

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4229

In the Matter of)
)
AVION WATER COMPANY) ORDER
)
Application for Authority to Increase Loan)
Capacity on Established Revolving Credit)
Line.)

**DISPOSITION: APPLICATION APPROVED WITH CONDITIONS
AND REPORTING REQUIREMENTS**

On June 12, 2006, Avion Water Company (Avion or Company) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.415 and OAR 860-036-0720, for authority to increase the loan capacity on its long-term line of credit (LOC) from \$300,000 to \$600,000. The basis for the current request is detailed in Staff's Report, attached as Appendix A, and incorporated by reference.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on July 11, 2006, the Commission adopted Staff's recommendation and approved Avion's current request.

ORDER

IT IS ORDERED that the application of Avion Water Company for the authority to increase the loan capacity on its long-term line of credit from \$300,000 to \$600,000 is approved, subject to the conditions and reporting requirements specified in Appendix A.

Made, entered, and effective JUL 17 2006.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA8

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 11, 2006

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: July 3, 2006

TO: Public Utility Commission

FROM: Thomas D. Morgan *TDM*

THROUGH: *li* Lee Sparling, *uff by btz* Marc Hellman, and Bryan Conway *BC*

SUBJECT: AVION WATER COMPANY: (Docket No. UF 4229) Application for authority to increase loan capacity on established revolving credit line.

STAFF RECOMMENDATION:

The Commission should approve Avion Water Company's (Avion or Company) application to increase its loan capacity on its line of credit, subject to the following conditions and reporting requirements:

- 1) The Company shall file a final copy of any loan agreements with the Commission within 60 days upon signing.
- 2) For ratemaking purposes, the Commission will reserve judgment on the reasonableness of the Company's capitalization structure and all expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capitalization structure and capital costs, including imbedded expenses, are just and reasonable.

DISCUSSION:

On June 12, 2006, Avion filed an application for authority to increase the loan capacity on its long-term line of credit (LOC) from \$300,000 to \$600,000. Staff has reviewed the application pursuant to Oregon Revised Statute (ORS) 757.415, and Oregon Administrative Rule (OAR) 860-036-0720.

Expenses:

No issuance costs are expected to be recorded for the transaction.

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Interest Rate:

The variable interest rate is based on a 175 basis point premium over the Prime Rate.

Use of Proceeds:

The Company indicates that the authority will allow it to fund anticipated capital improvements during the winter months. The Company shall use the proceeds of any issuance under this authority for the following purposes: the construction, facility improvement and maintenance program; the discharge, retirement or exchange of existing obligations which were incurred for utility purposes permitted under ORS 757.415; or the reimbursement of the Company treasury for funds used for the foregoing purposes, except the maintenance of service and replacements; or other purposes allowed by law. To the extent proceeds are used to reimburse the treasury for funds used to discharge or lawfully refund obligations, such obligations were incurred for purposes described in ORS 757.415 (1).

Prior to finalizing the Staff memo, the proposed Conditions were shared with the Company and the Company is agreeable to them.

PROPOSED COMMISSION MOTION:

Avion's application, UF 4229, be approved subject to Staff's conditions and reporting requirements.

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