessing the necessary transportation resources for Avion. Avion could no longer afford to refresh the

service fleet on a regular basis because of the rising costs of replacement vehicles. Avion's existing fleet of high mileage service trucks were worn out. Leasing vehicles will allow Avion to refresh the service fleet regularly with dependable service trucks.

Driver	Unit	Vehicle	FBN3618229	FBN3636838	FBN3662955	FBN3682682	FBN3709414	FBN3729614	FBN3749643	FBN3763447	FBN3777651	FBN3800826	FBN3831288	FBN3843367	Total
Kris	20	22WDKB		\$ 1,800.19	\$ 635.34	\$ 635.34	\$ 635.34	\$ 635.34	\$ 635.34	\$ 635.34	\$ 635.34	\$ 635.34	\$ 635.34	\$ 635.34	635.34
Debra	14	22WDKK	\$ 1,898.55	\$ 642.60	\$ 642.60	\$ 642.60	\$ 642.60	\$ 642.60	\$ 642.60	\$ 642.60	\$ 642.60	\$ 642.60	\$ 642.60	\$ 642.60	642.60
Hank	21	22X7VV			\$ 9,153.23	\$ 902.30	\$ 902.30	\$ 902.30	\$ 902.30	\$ 902.30	\$ 902.30	\$ 902.30	\$ 902.30	\$ 902.30	1,424.30
Greg	18	22XQKM				\$ 9,304.98	\$ 903.59	\$ 892.76	\$ 892.76	\$ 892.76	\$ 892.76	\$ 892.76	\$ 892.76	\$ 892.76	892.76
Tony	22	22XQKV				\$ 9,304.98	\$ 903.59	\$ 892.76	\$ 892.76	\$ 892.76	\$ 892.76	\$ 892.76	\$ 892.76	\$ 892.76	1,414.76
Johanna	27	2375HW								\$ 1,518.52	\$ 612.03	\$ 612.03	\$ 612.03	\$ 612.03	612.03
Shop	Shop	22XRZD	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	(7.00)
Abel	5	22XRF8	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
One Ton	One ton	22XRFG	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Greg	18	22XTVX	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Mary	9	22XRT2	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Jon	11	22XRST	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Adam	8	22XTWC	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Brian	7	22XRSM	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Jim	12	22XTWK	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Zach	2	22XRS9	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	(7.00)
Jared	19	22XRZ6	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	(7,530.00)
Beau	24	22XTWP	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Gene	17	22XRXX	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Marc	15	22XRRZ	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Zach	2	22XRZ9	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Andy	16	22XRZD	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Cody	23	22XRZK	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Tanner	6	22XRZR	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	171.49
Steve S	4	22XTWV	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Mike	10	22XRRR	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Abel	5	22XZVC	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
Roger	13	22XRRC	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	7.00
		Total	\$ 2,052.55	\$ 2,596.79	\$ 10,585.17	\$ 20,944.20	\$ 4,141.42	\$ 4,119.76	\$ 4,119.76	\$ 5,624.28	\$ 4,875.28	\$ (2,812.21)	\$ 4,717.79	\$ 5,761.79	\$ 66,726.58

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

**Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 39**

Request:

39. Avion's proposed Workers' Compensation Insurance (Account 658) expense of \$42,671 represents an increase of \$17,247, or 67.84 percent, over the UW 171-assumed amount of \$25,4249. Regarding this increase,

- a. Please explain why the amount in this account has increased substantially since Avion's last rate case.**

Response:

The Workers' Compensation Insurance Expense (Acct. No. 658) increased is due to wage increases and the additional employees Avion has hired since the UW 171.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 40

Request:

40. What does Avion's Other Insurance (Account 659) expense consist of?

Response:

Other Insurance (Acct. No. 659) consists of a \$5,000,000 excess liability (umbrella) policy.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 41

Request:

41. Avion's proposed PR/Advertising (Account 660) expense of \$1,176 includes \$995.50 paid to DVA Advertising & Public Relations. Please explain the purpose of this transaction and indicate whether Avion expects this expense to recur annually going forward.

Response:

In January, 2019 Avion had to issue a boil water notice to all customers in the Bend area. Avion's systems and procedures were inadequate for this notice and many Avion customers were upset that only public service announcements via radio and television were used to notify customers. The \$995.50 paid to DVA Advertising & Public Relations related communicating Avion's response to customers as to why Avion was unable to deliver phone calls to customers about this and the new procedures and systems put in place to correct the situation. Avion expects that there will be continue to be PR/Advertising Expenses and that the \$1,176 would be representative of a typical year.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 42

Request:

42. Avion's proposed Conservation (Account 668) expense of \$19,210 includes \$1,210 paid to the Oregon Water Resources Department for a five-year temporary water right transfer. Please explain why this transfer was necessary.

Response:

Payment of \$1,210 to Oregon Water Resources Department was necessary for Avion to change the delivery point for leased water rights (please see Data Request No. 43)-

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 43

Request:

43. Avion's proposed Conservation (Account 668) expense of \$19,210 includes \$18,000 attributable to "BROKEN T." Please explain what this amount relates to.

Response:

The \$18,000 is the initial payment to Broken Top/Gold Ring Investments to lease a portion of their water rights for Avion's use. The agreement calls for annual payments of \$48,000 plus a potential commodity charge. The total conservation expense should have included an adjustment of \$30,000 making expected Conservation Expense \$48,000 annually.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 44

Request:

44. Does Avion's proposed Bad Debt (Account 670) expense of \$25,465 include any unusual items that are not expected to recur? If so, please identify all such costs, including a short description and the amount associated with each.

Response:

Bad Debts Expense (Acct. No. 670) includes a write off of a loan to a terminated employee in the amount of \$9,760.68. Avion does not expect to have such a write off in the future.

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 45

Request:

45. Avion's proposed Consumer Confidence Report (Account 674) expense of \$1,350 represents a decrease of \$7,345, or 85.47 percent, from the UW 171-approved amount of \$8,695. Please explain why this cost has decreased since Avion's last rate case, and indicate whether Avion expects the test year amount to be representative of a typical year going forward. Please explain, and include any adjustments that Avion would make to normalize the amount in this account.

Response:

Avion is no longer required to print and mail Consumer Confidence Reports (CCRs). CCRs are now posted on Avion's website for customers and other interested parties to retrieve. Avion expects the proposed Consumer Confidence Report expense of \$1,350 to be representative of costs of CCRs in the future.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 46

Request:

46. Avion's proposed Miscellaneous (Account 675) expense of \$240,670 represents an increase of \$25,708, or 11.96 percent, over the UW 171-assumed amount of \$214,962. Please explain why this cost has increased since Avion's last rate case, and indicate whether Avion expects the test year amount to be representative of a typical year going forward. Please explain, and include any adjustments that Avion would make to normalize the amount in this account.

Response:

The increase is mostly composed of increases in bank charges, which increased \$7,437, and merchant fees, which increased \$15,273. Bank fees have increased due to bank processing fee increases. Merchant charges have increased because more people are paying with credit or debit cards.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

**Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 47**

Request:

47. Please identify all individuals who receive guarantee payments from Avion. For each such individual, please:

- a. Provide the individual's name and role or relationship with Avion,**
- b. Provide total amount of guarantee payments made to the individual in the test year,**
- c. Indicate whether the individual has an affiliated relationship with Avion as defined in ORS 757.015, and**
- d. If an affiliated interest relationship is present, identify the PUC docket in which Avion received Commission approval to make guarantee payments to the individual.**

Response:

The following individuals receive guarantee fee payments from Avion:

Name	Total 2019 payments	Affiliated interest	Order No.
Jan Wick	\$47,587	Yes	07-417
Jason Wick	\$47,587	No	N/A
Jordan Wick	\$47,587	No	N/A

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 49

Request:

49. Please provide a breakdown of the individual items included in Avion's proposed Property Tax (Account 408.11) expense of \$316,543.

Response:

Proposed Property Tax Expense (Acct. No. 408.11) includes the following property tax accounts with Deschutes and Crook Counties:

Property tax account number	Total taxes	Net taxes after 3% discount
Deschutes County		
108784	214.35	207.92
111959	191.74	185.99
121104	6,125.35	5,941.59
121711	1,269.63	1,231.54
129266	269.44	261.36
150553	273.76	265.55
150962	764.22	741.29
174686	4,403.84	4,271.72
240296	108,259.01	105,011.24
240297	115,140.10	111,685.90
240298	14,948.58	14,500.12
240299	77.82	75.49
240300	12,736.57	12,354.47
240301	6,243.92	6,056.60
240302	206.26	200.07
240303	97.87	94.93
240304	133.17	129.17
240305	165.49	160.53
240307	19,837.55	19,242.42
240308	12,907.95	12,520.71
240309	119.92	116.32

252887	7,588.28	7,360.63
252888	2,876.02	2,789.74
258043	15.04	14.59
258044	33.07	32.08
259018	2.03	1.97
269007	348.25	337.80
270347	2.42	2.35
277537	3,105.64	3,012.47
277538	6,146.26	5,961.87
Crook County:		
17072	633.37	623.59

Avion expects Property Tax expense to increase by three percent annually.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 50

Request:

50. Avion's proposed Payroll Tax (Account 408.12) expense of \$203,496 represents an increase of \$36,673, or 20.54 percent, from the UW 171-assumed amount of \$168,823. Please explain why this cost has increased since Avion's last rate case.

Response:

Payroll Tax Expense (Acct. No. 408.12) has increased since UW 171 because of the employees hired and raises/cost of living adjustments for existing employees since 2016.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 51

Request:

51. Avion's proposed Payroll Tax (Account 408.12) expense of \$203,496 represents an increase of \$12,316, or 6.44 percent, over the test year amount of \$191,180. Please explain what this increase consists of.

Response:

The proposed increase of \$12,316 represents the payroll taxes associated with the new employee of \$8,028 (please see Data Request No. 5) and the payroll taxes associated with employee raises/cost of living adjustments of \$4,288.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 52

Request:

52. Please provide a breakdown of what is included in Avion's test year Other Tax (account 408.13) expense of \$208,800. Please include documentation supporting the test year amount. If such documentation has already been provided to Staff, please direct Staff to the appropriate file(s).

Response:

Other Tax expense (Acct. No. 408.13) in the test year consists of the following taxes:

Bend Stormwater fees	\$ 1,165
Bend Franchise fees	\$207,330
Bend Business License	\$ 50
Federal Excise tax	\$ 255

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 53

Request:

53. Avion's proposed Other Tax (Account 408.13) expense of \$258,014 represents an increase of \$139,898, or 118.44 percent, from the UW 171-assumed amount of \$118,116. Please explain why this cost has increased since Avion's last rate case.

Response:

The proposed increase in Other Tax expense (Acct. No. 408.13) of \$139,898 over the UW 171 assumed amount is due to increases in the Bend Franchise Fee of about \$90,500 and Avion's estimate of the Corporate Activities Tax (CAT) of \$49,214. The City of Bend has raised its franchise fee by 2 percent since UW 171 and the Oregon Corporate Activities tax took effect January 2020.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 54

Request:

54. Avion's proposed Other Tax (Account 408.13) expense of \$258,014 represents an increase of \$49,214, or 23.57 percent, over the test year amount of \$208,800. Please explain what this increase consists of.

Response:

The proposed increase in Other Tax Expense (Acct. No. 408.13) is due to the Oregon Corporate Activity Tax (CAT) which took effect January 1, 2020. The \$49,214 increase represents Avion's estimate of the tax which will be imposed upon Avion based upon the revenues requested in UW 181.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 55

Request:

55. Based on Avion's plant schedules, Avion's 2017 additions to invested plant are summarized by account as follows:

2017 Invested Plant	
Land and Land Rights	9,010
Structures and improvements	12,625
Lake, River & other intakes	1,447
Wells and Springs	46,044
Water Treatment Equipment	1,906
Distribution Reservoirs and Standpipes	17,200
Transmission and Distribution Mains	604,136
Services	91,000
Meters and meter installations	51,803
Cross Connection Control devices	58,558
Office furniture and equipment	1,825
Transportation equipment	63,506
Tools, shop, and garage equipment	15,401
Communication equipment	7,860
Electronic/computer equipment	62,374

TOTAL

1,044,695

For each account listed above, please provide a narrative description of what Avion's 2017 additions consist of along with an explanation for why such additions were necessary.

Response:

Land and land rights (Acct. No. 303) additions are for water rights transfers to add new wells to existing rights and costs related to the perfection of existing water rights. Water right changes were needed to comply with Oregon Water Resources Department rules.

Structures and Improvements (Acct. No. 304) additions are primarily for improvements to the DRID pumphouse. Pumphouses are needed to protect the well heads and pumping equipment from weather and vandalism.

Lake, River and Other Intakes (Acct. No. 306) addition is for a rebuilt weir for Arrowhead Irrigation Pond as required by Arnold Irrigation District to properly meter irrigation water flows.

Wells and Springs (Acct. No. 307) additions are primarily related to drilling Tumalo Rim Well No. 3 after Tumalo Rim Well No. 1 failed.

Water Treatment Equipment (Acct. No. 320) additions are for water treatment equipment at the Nixon Well No. 1. Water treatment equipment was need due to repeated failures of coliform samples.

Distribution Reservoirs and Standpipes (Acct. No. 330) additions are the rehabilitation of the DRID reservoir to eliminate leakage and prevent intrusion of groundwater into the reservoir.

Transmission and Distribution Mains (Acct. No. 331) additions are related to main improvements to replace aging and undersized mains in older areas on Avion's service territory and to serve newly acquired Nottingham and Stonegate subdivisions.

Services (Acct. No. 333) additions are for new services for new customers.

Meters and Meter Installations (Acct. No. 334) additions are for new meters for new customers and replacement of old or broken meters for existing customers.

Cross Connection Control Devices (Acct. No. 336) additions are for cross connection control devices installed in new and existing services as required by Oregon safe drinking water standards.

Office Furniture and Equipment (Acct. No. 340) additions are for new office equipment and furniture needed to replace old and worn out furniture and equipment and provide a desk and dividers for a new office employee.

Transportation Equipment (Acct. No. 341) additions are for a service truck and automobile required to replace worn out vehicles.

Tools, Shop and Garage Equipment (Acct. No. 343) additions are for various tools needed to perform maintenance and repairs on the water system.

Communication Equipment (Acct. No. 346) addition is for new cell phones and handheld radios to replace obsolete equipment.

Electronic/Computer Equipment (Acct. No. 347) additions are replacement of old, worn out computers for employees and replace an obsolete server.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 57

Request:

57. Based on Avion's plant schedules, Avion's 2018 additions to invested plant are summarized by account as follows:

2018 Invested Plant	
Land and Land Rights	38,345
Structures and improvements	12,195
Wells and Springs	97,929
Water Treatment Equipment	1,783
Transmission and Distribution Mains	286,783
Services	2,905
Meters and meter installations	136,605
Hydrants	11,056
Cross Connection Control devices	41,565
Office furniture and equipment	3,007
Tools, shop, and garage equipment	5,071
Power operated equipment	18,200
Communication equipment	1,763
Electronic/computer equipment	56,608
TOTAL	713,817

For each account listed above, please provide a narrative description of what Avion's 2018 additions consist of along with an explanation for why such additions were necessary.

Response:

Land and land rights (Acct. No. 303) additions are for easements purchased through the year, mostly related to the Powderhorn transmission and distribution main.

Structures and Improvements (Acct. No. 304) additions are for the pumphouse needed for the new Nixon well No. 2. Pumphouses are needed to protect the well heads and pumping equipment from weather and vandalism.

Wells and Springs (Acct. No. 307) additions are for the new Nixon Well No. 2 and other well improvements. The Nixon Well No. 2 was needed to have a backup well for customers in the Powell Butte area that has sufficient capacity to provide water to all customers when Nixon Well No. 1 is off line due to repairs or maintenance.

Water Treatment Equipment (Acct. No. 320) additions are for the water treatment equipment needed for the Nixon Well No. 2. Water treatment equipment was need due to repeated failures of coliform samples at Nixon Well No. 1.

Transmission and Distribution Mains (Acct. No. 331) additions are related to main improvements to replace aging and undersized mains in older areas on Avion's service territory.

Services (Acct. No. 333) additions are for new services for new customers.

Meters and Meter Installations (Acct. No. 334) additions are for new meters for new customers and replacement of old or broken meters for existing customers.

Hydrants (Acct. No. 335) additions are primarily for new fire hydrants added to improved transmission mains needed for public safety.

Cross Connection Control Devices (Acct. No. 336) additions are for cross connection control devices installed in new and existing services as required by Oregon safe drinking water standards.

Office Furniture and Equipment (Acct. No. 340) additions are for new office equipment and furniture needed to replace old and worn out furniture and equipment.

Tools, Shop and Garage Equipment (Acct. No. 343) additions are for various tools needed to perform maintenance and repairs on the water system.

Power Operated Equipment (Acct. No. 345) addition is for a ground penetrating radar unit needed for locating Avion's transmission and distribution mains as part of Oregon's Dig Safely program.

Communication Equipment (Acct. No. 346) addition is for radio equipment needed for wells and other plant in the field to communicate with the SCADA computer at the Avion service center.

Electronic/Computer Equipment (Acct. No. 347) additions are related to a billing software upgrade required by the software vendor and replacement of old, worn out computers for employees.

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 59

Request:

59. Based on Avion's plant schedules, Avion's 2019 additions to invested plant are summarized by account as follows:

2019 Invested Plant	
Land and Land Rights	55,383
Structures and improvements	11,704
Wells and Springs	136,641
Transmission and Distribution Mains	1,629,347
Services	628
Meters and meter installations	41,642
Cross Connection Control devices	31,882
Office furniture and equipment	2,004
Transportation equipment	12,080
Tools, shop, and garage equipment	2,943
Communication equipment	8,694
Electronic/computer equipment	14,295
TOTAL	1,947,243

For each account listed above, please provide a narrative description of what Avion's 2019 additions consist of along with an explanation for why such additions were necessary.

Response:

Land and land rights (Acct. No. 303) additions are for easements purchased through the year for various projects and costs related to amendments to water rights. Water right changes were needed to comply with Oregon Water Resources Department rules.

Structures and Improvements (Acct. No. 304) additions are for the pumphouse house needed for the new Highland Well Pumphouses are needed to protect the well heads and pumping equipment from weather and vandalism.

Wells and Springs (Acct. No. 307) additions are mostly related to the replacement of the Highland Well. The original well failed and had to be replaced.

Transmission and Distribution Mains (Acct. No. 331) additions are related to main improvements to replace aging and undersized mains in older areas on Avion's service territory and construction of the Powderhorn transmission main.

Services (Acct. No. 333) additions are for new services for new customers.

Meters and Meter Installations (Acct. No. 334) additions are for new meters for new customers and replacement of old or broken meters for existing customers.

Cross Connection Control Devices (Acct. No. 336) additions are for cross connection control devices installed in new and existing services as required by Oregon safe drinking water standards.

Office Furniture and Equipment (Acct. No. 340) additions are for new office equipment and furniture needed to replace old and worn out furniture and equipment.

Transportation Equipment (Acct. No. 341) addition is a new trailer needed to transport the leased skid steer (please see Data Request No. 32).

Tools, Shop and Garage Equipment (Acct. No. 343) additions are for various tools needed to perform maintenance and repairs on the water system.

Communication Equipment (Acct. No. 346) addition is for radio equipment needed for wells and other plant in the field to communicate with the SCADA computer at the Avion service center as well as radios for the new leased service trucks (please see Data Request No. 36).

Electronic/Computer Equipment (Acct. No. 347) additions are related to a billing software upgrade required by the software vendor and replacement of old, worn out computers for employees.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 56

Request:

56. Based on Avion's plant schedules, Avion's 2017 additions to CIAC plant are summarized by account as follows:

2017 CIAC	
Structures and improvements	2,541
Wells and springs	184,980
Pumping equipment	1,087
Distribution reservoirs and standpipes	6,149
Transmission and distribution mains	864,658
Meter and meter installations	118,545
Transportation equipment	76,042
TOTAL	1,254,002

For each account listed above, please provide a narrative description of what Avion's 2017 additions consist of along with an explanation for why such additions were necessary.

Response:

Structures and Improvements (Acct. No. 304) CIAC additions are for the assets conveyed from the Squaw Creek Water System purchase.

Wells and Springs (Acct. No. 307) CIAC additions are primarily for assets conveyed from the Squaw Creek Water System purchase.

Pumping Equipment (Acct. No. 311) CIAC additions are for the assets conveyed from the Squaw Creek Water System purchase.

Distribution Reservoirs and Standpipes (Acct. No. 330) CIAC additions are for the assets conveyed from the Squaw Creek Water System purchase.

Transmission and Distribution Mains (Acct. No. 331) CIAC additions are transmission and distribution mains conveyed to Avion by developers and others wishing to connect into Avion's water system and assets conveyed from the Squaw Creek Water System purchase.

Meters and Meter Installations (Acct. No. 334) CIAC additions are meters installed using CIAC funds in new developments and individual customers.

Transportation Equipment (Acct. No. 341) CIAC additions are for the purchase of two service trucks needed to replace old, worn out trucks.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

**Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 58**

Request:

58. Based on Avion's plant schedules, Avion's 2018 additions to CIAC plant are summarized by account as follows:

2018 CIAC	
Wells and springs	40,575
Transmission and distribution mains	631,703
Meter and meter installations	40,060
TOTAL	712,338

For each account listed above, please provide a narrative description of what Avion's 2018 additions consist of along with an explanation for why such additions were necessary.

Response:

Wells and Springs (Acct. No. 307) CIAC addition is related to finishing the Nixon Well No. 2. The Nixon Well No. 2 was needed to have a backup well for customers in the Powell Butte area that has sufficient capacity to provide water to all customers when Nixon Well No. 1 is off line due to repairs or maintenance.

Transmission and Distribution Mains (Acct. No. 331) CIAC additions are transmission and distribution mains conveyed to Avion by developers and others wishing to connect into Avion's water system.

Meters and Meter Installations (Acct. No. 334) CIAC additions are meters installed using CIAC funds in new developments and individual customers.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

**Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 60**

Request:

60. Based on Avion's plant schedules, Avion's 2019 additions to CIAC plant are summarized by account as follows:

2019 CIAC	
Wells and springs	12,085
Transmission and distribution mains	1,437,056
Meter and meter installations	97,355
TOTAL	1,546,496

For each account listed above, please provide a narrative description of what Avion's 2019 additions consist of along with an explanation for why such additions were necessary.

Response:

Wells and Springs (Acct. No. 307) CIAC additions are mostly related to the replacement of the Highland Well. The original well failed and had to be replaced.

Transmission and Distribution Mains (Acct. No. 331) CIAC additions are transmission and distribution mains conveyed to Avion by developers and others wishing to connect into Avion's water system.

Meters and Meter Installations (Acct. No. 334) CIAC additions are meters installed using CIAC funds in new developments and individual customers.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 61

Request:

61. Avion proposes to make the following additions to Utility Plant:

Future Plant Description	Estimated Cost (including labor)	Est. Date In Service
China Hat No 3 well	\$929,910	5/1/2021
15th & Knott circle	\$282,156	6/30/2020
Empire extension	\$273,769	6/30/2020
Service Center land	\$375,000	1/1/2021
Service Center leasehold improvements	\$150,000	1/1/2021
TOTAL	\$2,010,835	

- a. **For each proposed plant addition, please explain:**
- i. **The purpose of the proposed plant addition, and**
 - ii. **How Avion intends to finance the proposed plant addition.**
- b. **Are any of the above proposed additions already included in Avion's plant schedule? If so, please identify such amounts.**

Response:

- a. i. The China Hat Well No. 3 is needed to increase daily pumping capacity to meet customer demands.
- The 15th and Knott Circle is a needed transmission main improvement.

The Empire Extension is a new transmission main needed to improve service in the north side of the system and create a loop so customers are served by more than a single main.

The service center land is needed so that a new, modern and adequate service center may be built.

The service center leasehold improvements are needed in order to make the new building functional for Avion.

ii. The China Hat Well No. 3, 15th & Knott Circle, and Empire Extension are being paid for with loan proceeds authorized under UF 4305.

The service center land and service center leasehold improvements are being paid for by Avion and proposed for inclusion in rates in this case.

b. No, none of the above items are included in Avion's plant schedules.

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Jan Wick
Exec. Vice President and Chairman of the Board, Avion Water Company, Inc.
(Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 30

Request:

30. Avion proposes to perform \$150,000 in leasehold improvements on the new service center building. Avion also proposes to include these \$150,000 in leasehold improvements in rate base (Rate Case Application, Page 16, Q. 35). Regarding the proposed leasehold improvements,

- a. Please provide a breakdown of what the proposed leasehold improvements consist of.**
- b. Please explain why it is appropriate for Avion to finance improvements to the new service center building despite not owning the building.**
- c. Please provide documentation supporting the \$150,000 cost estimate.**

Response:

- a. The estimate of \$150,000 is now obsolete. See Attachment DR-030 for revised estimates of improvements to the land required for the new office building. The new estimates include City Fees, Land Surveying Fees, Architectural Fees, and site work estimates.
- b. Avion Water Company now owns the land upon which the new building will reside. See Item 29.
- c. Included in Attachment DR-030 are contractors' estimates of site work costs. The costs are required to prepare the site for building construction.

China Hat No. 3

<u>Vendor</u>	<u>Invoice</u>	<u>Date</u>	<u>Amount</u>
OREGON D	Invoice: CH#3 PLAN REVIEW FEE /	02/06	\$3,300.00
ROATS WA	Invoice: 2564 /	04/09	\$37,500.00
WILCO	Invoice: 262415/16 /	04/11	\$48.51
HOOKER C	Invoice: 318011 /	04/18	\$845.00
HOOKER C	Invoice: 318084 /	04/19	\$1,981.50
HI-TECH	Invoice: 32938 /	04/28	\$4,149.28
HI-TECH	Invoice: 32939 /	04/28	\$3,818.45
HOLT SER	Invoice: 4474 /	05/01	\$273,073.00
HOLT SER	Invoice: 4565 /	05/31	\$223,822.00
EDGE ANA	Invoice: 19-18268 /	06/24	\$1,834.10
ABBAS PU	Invoice: 29394 /	07/08	\$9,179.00
FERGUSON	Invoice: 0788162 / WELL SHAFT CHECK	07/19	\$3,655.00
ADVANCED	Invoice: 23545 / TRANSFORMER PADVAIIT	08/06	\$3,395.00
PRO RENT	Invoice: 1-1081169A /	08/06	\$218.08
DESCH RE	Invoice: 522073 /	08/08	\$8.00
DESCH RE	Invoice: 522078 /	08/08	\$8.00
DESCH RE	Invoice: 522096 /	08/08	\$12.00
DESCH RE	Invoice: 522104 /	08/08	\$12.00
DESCH RE	Invoice: 522110 /	08/08	\$12.00
DESCH RE	Invoice: 522125 /	08/08	\$12.00
DESCH RE	Invoice: 522131 /	08/08	\$12.00
DESCH RE	Invoice: 522139 /	08/08	\$12.00
DESCH RE	Invoice: 522143 /	08/08	\$10.00
DESCH RE	Invoice: 522149 /	08/08	\$16.00
DESCH RE	Invoice: 522156 /	08/08	\$10.00
DESCH RE	Invoice: 522161 /	08/08	\$12.00
PRO RENT	Invoice: 1-1087232 /	08/08	\$66.56
FIRST IN	Invoice: 64147G / TITANIUM SAE TAP	08/15	\$92.47
H.D. FOW	Invoice: I5246806 /	08/15	\$2,198.52
DEPT OF	Invoice: 792862 /	08/16	\$24.00
PETERSON	Invoice: T8618101 / CHINA HAT TANKS	08/19	\$6,768.50
MIKE'S M	Invoice: 61858 / T BLOCK	08/20	\$208.00
FIRST IN	Invoice: 447986 / CHINA HAT ELEC FFFS	08/27	\$1,577.56
STUSSER	Invoice: 6150-537299 /	08/28	\$27.03
STUSSER	Invoice: 6150-537308 /	08/28	\$3,221.78
PRO RENT	Invoice: 1-10898687 / LASER LEVEL	09/03	\$611.32
EDGE ANA	Invoice: 19-33315 /	09/04	\$75.00
H.D. FOW	Invoice: I5267691 / HOT TAP	09/05	\$530.00
FERGUSON	Invoice: 0791749 /	09/10	\$25,743.62

China Hat No. 3

<u>Vendor</u>	<u>Invoice</u>	<u>Date</u>	<u>Amount</u>
ADVANCED	Invoice: 23816 / VAULT	09/11	\$3,695.00
PLATT	Invoice: X070167 /	09/11	\$460.36
PETERSON	Invoice: T8618102 /	09/17	\$6,643.50
BEND WIN	Invoice: 270482-00 /	10/01	\$401.10
CONSOLID	Invoice: S009464551.001 /	10/01	\$102.49
PARR LUM	Invoice: 11273253 /	10/01	\$44.93
PRO RENT	Invoice: 1-1089687-2 / LASER LEVEL	10/01	\$611.32
ABBAS PU	Invoice: 211432 /	10/02	\$59,889.40
BEND WIN	Invoice: 270531-00 /	10/02	\$410.00
CONSOLID	Invoice: S009466390.001 /	10/02	\$24.31
H.D. FOW	Invoice: I5295780 /	10/02	\$436.76
PARR LUM	Invoice: 11273587 / GLOVES + CHINA HAT	10/02	\$144.00
STUSSER	Invoice: 6150-538018 /	10/02	\$21,286.19
FIRST IN	Invoice: 62469G /	10/07	\$168.56
BEND WIN	Invoice: 270530-00 /	10/14	\$1,760.00
EDWARDS,	Invoice: 528790A /	10/14	\$500.00
OREGON W	Invoice: 461745 /	10/14	\$24.48
PARR LUM	Invoice: 11276788 /	10/15	\$31.96
BEND WIN	Invoice: 270530-01 /	10/16	\$455.00
FIRST IN	Invoice: 61571G / ELEC FEES	10/16	\$251.05
JR FAULK	Invoice: 20893 /	10/16	\$1,830.92
PLATT	Invoice: X323565 /	10/16	\$280.35
BEND WIN	Invoice: 271068-00 /	10/17	\$1,169.06
H.D. FOW	Invoice: I5310210 / 12" ADJ PIPE SUPPORT	10/17	\$473.24
PARR LUM	Invoice: 11277289 /	10/17	\$9.38
BEND WIN	Invoice: 271068-01 /	10/18	\$22.68
PLATT	Invoice: X390193 /	10/18	\$85.44
BEND WIN	Invoice: 271068-02 /	10/23	\$273.06
PARR LUM	Invoice: 11278560 /	10/23	\$16.98
CASCADE	Invoice: 24369 /	10/24	\$263.40
CONSOLID	Invoice: S009501734.001 /	10/25	\$124.28
FERGUSON	Invoice: 0794352 /	10/25	\$15,136.38
MIKE'S M	Invoice: 62444 /	10/28	\$309.00
JR FAULK	Invoice: 20970 / LOST TRACKS LEAK	10/29	\$1,244.85
PRO RENT	Invoice: 1-1089687-3 / LASER LEVEL	10/29	\$611.32
BAKER EQ	Invoice: 74581 /	11/01	\$1,250.00
STUSSER	Invoice: 6150-538216 /	11/01	\$300.00
BEND WIN	Invoice: 271673-00 /	11/07	\$1,710.98
PARR LUM	Invoice: 11281955 /	11/07	\$36.60
PLATT	Invoice: X572767 /	11/08	\$163.88

China Hat No. 3

<u>Vendor</u>	<u>Invoice</u>	<u>Date</u>	<u>_____</u>
GSI WATE	Invoice: 0238.001-142 /	11/11	\$1,833.25
PARR LUM	Invoice: 11282656 /	11/11	\$119.85
STUSSER	Invoice: 6150-539132 /	11/11	\$21.22
BEND WIN	Invoice: 271683-00 /	11/12	\$425.23
PARR LUM	Invoice: 11283154 /	11/13	\$52.08
STUSSER	Invoice: 6150-538789 /	11/13	\$145.96
PLATT	Invoice: X390690 /	11/14	\$273.90
PLATT	Invoice: X427807 /	11/14	\$52.87
PLATT	Invoice: X615942 /	11/14	\$179.94
CONSOLID	Invoice: S009376091.001 / 8" METER	11/18	\$8,670.56
PLATT	Invoice: X637727 /	11/18	\$98.68
BEND WIN	Invoice: 271683-01 /	11/19	\$120.00
PLATT	Invoice: X661770 /	11/20	\$10.46
PETERSON	Invoice: T8618103 /	11/26	
PRO RENT	FXCAVATOR/RACKHOFF Invoice: 1-1089687-4 /	11/26	\$6,313.75
PARR LUM	Invoice: 11286796 /	12/03	\$611.32
PLATT	Invoice: X274800 /	12/03	\$159.80
FERGUSON	Invoice: 7782746 / DRAINS	12/03	\$2,792.05
HOME DEP	Invoice: 004771/5612320 / CEMENT	12/04	\$32.50
BAKER EQ	Invoice: 75338 / GRIZZLY RENTAL	12/04	\$40.44
BEND WIN	Invoice: 272281-00 /	12/05	\$750.00
PARR LUM	Invoice: 11287211 /	12/05	\$495.38
PARR LUM	Invoice: 11287320 /	12/05	\$145.05
GSI WATE	Invoice: 0238.001-143 /	12/05	\$10.42
MIKE'S M	Invoice: 62599 / SLAB	12/09	\$736.00
PARR LUM	Invoice: 11288347 /	12/11	\$1,038.00
BEND CIT	Invoice: 1900000918 /	12/11	\$23.20
BEND CIT	Invoice: G-17551 /	12/12	\$161.20
OWRD	Invoice: CERT 84975 MOD /	12/12	\$161.20
PLATT	Invoice: X661843 /	12/12	\$1,570.00
BCS	Invoice: 119806 /	12/13	\$627.64
PARR LUM	Invoice: 11289078 /	12/16	\$73.00
PRO RENT	Invoice: 1-1089687-5 / LASER LEVEL	12/16	\$685.55
PARR LUM	Invoice: 11289497 /	12/16	\$436.16
MIKE'S M	Invoice: 62458 /	12/17	\$94.01
PLATT	Invoice: X896470 /	12/18	\$563.00
PARR LUM	Invoice: 11290422 /	12/18	\$69.66
NORTH CO	Invoice: S009606576.001 /	12/23	\$142.73
PARR LUM	Invoice: 11291269 /	12/26	\$8,655.59
PARR LUM	Invoice: 11291715 /	12/31	\$37.35
PARR LUM	Invoice: 11291794 /	01/03	\$165.78
PARR LUM	Invoice: 11291794 /	01/03	\$53.07

China Hat No. 3

<u>Vendor</u>	<u>Invoice</u>	<u>Date</u>	<u>Amount</u>
PARR LUM	Invoice: 11291795 /	01/03	\$50.00
VEGA, LE	Invoice: 503 /	01/06	\$2,150.00
PARR LUM	Invoice: 11292384 /	01/07	\$206.12
PARR LUM	Invoice: 11292413 /	01/07	\$99.70
WILCO	Invoice: 266577/16 /	01/07	\$80.99
PARR LUM	Invoice: 11292542 /	01/08	\$151.93
PARR LUM	Invoice: 11327724 /	01/08	\$97.07
PARR LUM	Invoice: 11292819 /	01/09	\$572.32
PARR LUM	Invoice: 11292847 /	01/09	\$125.62
WALLACE,	Invoice: 11292849 /	01/09	\$106.62
WILCO	Invoice: 266604/16 / TARPS	01/09	\$20.69
PARR LUM	Invoice: 11292027 /	01/10	\$315.55
GSI WATE	Invoice: 0238.001 - 144 /	01/13	\$1,834.00
PARR LUM	Invoice: 11293369 /	01/13	\$62.72
PARR LUM	Invoice: 11293426 /	01/13	\$137.90
PRO RENT	Invoice: 1-1147665A /	01/13	\$901.76
BEND WIN	Invoice: 272852-00 /	01/14	\$68.00
FIRST IN	Invoice: 61590G / STAPLE FASTENERS	01/14	\$13.47
PARR LUM	Invoice: 11293564 /	01/14	\$114.65
BEND WIN	Invoice: 272720-00 /	01/15	\$1,071.94
JR FAULK	Invoice: 21290 / STATE SPEC ROCK	01/15	\$636.19
PARR LUM	Invoice: 11293728 /	01/15	\$18.34
MT VIEW	Invoice: 22787 / EXHAUST FAN	01/16	\$5,560.00
PARR LUM	Invoice: 11293964 /	01/16	\$415.63
PARR LUM	Invoice: 11294061 /	01/16	\$47.09
PARR LUM	Invoice: 11294224 /	01/17	\$35.07
FIRST IN	Invoice: 69444G / ROOFING	01/20	\$642.31
PARR LUM	Invoice: 11294660 /	01/21	\$196.48
PARR LUM	Invoice: 11294722 /	01/21	\$219.09
PARR LUM	Invoice: 11294764 /	01/21	\$196.48
BEND WIN	Invoice: 272979-00 /	01/22	\$43.88
PARR LUM	Invoice: 11294980 /	01/22	\$311.13
CONSOLID	Invoice: S009620026.001 /	01/23	\$117.25
CONSOLID	Invoice: S009620026.002 /	01/23	\$3.08
FIRST IN	Invoice: 11295186 / china hat #3	01/23	\$283.82
MILLER L	Invoice: 1014939 /	01/23	\$190.37
PLATT	Invoice: 0B22571 /	01/23	\$111.75
MT VIEW	Invoice: 22787-J / NO FREIGHT	01/27	(\$300.00)
STORMWAT	Invoice: 9877 / HYDRO-EXCAVATION	01/27	\$682.50
JR FAULK	Invoice: 21373 /	01/28	\$1,257.08
STUSSER	Invoice: 6150-540702 /	01/28	\$138.80

China Hat No. 3

<u>Vendor</u>	<u>Invoice</u>	<u>Date</u>	<u>Amount</u>
PARR LUM	Invoice: 11296073 /	01/29	\$25.20
HOOKER-E	Invoice: 327724 / CONCRETE	01/30	\$942.38
BCS	Invoice: 121404 /	01/31	\$12.33
MIKE'S M	Invoice: 62687 /	01/31	\$334.00
OREGON W	Invoice: 466986A /	02/01	\$35.02
PARR LUM	Invoice: 11296567 /	02/01	\$31.81
PARR LUM	Invoice: 11296582 /	02/01	\$9.60
PLATT	Invoice: 0B47964 /	02/01	\$1,494.73
PLATT	Invoice: 0B94281 /	02/01	\$20.96
PARR LUM	Invoice: 11296896 /	02/03	\$48.68
VEGA, LE	Invoice: 507 /	02/03	\$6,650.00
PARR LUM	Invoice: 11296998 /	02/04	\$192.41
PARR LUM	Invoice: 11297019 /	02/04	\$4.32
STUSSER	Invoice: 6150-541141 /	02/04	\$296.97
NORTH CO	Invoice: S009884533.001 /	02/05	\$708.85
PLATT	Invoice: 0C05543 /	02/07	\$383.06
PLATT	Invoice: 0C31896 /	02/07	\$1,101.06
GSi WATE	Invoice: 0238.001-145 / PERMIT AMENDMENT	02/10	\$337.00
STUSSER	Invoice: 6150-541291 /	02/10	\$29.28
PARR LUM	Invoice: 11298425 /	02/11	\$365.85
JR FAULK	Invoice: 21419 /	02/13	\$570.18
NORTH CO	Invoice: S009858931.001 /	02/13	\$265.57
PLATT	Invoice: 0C82818 /	02/13	\$294.73
PARR LUM	Invoice: 11299813 /	02/19	\$484.38
HOME DEP	Invoice: 020842 / CHINA HAT DOORS	02/20	\$75.52
OXARC	Invoice: 30897073 / 80 CU FT INERT	02/20	\$244.45
OXARC	Invoice: 30897815 / 40 CU FT INERT	02/20	(\$60.00)
PARR LUM	Invoice: 11300160 /	02/20	\$23.52
NORTH CO	Invoice: S009942742.001 /	02/24	\$271.54
STUSSER	Invoice: 6150-541718 /	02/24	\$16.29
CES	Invoice: 0702-716206 /	02/25	\$574.68
PARR LUM	Invoice: 11300937 /	02/25	\$325.12
PLATT	Invoice: 0D86424 / Terminal Adapter	02/25	\$41.33
STUSSER	Invoice: 6150-541789 /	02/26	\$12.87
STUSSER	Invoice: 6150-541791 /	02/26	\$908.59
PARR LUM	Invoice: 11301358 /	02/27	\$10.58
PLATT	Invoice: 0D93764 / APP BLSG-400	02/27	\$199.71
FLATLINE	Invoice: 18868 / PONY WALLS	03/01	\$293.00
VEGA, LE	Invoice: 508 / china hat/hunnel	03/02	\$700.00
PARR LUM	Invoice: 11303503 /	03/09	\$128.09

China Hat No. 3

<u>Vendor</u>	<u>Invoice</u>	<u>Date</u>	<u>Amount</u>
GSi WATE	Invoice: 0238.001-146 / MITIGATION REPORTING	03/10	\$150.00
BEND COM	Invoice: 54856 / PUMP HOUSE DOOR	03/11	\$1,700.00
FIRST IN	Invoice: 61580G / ROOFING MAT	03/11	\$339.02
PARR LUM	Invoice: 11302656 / dow blue score voard	03/11	\$382.78
PLATT	Invoice: 0F03286 /	03/12	\$424.25
BEND COM	Invoice: 54855 / PUMP HOUSE DOOR	03/13	\$1,425.00
PLATT	Invoice: 0F21290 / CONDUIT LOCKNIT	03/13	\$37.69
PRO RENT	Invoice: 1-1165223 / HAND CRANK & TRAFFER	03/13	\$98.60
STUSSER	Invoice: 6150-542121 /	03/13	\$224.89
PARR LUM	Invoice: 11305034 /	03/17	\$160.54
PLATT	Invoice: 0F49808 /	03/18	\$34.00
STUSSER	Invoice: 6150-542352 /	03/18	\$1,405.00
PLATT	Invoice: 0F68712 /	03/20	\$128.55
STUSSER	Invoice: 6150-541323 /	03/20	\$250.11
PLATT	Invoice: 0F78024 /	03/23	\$1,178.27
EDWARDS,	Invoice: 884668 / WELDED DOOR FRAMES	03/24	\$60.00
PARR LUM	Invoice: 11036507 /	03/24	\$80.95
STUSSER	Invoice: 6150-542477 /	03/24	\$528.59
NORTH CO	Invoice: S010013536.001 /	03/25	\$668.36
PLATT	Invoice: 0F89208 /	03/25	\$4,632.09
PLATT	Invoice: 0G04763 /	03/25	\$223.53
STUSSER	Invoice: 6150-542538 /	03/26	\$131.48
EDGE ANA	Invoice: 20-10311 /	03/30	\$40.95
PLATT	Invoice: 0G20728 /	04/01	\$140.77
PLATT	Invoice: 0G27061 /	04/01	\$150.62
PLATT	Invoice: 0G31300 /	04/01	\$28.18
STUSSER	Invoice: 6150-542615 /	04/01	\$162.66
PLATT	Invoice: 0G43245 /	04/02	\$160.59
PLATT	Invoice: 0G50922 /	04/03	\$93.41
STUSSER	Invoice: 6150-542485 /	04/03	\$76.47
FIRST IN	Invoice: 7013394 / COILED BULB	04/09	\$107.48
PLATT	Invoice: 0G72791 /	04/09	\$6.75
PLATT	Invoice: 0G77929 /	04/09	\$28.74
STUSSER	Invoice: 6150-542902 /	04/09	\$17.62
ABBAS PU	Invoice: 212419 /	04/13	\$1,178.00
PLATT	Invoice: 0G20514 /	04/13	\$422.08
PLATT	Invoice: 0H32292 /	04/20	\$171.92
PLATT	Invoice: 0H33537 / CREDIT FOR CHINA HAT	04/20	(\$97.98)
BEND WIN	Invoice: 275466-00 /	04/21	\$34.03

China Hat No. 3

<u>Vendor</u>	<u>Invoice</u>	<u>Date</u>	<u>Amount</u>
BEND WIN	Invoice: 275486-00 /	04/21	\$753.54
CASCADE	Invoice: 623 / HYDRANT BOXES	04/21	\$9.06
CASCADE	Invoice: 623 / HYDRANT BOXES	04/21	\$6.47
CASCADE	Invoice: 623 / HYDRANT BOXES	04/21	\$10.40
CASCADE	Invoice: 623 / HYDRANT BOXES	04/21	\$3.20
MOTION & BEND WIN	Invoice: 7580849 / PRV MAINT PARTS Invoice: 275684-00 /	04/21 04/24	\$25.81 \$82.72
ERS VERT	Invoice: 51044492 /	04/28	\$1,395.00
DAY WIRE	Invoice: INV628248 /	05/01	\$244.99
ALL ASPE	Invoice: 728 /	05/04	\$3,000.00
FIRST IN	Invoice: 372379600 / METAL PRINTS	05/05	\$115.94
EDWARDS,	Invoice: 884673 /	05/06	\$25.00
HOME DEP	Invoice: 014804/3023231 /	05/13	\$35.80
EDGE ANA	Invoice: 20-15204 / CHECK VAULT	05/14	\$25.00
NORTH CO	Invoice: S010027282.001 /	05/26	\$2,187.85
PARR LUM	Invoice: 11326324 /	06/17	\$39.59
PARR LUM	Invoice: 11326533 /	06/17	\$17.40
FIRST IN	Invoice: 460015 / ELEC PERMIT	07/30	\$444.56
NORTH CO	Check: CK061415	02/10	\$300.78
NORTH CO	North Coast Electric Com Check: CK061463	02/24	\$50.68
3397	North Coast Electric Com To spread payroll for August 2019.	08/31	\$1,812.79
3398	To allocate payroll taxes and burden for August 2019	08/31	\$798.27
3410	TO SPREAD PAYROLL FOR SEPTEMBER 2019	09/30	\$5,320.97
3411	TO ALLOCATE PAYROLL TAXES AND BURDEN FOR SEPTEMBER 2019	09/30	\$2,377.62
3429	To allocate payroll for October 2019.	10/31	\$13,766.16
3430	To allocate payroll taxes and burden for October 2019	10/31	\$6,391.09
3442	To spread payroll for November 2019	11/30	\$6,311.18
3443	To allocate payroll taxes and burden for November 2019	11/30	\$2,992.32
3458	To spread payroll for December 2019	12/31	\$5,946.50
3459	To allocate payroll taxes and burden for December 2019	12/31	\$2,469.42
3461	To record the project expense correctly for China Hat #3	12/31	\$1,570.00
3486	To allocate construction interest for 2019.	12/31	\$10,487.19
3524	To reclassify construction interest in January 2020	01/31	\$2,690.35
3530	To reclassify payroll for January 2020.	01/31	\$10,001.96
3531	to allocate payroll taxes and burden for January 2020	01/31	\$4,667.92
3547	To spread payroll for February 2020	02/29	\$8,030.19

China Hat No. 3

<u>Vendor</u>	<u>Invoice</u>	<u>Date</u>	<u> </u>
3548	To allocate payroll taxes and burden for February 2020	02/29	\$7,223.73
3565	To Spread payroll for March 2020	03/31	\$5,148.84
3572	To correctly allocate employee benefits and Payroll taxes	03/31	\$2,347.95
3584	To spread payroll for April 2020	04/30	\$3,004.05
3585	To allocate payroll taxes and burden for April 2020	04/30	\$1,367.68
3605	To spread payroll for May 2020.	05/31	\$4,050.74
3606	To allocate payroll taxes and burden for May 2020	05/31	\$1,748.77
3628	To spread payroll for June 2020	06/30	\$2,250.81
3629	To allocate payroll taxes and burden for June 2020	06/30	\$948.56
3645	To spread payroll for July 2020	07/31	\$1,166.34
3646	To allocate payroll taxes and burden for July 2020	07/31	\$494.03
3647	To reclassify costs related to China Hat Well No. 3	07/31	\$0.00
			<hr/>
			<u>\$947,935.60</u>

15th and Knott Circle

<u>Vendor</u>	<u>Invoice</u>	<u>Date</u>	<u>Amount</u>
DOWL	Invoice: 2122.14633.01-1A /	01/23	\$1,200.00
BEND WIN	Invoice: 273172-00 / c905	02/06	\$25,981.20
BEND WIN	Invoice: 273169-00 /	02/10	\$39,303.60
POLLARD	Invoice: 0159623 /	02/17	\$477.18
FIRST IN	Invoice: 66159G / PERMIT FEE	02/25	\$996.32
BEND WIN	Invoice: 273166 00 / IP SADDLE	02/27	\$682.00
BEND WIN	Invoice: 273215 00 / BELL RESTRAINTS	02/27	\$12,138.00
BEND WIN	Invoice: 273217-00 /	02/27	\$12,150.00
BEND WIN	Invoice: 273240-00 /	02/27	\$23,661.00
DOWL	Invoice: 2122.14633.01-03 /	03/25	\$1,840.00
BEND WIN	Invoice: 273240-01 / 24" MJ 45*	04/01	\$1,560.00
FERGUSON	Invoice: 0865461 /	04/17	\$11,315.03
H.D. FOW	Invoice: I5452819 / HOT TAP PARTS	05/05	\$6,944.57
H.D. FOW	Invoice: I5454283 / HOT TAP PARTS	05/06	\$6,444.04
H.D. FOW	Invoice: I5455389 / HOT TAP	05/06	\$1,280.00
BEND WIN	Invoice: 276678-00 / DUCK BUTTER PIPE FIT	05/14	\$96.00
FERGUSON	Invoice: 0869281 /	05/15	\$3,699.60
PRO RENT	Invoice: 1-1199280 /	05/19	\$41.76
JACK ROB	Invoice: 2089108395 /	05/31	\$121,878.76
BEND WIN	Invoice: 277505-00 /	06/03	\$519.96
BEND WIN	Invoice: 278045-00 /	06/15	\$164.60
3558	To correct posting of DOWL invoice no. 2122.14633.01-2	04/06	\$2,760.00
			\$275,133.62

Empire Extension

Staff/103
Yamada/86

<u>Vendor</u>	<u>Invoice</u>	<u>Date</u>	<u>Amount</u>
BEND MAP	Invoice: 78113A / EMPIRE EXT	04/24	\$45.50
PARAMETR	Invoice: 11371 /	07/16	\$3,211.27
PARAMETR	Invoice: 11929 /	08/09	\$3,409.90
FERGUSON	Invoice: 0797056 /	08/20	\$9,886.75
FERGUSON	Invoice: 0797804A /	08/20	\$5,054.40
FERGUSON	Invoice: 0797610 / C900 BLUE PIPE	09/10	\$10,951.20
FERGUSON	Invoice: 0807559 /	09/13	\$2,245.48
FERGUSON	Invoice: 0808285 /	09/13	\$7,020.00
KNIFE RI	Invoice: 26280 - PH 1 / PHASE 1	09/26	\$98,970.00
KNIFE RI	Invoice: 26280 - PH 2 / PHASE 2	09/26	\$8,990.00
PARAMETR	Invoice: 13411 / PHASE 2	10/10	\$4,355.05
FERGUSON	Invoice: 0824664 /	10/31	\$1,942.84
FERGUSON	Invoice: 0808286 /	11/20	\$6,491.21
FERGUSON	Invoice: 0863784 /	03/19	\$1,942.84
FERGUSON	Invoice: 0860765 /	03/25	\$19,163.41
KNIFE RI	Invoice: 27059 / WATER MAIN	04/01	\$56,180.35
FERGUSON	Invoice: 0791708 /	04/08	\$3,924.67
FERGUSON	Invoice: 0873920 /	04/28	\$1,494.46
KNIFE RI	Invoice: 27157 /	04/30	\$10,064.70
H.D. FOW	Invoice: I5445868 /	05/01	\$1,328.90
FERGUSON	Invoice: 0875198 /	05/13	\$346.00
FERGUSON	Invoice: 0888964 /	06/15	\$2,078.54
FERGUSON	Invoice: 0889774 /	06/15	\$474.77
FERGUSON	Invoice: 0889292 /	06/16	\$62.46
FERGUSON	Invoice: 0889581 /	06/16	\$498.85
FERGUSON	Invoice: 0889726 /	06/17	\$125.31
KNIFE RI	Invoice: 27324 /	06/23	\$12,617.95
FERGUSON	Invoice: 0892145 /	06/24	\$535.32
BEND WIN	Invoice: 278568-00 /	06/29	\$385.00
3320	To correct posting of Empire Extension costs	04/30	\$1,995.50
3354	To correct posting of AJEs 3345 and 3346	06/30	\$152.04
3442	To spread payroll for November 2019	11/30	\$335.00
3443	To allocate payroll taxes and burden for November 2019	11/30	\$163.56
3623	To reclassify inventory issues for June 2020.	06/30	\$687.07
			<u><u>\$277,130.30</u></u>
	Phase 1 costs (In service 12/31/2019)		\$165,219.70
	Phase 2 costs (In service 5/1/2020)		<u><u>\$111,910.60</u></u>
			<u><u>\$277,130.30</u></u>

TO: Oregon Public Utility Commission Staff (Staff)

FROM: Jan Wick
Exec. Vice President and Chairman of the Board, Avion Water Company, Inc.
(Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 28

Request:

28. In its rate case application, Avion proposes to include costs relating to a new 6,700 square foot service center. With regard to this service center, Avion states that it “has an option to purchase 2.4 acres of land for \$375,000, which it intends to exercise” (Avion/100, Wick/5 at 16-17). Avion also proposes to include the \$375,000 cost of this land in rate base (Rate Case Application, Page 16, Q. 35). Regarding the land in question,

- a. Where is this land located? Please provide the tax lot number(s) used to identify the lot(s) in the Deschutes County Property Information system.**
- b. Who currently owns this land?**
- c. Please provide documentation to support the \$375,000 purchase price.**
- d. Why does Avion propose to purchase (rather than lease) this land?**

Response:

- a. The land proposed for purchase lies immediately South and adjacent to Avion's current service center. Tax Lot 18 12 17000, 2215
- b. Avion Water Company now owns the land.
- c. Included as Attachment DR-028 is an image of the closing statement from the purchase of the land.
- d. The land, prior to Avion's acquisition was held in the Ward Family Trust. Jody Ward is the sole survivor of the trust and is in her 80's and has no interest in leasing the land.

American Land Title Association

Certified True and Correct Copy

FINAL ALTA Settlement Statement - Buyer

Adopted 05-01-2015


AmeriTitle, Inc.

File No./Escrow No.: 390786AM
Officer/Escrow Officer: Diane Sullivan

AmeriTitle, Inc.
345 SE Third St.
Bend, OR 97702
(541)389-9176

Property Address: 60799 PARRELL ROAD
BEND, OR 97702 (DESCHUTES)
(18121700 02215)

Buyer: AVION WATER COMPANY, INC., AN OREGON CORPORATION
60813 Parrell Road
Bend, OR 97702

Settlement Date: 8/11/2020

Disbursement Date: 8/11/2020

Description	Buyer		
	P.O.C.	Debit	Credit
Deposits, Credits, Debits			
Sale Price of Property		\$375,000.00	
Buyer Funds to Close from Avion Water Company, Inc., an Oregon Corporation			\$375,390.28
Prorations			
County Taxes 7/1/2020 to 8/11/2020			\$92.72
Title Charges			
Title - Settlement or Closing Fee to AmeriTitle, Inc.		\$375.00	
Government Recording and Transfer Charges			
Recording fees: Deed \$103.00		\$103.00	
eRecording, Buyer to AmeriTitle, Inc. \$5.00		\$5.00	
	P.O.C.	Debit	Credit
Subtotals	\$0.00	\$375,483.00	\$375,483.00
Due From Buyer			\$0.00
Totals	\$0.00	\$375,483.00	\$375,483.00

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 76

Request:

76. Please provide documentation to demonstrate that \$375,000 is an appropriate purchase price for the land on which Avion plans to build its new service center.

Response:

Included as Attachment DR-076 are two letters from two reputable realtor firms in Central Oregon, Compass Commercial Real Estate Services and Cascade Sotheby's International Realty, showing that the purchase price of \$375,000 for the land was appropriate.



Navigating Your Success

600 SW Columbia St., Suite 6100
Bend, Oregon 97702
t 541.383.2444 f 541.383.5162
www.compasscommercial.com

September 11, 2020

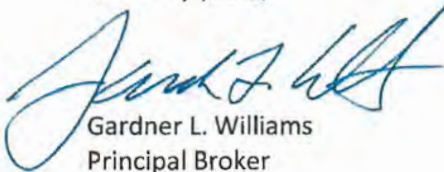
Mr. Jan Wick, President
Avion Water Company
60813 Parrell Road
Bend, Or. 97702

Subject: Map 18121700 Tax Lot 2215
Bend, Or.

Dear Jan,

You contacted me regarding your recent purchase of the above subject tax lot consisting of 2.24 acres with a sales price of \$375,000 or \$167.410 an acre. Your question was this a fair price. My immediate reaction was absolutely given what is happening in Bend right now. You are in the City Limits with all services available to the site and zoned RS which is single family homes. The market is moving so fast right now it is difficult to tie down an exact value but I can say that some fairly larger sites on the East side have sold in excess of \$200,000 an acre and on the Westside over \$400,000 an acre. I also polled several of my brokers with residential land knowledge and they completely confirmed my reaction to the price you paid. If you need any further detail please advise.

Sincerely yours,



Gardner L. Williams
Principal Broker



Member of
State and Local Boards
of Realtors



Individual Members



Corporate
Associate Member

Cascade | Sotheby's
INTERNATIONAL REALTY

9-9-2020

Avion Water
60813 Parrell Rd.
Bend, OR 97702

RE: The purchase of the property at 60799 Parrell Rd, Bend, OR 97702

To Whom it may Concern:

The purchase of the property at 60799 Parrell Rd. in Bend, OR for \$375,000 was a very reasonable purchase price for 2.24 acres zoned RS. The inventory here in Bend, OR is at an all time low. Most sales are multiple offers. It is my belief that if this land had been put into MLS the purchase price would have doubled.

Please don't hesitate to give me a call if you have any questions at 541-420-3128.

Kindest regards,

Julie Moe
Broker
Cascade Sotheby's International Realty

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

**Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 63**

Request:

63. Avion's proposed Material/Supplies Inventory (Account 151) amount of \$302,209 represents an increase of \$100,888, or 50.11 percent, over the UW 171-assumed amount of \$201,321. Regarding this amount,

- a. Please explain why the amount in this account has increased substantially since Avion's last rate case.**
- b. Please provide a breakdown of what the amount in this account consists of.**
- c. Are any amounts included in this account also included as an expense elsewhere in Avion's rate case application? If so, please identify all such amounts.**

Response:

- a. Materials and Supplies Inventory (Acct. No. 151) has increased since UW 171 due to price increases from suppliers, the need to inventory more parts because of the size and various ages of Avion's plant and the sourcing of larger parts have all caused the increase in Material/Supplies Inventory value.
- b. Please see Attachment DR-063.
- c. No, no amounts included in Materials and Supplies Inventory have been included elsewhere as an expense in the rate case application.

TO: Oregon Public Utility Commission Staff (Staff)
FROM: Richard Bailey
Secretary - Treasurer, Avion Water Company, Inc. (Avion)

Avion Water Company, Inc.
UW 181
Avion Response to Staff's Data Request No. 72

Request:

- 72. Please provide the total annual consumption attributable to Avion's Schedule No. 14 interruptible large irrigation customers in 2019.**
- a. Does Avion anticipate any significant changes in Schedule No. 14 consumption over the next three years? If so, please explain, and provide the anticipated amount of the change.**
 - b. Please provide the total amount of revenue attributable to Schedule No. 14 in 2019.**
 - c. Please identify whether these revenues are included in Avion's test year revenues as shown in its rate case filing, and if so, in which account these revenues are included.**
 - d. Please provide an analysis showing that these customers are contributing to fixed costs.**

Response:

Interruptible Large Irrigation customers (ILIC) used 26,888,824 cubic feet of water in 2019.

- a) Avion does not expect significant changes in Schedule No. 14 consumption over the next three years.
- b) Total revenue attributable to Schedule No. 14 in 2019 is \$120,657.
- c) Schedule No. 14 revenues are included in the test year revenues in Commercial Water Sales, Account No. 461.2.
- d) ILIC were charged \$13,101 in base rates during 2019. These monies would be attributable to paying fixed costs in 2019.

ILIC customers voluntarily limit the timing and rate of their consumption at Avion's request, beyond the specific provisions of the Schedule No. 14. This increases the overall utilization of existing infrastructure and helps minimize additional capital investment that would be required if the ILIC customers were not constrained in this way. It helps reduce demand during normal peak hours and during periods of extraordinary demand as contemplated in Schedule No. 14.

CUSTOMER NOTICE

ANNOUNCEMENT OF PROPOSED CHANGES TO WATER SERVICE RATE TARIFFS FILED WITH THE PUC

DATE: **July 13, 2020**

This notice is to inform customers that Avion Water Company, Inc. filed a general rate revision with the Public Utility Commission (PUC). This notice provides general information regarding the utility's proposed changes and the effect it will have on customers' bills if approved by the Commission. Customers may request to receive notice of the time and place of any hearing on the matter by contacting the Public Utility Commission of Oregon, Administrative Hearings Division, at 503-378-6678. The calculations and statements contained in the water utility's filing and this notice are not binding on the Commission.

AVION WATER COMPANY, INC. submitted a general rate filing to the Public Utility Commission on **JULY 2, 2020**. We are seeking to increase our annual revenues by \$1,251,499 above the \$8,913,999 we collected in 2019, resulting in annual revenues of \$10,165,498.

We anticipate the increase will change average monthly water service rates as follows:

Line Size	Current Ave Monthly Bill	Proposed Ave Monthly Bill
Residential		
5/8"	\$40.85	\$46.20
3/4"	\$43.48	\$51.02
1"	\$86.96	\$103.64
1 1/2"	\$209.41	\$268.16
2"	\$308.84	\$370.93
3"	\$821.45	\$1,006.76
4"	\$2,305.47	\$2,880.45
6"	\$7,186.74	\$9,374.29
Commercial		
5/8"	\$40.85	\$46.20
3/4"	\$43.48	\$51.02
1"	\$86.96	\$103.64
1 1/2"	\$209.41	\$268.16
2"	\$308.84	\$370.93
3"	\$821.45	\$1,006.76
4"	\$2,305.47	\$2,880.45
6"	\$7,186.74	\$9,374.29
Irrigation		
	\$18.21 per acre foot w/o irrigation assessment	No Change
Fire Protection		
4" or smaller	\$21.68	\$32.76
6"	\$47.47	\$71.75
8"	\$83.24	\$125.81
10"	\$129.19	\$195.26
12"	\$185.33	\$280.12
Hydrants	\$13.66	\$20.64
Sales for Resale	\$1.06 per 100 cu ft	\$1.32 per 100 cu ft

1. Avion Water Company, Inc. is seeking the above changes (increase or decrease) in rates because:
Of increases in operating expenses such as wages, electricity and leasing costs.
2. Copies of the utility's application, testimony, and exhibits are available at: 60813 Parrell Road, Bend, OR 97702. Please call (541) 382-5342 to make an appointment to pick up the information. Avion Water Company's application may also be viewed on the PUC website at apps.puc.state.or.us/edocketsSearch. Under eDockets, select "By Docket Number" and enter "UW 181" in order to view information associated with the Avion Water Company, Inc.'s request.
3. Avion Water Company, Inc. can provide additional information about the rate filing.
If you are interested please contact: Jason J. Wick at (541) 382-5342 or email avion@avionwater.com.

If you need to contact Avion Water Company, Inc. due to an emergency please call: (541) 382-5342.

4. To request to receive notices of the time and place of hearings on the matter, contact the PUC at 1-800-522-2404; TTY 711, or mail request to:

PUBLIC UTILITY COMMISSION OF OREGON
ADMINISTRATIVE HEARINGS DIVISION
PO BOX 1088
SALEM OR 97308-1088

5. The calculations and statements contained in the water utility's announcement and filing are not binding on the Commission.

cc: PUC Administrative Hearings Division, PO Box 1088, Salem OR 97308-1088

ATTACH A COPY OF NOTICE

CASE: UW 181
WITNESS: STEPHANIE YAMADA

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 104

**Exhibits in Support of Testimony
UM 1936 Staff Report**

November 19, 2020

ITEM NO. CA9

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 17, 2020**

REGULAR **CONSENT** **EFFECTIVE DATE** _____

DATE: November 6, 2020

TO: Public Utility Commission

FROM: Russ Beitzel

THROUGH: Bryan Conway, Michael Dougherty, and Bruce Hellebuyck **SIGNED**

SUBJECT: AVION WATER COMPANY, INC:
(Docket No. UM 1936)
Requests approval of Deferred Accounting Associated with H.R. 1 – Tax
Cuts and Jobs Act.

STAFF RECOMMENDATION:

Approve Staff's Application to defer changes in Avion Water Company Inc.'s (Avion or Company) federal income tax obligation resulting from H.R.1 Tax Cuts and Jobs Act of 2017 (H.R.1 or Tax Act), docketed as UM 1936, for the twelve-month period beginning March 1, 2018, calculated to be \$357,069 (through December 2020), for the twelve-month period beginning March 1, 2019, calculated to be \$247,024 (through December 2020), and for the twelve-month period beginning March 2, 2020, to be determined once the appropriate financial data is available.

DISCUSSION:

Issue

Whether the Commission should approve Staff's Application to Defer Changes in Avion's Federal Tax Obligations Resulting from H.R.1 – Tax Cuts and Jobs Act (Application) for the twelve-month periods beginning March 1, 2018, March 1, 2019, and March 2, 2020.

Applicable Rule or Law

Beginning with the date of the application, the Commission may approve the deferral of identifiable utility expenses or revenues, the recovery or refund of which the

Avion Docket No. UM 1936
November 6, 2020
Page 2

Commission finds should be deferred in order to minimize the frequency of rate changes for the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers. ORS 757.269(2)(e) and (4). Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. ORS 757.259(4); OAR 860-027-0300(9). The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility. ORS 757.259(5).

Analysis

Tax Act Deferral Background

On December 22, 2017, President Donald Trump signed H.R.1 – Tax Cuts and Job Act, with most provisions going into effect on January 1, 2018. The Tax Act amends sections of the 1986 code, most notably the reduction in the federal corporate income tax rate from 35 percent to 21 percent. The change in the corporate income tax rate also results in excess deferred income tax (EDIT) assets and liabilities that must be reversed. Water companies have an additional change in that Contributions In Aid of Construction (CIAC) amounts are taxable under the Tax Act.

On March 1, 2018, Staff filed a deferral application (Docket No. UM 1936) “to defer, for later rate-making treatment, the effects of H.R.1 on Avion’s tax liability” with the intent of tracking the net impacts of the Tax Act to pass onto customers. At the time the Application was filed, the impacts of the Tax Act were unknown. Staff filed additional applications to reauthorize deferral of the Tax Act impacts in 2019 and 2020.

Taxes in Current Rates

The income tax expense currently included in Avion’s base rates was approved in its last general rate case (Docket No. UW 171) and does not reflect any of the provisions of the Tax Act. Therefore, the Tax Act benefits are not currently reflected in Avion’s base rates.

As mentioned above, the Tax Act resulted in the taxability of CIAC for water utilities, which was not present prior to The Act. The CIAC-related tax obligation will be due to the taxing bodies for the year in which the CIAC is assumed, and will be paid along with other taxes paid for the year in which the CIAC is received. Also beginning in year one, and then for each year over the tax life of the asset, water utilities will claim the tax depreciation of the CIAC assets, which functions as a deduction to the utility’s taxable income (CIAC Tax Benefits). For this reason, the taxability of CIAC will not increase the

Avion Docket No. UM 1936
November 6, 2020
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overall amount of taxes paid by water utilities, since the asset will eventually be fully depreciated for tax purposes, but instead it creates a timing issue. Avion explained that the timing issue can create a substantial financial hardship for a small utility, which may not have sufficient cash on hand to pay these taxes up front in year one. Additionally, Avion represented that multiple consecutive years of such circumstances would be likely to impact a small utility's ability to operate to the detriment of Avion's customers. Finally, Avion noted that due to the effects of inflation, the tax payments on CIAC would ultimately result in the utility subsidizing development projects.

Staff Findings and Discussion

1. Categories to Defer

The purpose of this proceeding is to identify the amount of tax benefits to be deferred, for the benefit of Avion's ratepayers. Full consideration of the tax benefits includes the following computational elements:

- Annual Tax Rate Benefits - The decrease in the annual revenue requirement due to changes in how taxable income from operations is determined, the effect of reducing the statutory federal rate from 35 percent to 21 percent, and changes in allowable tax credits, etc. For Avion, the tax rate changed from 34 percent to 21 percent based on their prior rate case.¹
- EDIT - Revaluation of deferred tax obligations at the new lower statutory rate resulting in excess deferred income taxes (EDIT).
 - Federal law provides that the return to ratepayers of EDIT related to utility plant must generally comply with the Average Rate Assumption Method (ARAM). Failure to adhere to the ARAM methodology would terminate the Company's ability to use accelerated depreciation methods for tax purposes. These amounts are generally referred to as "protected" EDIT.
 - EDIT unrelated to utility plant and plant related EDIT not subject to the ARAM methodology may be returned to customers using any reasonable amortization method. These amounts are generally referred to as "unprotected" EDIT.
- CIAC Tax Benefits – As described above, Avion is collecting the taxes created by the taxability of CIAC from contributors and a method for returning the related CIAC Tax Benefits needs to be determined.

2. Deferral Methodologies

¹ See Docket No. UW 171, Order No. 17-496.

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Staff used the following methodologies to determine the 2018 and 2019 Tax Act benefits subject to deferral. Deferred amounts for the period between March 2, 2020, and the Company's rate-effective date from its pending rate case will be determined once the appropriate financial data is available:

- Annual Tax Rate Benefits - Staff calculated a *pro forma* operating income for purposes of determining the tax benefit due to the change in the federal income tax rate to 21 percent. To develop its *pro forma* operating income, Staff made adjustments to the results reflected in the Company's Annual Results of Operations Report to remove unusual items and incorporate adjustments similar to those made in UW 171 – the Company's most recent general rate case. In Staff's view, this method provides the most accurate measure of the Company's income with respect to the revenue requirement in a general rate case based on the most recently available actual data, and provides a reasonable and appropriate proxy for the Tax Act benefits. Avion identified no other changes to its tax obligation as a result of other changes in how taxable income from operations is determined, changes in allowable tax credits, or other features of the Tax Act.
 - EDIT – Avion provided a spreadsheet with all depreciable regulated utility assets, which Staff analyzed for accuracy. The spreadsheet calculated Avion's EDIT by comparing deferred taxes calculated using the 34 percent rate in effect prior to The Act to deferred taxes based on the 21 percent income tax rate in The Act. Avion indicated it has no "unprotected" EDIT.
 - CIAC Tax Benefits - In ADV 723, Avion added Schedule No. 8 to require developers to fund the additional tax obligation resulting from the new taxability of CIAC. The Company agreed that it would keep accurate and detailed records of contributors (both customers and developers) of CIAC tax fees pursuant to Schedule 8, and that the CIAC Tax Benefits should be enjoyed by those persons paying the tax liability.
3. 2018, 2019 and 2020 Deferral Amounts
- Annual Tax Rate Benefits – Staff created a spreadsheet (Table 1) that calculates the difference in revenue requirement between the previous (34 percent) and the current (21 percent). The *pro forma* results for 2018 were used and a result of \$333,082 (through December 2020) was calculated for deferral. The *pro forma* results for 2019 were used and a result of \$213,823 (through December 2020) was calculated to be deferred. Staff will determine the 2020 amount once the appropriate financial data is available.

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November 6, 2020
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- ARAM – Avion provided a spreadsheet with all depreciable regulated utility assets, which Staff analyzed for accuracy. The yearly amount of potential deferral was also added to the above spreadsheet for 2018 and 2019. A result of \$23,987 (through December 2020) for 2018 and \$33,201 (through December 2020) for 2019 was calculated to be deferred. Staff will determine the 2020 amount once the appropriate financial data is available.
- CIAC Tax Benefits – Avion has indicated that tracking CIAC Contributors over the life of the CIAC assets is problematic, as “the development companies are often created only for the life of a particular project—which is typically much shorter than the life of the CIAC asset—and are then dissolved upon completion of that project.” Staff is working with the Company to determine a best method for returning the benefit. Staff is not requesting approval of a specific CIAC Tax Benefit amount at this time, but seeks approval for deferring CIAC TAX Benefits to be calculated at a future time.

Excluding CIAC Tax Benefits, for 2018 Staff calculated a total deferred amounts related to the Tax Act of \$357,069. Excluding CIAC Tax Benefits, for 2019 Staff calculated a total \$247,024 of Tax Act benefits to be deferred. Staff will determine the 2020 amount once the appropriate financial data is available. Consistent with long-standing Commission precedent, deferred amounts related to the Annual Tax Rate Benefits and EDIT will earn interest at the utility’s authorized Rate of Return. Due to the specific circumstances related to Avion’s CIAC Tax Benefits, Staff recommends deferred amounts earn interest at the Modified Blended Treasury (MBT) rate, with the amounts of interest calculated monthly and reflecting the accumulated CIAC tax benefits as of that point in time. This use of the MBT rate is appropriate in this case because the CIAC Tax Benefits represent a relatively straightforward, certain, and measureable event. The Commission typically applies the MBT rate to accrue interest during the amortization period of deferrals in recognition of the fact that there is less risk associated with the determination and collection of those amounts during the amortization period than during the deferral period. Avion, through grossing up the taxes through its Schedule No.8 is requiring the contributors to pay all the taxes associated with the taxability of CIAC in the year the CIAC was contributed. The CIAC Tax Benefit is simply a means of passing the associated tax benefits (which will equal the amount of the initial tax gross-up) back to customers.

4. Future Ratemaking Treatment - Amortization / Earnings Test

Staff and Avion expect the amortization mechanism of the deferrals will be addressed in Avion’s currently pending General Rate Case. All deferrals are subject to an earnings review prior to amortization. Staff and the Company have agreed that for Annual Tax

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Rate Benefits and EDIT, deferred amounts should be subject to an earnings test, and the earnings level threshold will be set at the Company's authorized ROE. While Staff is not requesting approval of any aspect of the amortization in rates as a result of this memo, Staff felt it was important to address the parties' expectations regarding amortization to give the Commission a more complete picture of what has transpired to date in this docket. Staff and the Company have agreed that an earnings test will not be applied to CIAC tax benefit deferred amounts.

Staff and the Company agreed to employ an earnings test associated with amortization of the sum of the Annual Tax rate and EDIT benefits. Staff and the Company also agree that using Avion's most recent rate case RoE of 9.5 percent² (59 percent Equity equals 5.61 percent Weighted RoE) was most appropriate in calculating the amount to be amortized (i.e., passed back to customers after application of the earnings test), as this is the Company's authorized RoE during the deferral period.

Should the earnings test above ultimately be adopted by the Commission, Avion will be required to pass back Annual Tax Rate and EDIT benefits only to the extent passing back the sum of those benefits will not result in Avion earning less than its authorized RoE described above during the specific deferral periods.

For illustrative purposes only, Staff calculated the deferral amount as if an earnings test were applied for 2018 and 2019 Annual Tax Rate Benefits and EDIT in Table 1 below. For 2018, Avion earned a Weighted RoE of 6.72 percent (B9), which is above its authorized Weighted RoE of 5.61 percent (F9), by 1.11 percent. Staff calculated \$303,804 (D5) as the principal amount of deferral, but the amortization of that deferral, along with associated interest, would be reduced to \$289,314 (E1) when an earnings test is applied. For 2019, Avion earned a Weighted RoE of 4.35 percent (B9), which is below their authorized Weighted RoE of 5.61 percent (F9), by 1.26 percent. Staff calculated \$224,950 (D5) as the principal amount of deferral, but the amortization of that deferral would be reduced to \$0 when an earnings test is applied. The table below illustrates these results:

² See Docket No. UW 171, Order No. 17-496.

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Table 1						
2018	A	B	C	D	E	F
Line No.	Description	2018 Normalized 21%	2018 Normalized 34%	Tax Diff * Gross up	Amt to Auth RoR	2018 at 21% & Auth
1	Revenues	9,315,012	9,315,012		(289,314)	9,025,698
2	Operating Expenses	5,993,637	5,993,637		(868)	5,992,769
3	Other (Excl Inc. Taxes)	1,328,875	1,328,875			1,328,875
4	State Income Taxes	119,080	119,080		(19,960)	99,119
5	Federal Income Taxes	321,856	544,586	(303,804)	(56,382)	265,474
6	Net Income	1,551,564	1,328,834		(212,104)	1,339,461
7	Rate Base	19,046,988	19,046,988			19,046,988
8	ROR	8.15%	6.98%			7.03%
9	Weighted ROE	6.72%	5.55%			5.61%
2019	A	B	C	D	E	F
Line No.	Description	2019 Normalized 21%	2019 Normalized 34%	Tax Diff * Gross up	Amt to Auth RoR	2019 at 21% & Auth
1	Revenues	9,184,412	9,184,412		351,990	9,536,402
2	Operating Expenses	6,274,534	6,274,534		1,056	6,275,590
3	Other (Excl Inc. Taxes)	1,431,638	1,431,638			1,431,638
4	State Income Taxes	82,025	82,025		24,285	106,309
5	Federal Income Taxes	210,203	375,122	(224,950)	68,596	278,800
6	Net Income	1,186,012	1,021,093		258,053	1,444,065
7	Rate Base	20,534,455	20,534,455			20,534,455
8	ROR	5.78%	4.97%			7.03%
9	Weighted ROE	4.35%	3.55%			5.61%

Conclusion

For the reasons stated above, Staff concludes that the deferral of Avion’s Tax Act benefits for 2018, 2019, and 2020 should be approved. The method for returning the benefit to the customers will be determined in a separate ratemaking proceeding, which may include the currently pending 2020 Avion General Rate Case, docketed as UW 181.

PROPOSED COMMISSION MOTION:

Approve Staff’s application for the Deferral of 2018, 2019, and 2020 Net Benefits Associated with the Tax Cuts & Jobs Act, docketed as UM 1936, for the twelve-month period beginning March 1, 2018, calculated to be \$357,069, for the twelve-month period beginning March 1, 2019, calculated to be \$247,024, and for the twelve-month period

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beginning March 2, 2020, to be determined once the appropriate financial data is available.

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