

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UW 122

In the Matter of)	
)	
AVION WATER COMPANY, INC.)	ORDER
)	
Application for a General Rate Increase.)	

DISPOSITION: STIPULATION ADOPTED

Procedural Background

On July 17, 2007, Avion Water Company, Inc. (Avion or the Company) filed tariffs with the Public Utility Commission of Oregon (Commission) requesting an increase in annual revenues of \$677,362, or 12.4 percent. The application also seeks an 8.36 percent return on a rate base of \$13,780,977. Avion requests that the proposed tariffs take effect on January 1, 2008.

On August 27, 2007, the Commission held a public comment meeting and open house in this proceeding in Bend, Oregon. A prehearing conference was also convened to establish a procedural schedule. On September 18, 2007, the Administrative Law Judge (ALJ) issued a Conference Report approving the procedural schedule set at the prehearing conference.

In accordance with the schedule, a settlement conference was held in Bend, Oregon, on October 19, 2007. On November 20, 2007, Avion and the Staff of the Commission (Staff) filed a stipulation designed to resolve all outstanding issues (Stipulation). The Staff filed testimony and exhibits in support of the Stipulation.

Based on the Stipulation and the fact that there are no intervenors in this docket, the ALJ issued a ruling on December 5, 2007, cancelling the scheduled hearing.

Stipulation

Under the terms of the Stipulation, Avion agrees to accept the total revenue increase recommended by Staff based on its investigation of the Company's operations. This produces a 9.63 percent increase in total revenues and a total revenue requirement of \$5,836,079. This compares to the 12.4 percent revenue increase and

\$6,159,444 revenue requirement requested in Avion's tariff filing. In addition, Avion agreed to Staff's recommended total Revenue Reductions of \$4,635,962 and Net Operating Income of \$1,200,117. Avion also agreed with Staff's recommendation that it have the opportunity to earn an 8.44 percent rate of return on a total Rate Base of \$14,442,151.

The rate spread proposed in the Stipulation allocates \$5,566,241 to residential and commercial customers, \$26,888 to Public Fire Protection customers, \$7,647 to Commercial Water Haulers, \$191,408 to the Cross Connection Program, and \$43,857 to a Special Contract. The stipulated rate design produces a 60/40 split between base and variable rates, consistent with the traditional methodology recommended by Staff for water utilities.

Meter Base Rates

Avion's water system uses different meter sizes. In such cases, Staff typically recommends using factors developed by the American Water Works Association (AWWA) or revised AWWA factors to establish meter base rates. The effect of using AWWA factors is to increase rates charged to customers using larger meters.¹ This is consistent with cost-based pricing because customers with larger meters usually place a greater potential demand on the water system.

Avion currently uses modified AWWA factors for its meter base rates, but proposed using full AWWA factors in the tariffs filed with its application. In the Stipulation, Avion agrees with Staff's proposal to use less than full factors to prevent customers from experiencing rate shock. For example, to soften the overall increase for 1-inch meters, Staff made an additional reduction of \$0.60 to the meter base rate. Staff was able to lower this 1-inch meter base rate without affecting overall revenue by offsetting additional revenue that resulted from the rounding of the commodity rate from the calculated \$0.81786 to the recommended commodity rate of \$0.82.

¹ The AWWA factors are multiplied by the base rate of 5/8-inch and 3/4-inch size meters to obtain the base rate for larger size meters. For example, the base rate of a 1-inch meter using the full AWWA factor would be 2.5 times greater than the base rate of a 5/8-inch or 3/4-inch meter.

Table 1 compares the full AWWA factors to those approved in Avion’s last rate case (Docket UW 93) and the modified factors included in the Stipulation:

TABLE 1 – AWWA Factors Comparison

Meter Size	AWWA Factor	UW 93 Factor	Staff Modified Factor
5/8”	1.00	1.00	1.00
3/4”	1.00	1.21	1.15
1”	2.50	1.43	1.77
1.5”	5.00	2.47	3.20
2”	8.00	4.31	5.60
3”	15.00	6.66	8.65
4”	25.00	9.93	12.90

As illustrated, Staff’s proposed increases for meters sized 1-inch and above are substantially less than those resulting from full application of the AWWA factors. Avion and Staff agree that the modified factors reasonably balance the rate increases to larger meters while still recognizing the increased potential demand placed on the water system.

Although no petitions to intervene were filed in this matter, the Commission received comments from Mr. Neil Henke on behalf of himself and other Avion customers residing on Pokegama Drive in Red Cloud Ranch located in Crook County. Mr. Henke challenges the proposal to increase the meter base rate for 1-inch meters in this area and denies that they place a greater potential demand upon the system. Mr. Henke maintains that 1-inch meters are required by some residences to obtain adequate service due to the low water pressure supplied by Avion.

Residential and Commercial Rates

Avion and Staff propose that commercial customers continue to pay the same rates as residential customers for the same sized meter. Table 2 compares Avion’s current rates, Avion’s proposed rates filed with the Application, and rates recommended in the Stipulation:

TABLE 2 - Residential and Commercial Rates

Meter Size	Current Rates	Avion Proposed	Stipulated Rates
5/8" x 3/4	\$20.82	\$22.52	\$22.51
3/4"	\$25.24	\$33.78	\$25.88
1"	\$29.67	\$56.30	\$39.24
1.5"	\$51.48	\$112.60	\$72.02
2"	\$89.65	\$180.16	\$126.04
3"	\$138.68	\$360.32	\$194.68
4"	\$206.78	\$563.00	\$290.33
Variable per 100 cf	\$0.80	\$0.89	\$0.82

Table 3 shows a comparison of current, Avion proposed, and stipulated average monthly rates:

TABLE 3 - Average Rates (Residential / Commercial)

Meter Size	Current	Avion Proposed ²	Percent Increase	Stipulated	Percent Increase
5/8" x 3/4"	\$34.07	\$37.33	9.57%	\$36.05	5.82%
3/4"	\$52.85	\$64.63	22.29%	\$54.11	2.38%
1"	\$53.82	\$83.29	54.76%	\$63.92	18.78%
1.5"	\$161.35	\$241.53	49.69%	\$184.34	14.25%
2"	\$163.46	\$262.65	60.68%	\$201.49	23.27%
3"	\$607.24	\$910.19	49.89%	\$673.71	10.94%
4"	\$1,183.43	\$1,709.11	44.42%	\$1,288.79	8.90%

² Using full AWWA Factors.

Other Rates

The Stipulation also recommends:

1. An increase in Fire Protection rates as follows:

TABLE 4 - Fire Protection Flat Rate

Meter Size	Current	Avion Proposed	Stipulated	Percent Increase
4" or less	\$16.45	\$17.50	\$17.50	6.38%
6"	\$36.06	\$38.33	\$38.33	6.28%
8"	\$63.20	\$67.20	\$67.20	6.33%
10"	\$98.08	\$104.30	\$104.30	6.34%
12"	\$140.57	\$149.63	\$149.63	6.44%
Hydrants	\$10.00	\$10.68	\$11.00	9.99%

2. An increase in the variable rate paid by commercial water haulers from \$0.75 per 100 cubic feet to \$0.83 per hundred cubic feet.
3. Maintaining the \$2.50 monthly charge for customers who do not opt out of Avion's cross connection program. Avion originally proposed increasing the monthly rate by \$0.15 per month. Staff and the Company agreed to reexamine this rate in future rate applications.

Commission Decision

The Commission has reviewed the Stipulation, together with the supporting testimony and exhibits filed by the Staff. We conclude that the revenue requirement, rate spread, and rate design proposals set forth in the Stipulation are fair, just and reasonable and should be adopted. The Stipulation and supporting testimony are attached to this Order as Appendices A and B, respectively, and are incorporated in this order by reference.

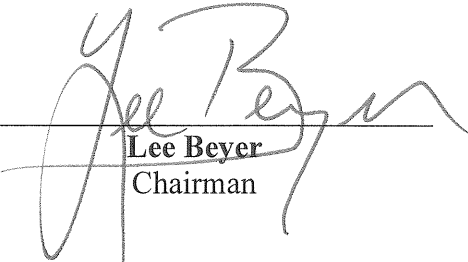
The Commission also intends to address the issue raised by Mr. Henke. However, because the comments were only filed recently there is insufficient time to conduct an investigation prior to the expiration of the statutory suspension period in this matter. Nevertheless, we instruct Staff to investigate the allegations made by Mr. Henke and submit a written report detailing their findings. Based on the results of Staff's investigation, the Commission will determine whether additional proceedings are necessary to address this matter.

ORDER

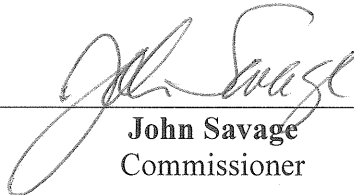
IT IS ORDERED that:

1. The Stipulation attached to this order as Appendix A is adopted.
2. Avion Water Company, Inc., shall charge rates in accordance with the rate schedules set forth in Appendix A, Attachment B, of this Order.
3. The revised tariff schedules set forth in the Stipulation shall become effective January 1, 2008.
4. The tariffs filed by Avion Water Company Inc. on July 17, 2007, are permanently suspended.

Made, entered, and effective DEC 13 2007.



Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



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.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UW 122

In the Matter of AVION WATER)
COMPANY, INC.'s Application for a) STIPULATION
General Rate Increase.)

Avion Water Company, Inc. (Avion or the Company), appearing by and through its Owner and President, Jan Wick, and the Public Utility Commission Staff (Staff) appearing by and through its attorney, Jason W. Jones, Assistant Attorney General, enter into this agreement in settlement of all issues between them.

1.

The Stipulating Parties agree to a total Revenue Requirement of \$5,836,079, and agree that consistent with this revenue requirement, the allocation of such revenue requirement among the customer classes is as follows: \$5,566,241 from Residential and Commercial customers; \$26,888 from Public Fire Protection customers; \$7,647 from Commercial Water Haulers; \$191,408 from the Cross Connection Control Program;¹ and \$43,857 from a Special Contract customer.²

The stipulated Revenue Requirement is contained in Attachment A. Attachment B contains the following revised sheets from Avion's tariff book PUC Oregon No. 3: 1st Revised Sheet No. 1, 2nd Revised Sheet No. 3, 2nd Revised Sheet No. 6, and 1st Revised Sheet No. 7.

¹ The Parties agree to retain the current \$2.50 per month rate for the Cross Connection Control Program. Revenue increase is due to customer growth.

²Special Contract revenues remain the same as in the test year; therefore, a new contract is not required.

1 2.

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

7 3.

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

11 4.

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

15 5.

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

19 6.

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

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

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

3 7.

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

7 8.

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


15 9.

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

19 DATED this 10th day of November 2007.

20 Respectfully submitted,

21
22 HARDY MYERS
23 Attorney General

24
25 
26 Jason W. Jones, # 00059
27 Assistant Attorney General
Of Attorneys for PUC Staff

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2 revenues meet program costs and are just and reasonable.

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14 evidence and argument.

15 9.

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

19 DATED this th 14 day of November 2007.

20
21 
22 Jan Wick, Owner and President
23 Avion Water Company
24

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

Company Case
12.4%

Staff Case
9.63%

		A	B	C	D	E	F	G	H	I		
Acct. No.		Balance Per Application Test Year: 2006	Proposed Company Adjustments	Adjusted Results (A+B=C)	Company Proposed Rev Changes	Proposed Results (C+D=E)	Proposed Staff Adjustments	Adjusted Results (A+D=E)	Staff Proposed Rev Changes	Proposed Results (C+D=E)		
REVENUES												
1	461.1	Residential & commercial Water Sales	4,816,323	337,143	5,153,466	641,895	5,795,361	240,816	5,057,139	509,102	5,566,241	
2	461.2	Commercial Water Sales	0	0	0	0	0	0	0	0	0	
3	462.1	Public Fire Protection	23,603	0	23,603	2,940	26,543	826	24,429	2,459	26,888	
4	462.2	Private Fire Protection	0	0	0	0	0	0	0	0	0	
5	466	Sales for RESALE (Comm Water Haulers)	6,948	0	6,948	865	7,813	0	6,948	699	7,647	
6	471	Misc. Revenues	19,047	0	19,047	2,372	21,419	(19,047)	0	0	0	
7	474	Other Water Revenue	71,345	4,994	76,339	9,508	85,847	(71,345)	0	0	0	
8	475	Cross Connection Control Program	148,432	10,390	158,822	19,782	178,604	42,848	191,280	19,256	191,408	
9		Special Contracts (Const cos Bulk use)	43,857	0	43,857	0	43,857	0	43,857	0	43,857	
11		TOTAL REVENUE	5,129,555	352,527	5,482,082	677,362	6,159,444	194,098	5,323,653	531,553	5,836,079	
OPERATING EXPENSES												
12	601	Salaries and Wages - Employees	853,280	42,664	895,944		895,944	(12,171)	841,109		841,109	
13	603	Salaries and Wages - Officers	177,298	0	177,298		177,298	127,660	304,958		304,958	
14	604	Employee Pension & Benefits	332,021	49,734	381,755		381,755	72,084	404,105		404,105	
15	610	Purchased Water	0	0	0		0	0	0		0	
16	611	Telephone/Communications	26,560	797	27,357		27,357	16,386	42,946		42,946	
17	615	Purchased Power	429,867	12,896	442,763		442,763	26,312	456,179		456,179	
18	617	Utilities - Other	1,817	55	1,872		1,872	172	1,989		1,989	
19	618	Chemical / Treatment Expense	0	0	0		0	0	0		0	
20	619	Office Supplies	30,522	110	30,632		30,632	(11,362)	19,160		19,160	
21	619.1	Postage	7,862	393	8,255		8,255	402	8,264		8,264	
22	620	O&M Materials/Supplies	143,507	4,305	147,812		147,812	(26,842)	116,665		116,665	
23	621	Repairs to Water Plant	64,160	1,925	66,085		66,085	56,450	120,610		120,610	
24	631	Contract Svcs - Engineering	15,414	462	15,876		15,876	1,421	16,835		16,835	
25	632	Contract Svcs - Accounting	5,584	168	5,752		5,752	(1,038)	4,546		4,546	
26	633	Contract Svcs - Legal	32,076	962	33,038		33,038	(4,640)	27,436		27,436	
27	634	Contract Svcs - Management Fees	0	0	0		0	0	0		0	
28	635	Contract Svcs - Testing	29,594	888	30,482		30,482	(500)	29,094		29,094	
29	636	Contract Svcs - Labor	30,452	914	31,366		31,366	(30,452)	0		0	
30	637	Contract Svcs - Billing/Collection	73,481	0	73,481		73,481	5,944	79,425		79,425	
31	638	Contract Svcs - Meter Reading	76,187	2,286	78,473		78,473	9,746	85,933		85,933	
32	639	Contract Svcs - Other	120,003	3,600	123,603		123,603	(90,944)	29,059		29,059	
33	641	Rental of Building/Real Property	15,202	456	15,658		15,658	456	15,658		15,658	
34	642	Rental of Equipment	10,353	311	10,664		10,664	149	10,502		10,502	
35	643	Small Tools	9,215	276	9,491		9,491	(1,211)	8,004		8,004	
36	648	Computer/Electronic Expenses	32,247	967	33,214		33,214	(14,229)	18,018		18,018	
37	650	Transportation	118,700	12,000	130,700		130,700	(7,168)	111,532		111,532	
38	656	Vehicle Insurance	25,122	(5,300)	19,822		19,822	(5,762)	19,360		19,360	
39	657	General Liability Insurance	78,224	(21,295)	56,929		56,929	(15,995)	62,229		62,229	
40	658	Workers' Comp Insurance	42,216	(1,143)	41,073		41,073	8,732	50,948		50,948	
41	659	Insurance - Other	64,995	1,950	66,945		66,945	(41,361)	23,634		23,634	
42	660	Public Relations/Advertising	0	0	0		0	0	0		0	
43	666	Amortz. of Rate Case	0	0	0		0	0	0		0	
44	667	Gross Revenue Fee (PUC)	12,209	881	13,091	1,694	14,785	881	13,091	1,329	14,420	
45	668	Water Resource Conservation	5,092	153	5,245		5,245	7,029	12,121		12,121	
46	670	Bad Debt Expense	10,785	324	11,109		11,109	324	11,109		11,109	
47	671	Cross Connection Control Program	149,062	1,835	150,897		150,897	(7,071)	141,991		141,991	
48	672	System Capacity Dev Program	0	0	0		0	0	0		0	
49	673	Training and Certification	25,706	771	26,477		26,477	(13,839)	11,867		11,867	
50	674	Consumer Confidence Report	3,498	105	3,603		3,603	112	3,610		3,610	
51	675	General Expense	3,396	215,215	218,611		218,611	130,261	133,657		133,657	
52		TOTAL OPERATING EXPENSE	3,055,707	329,664	3,385,372	1,694	3,387,066	179,938	3,235,645	1,329	3,236,974	
OTHER REVENUE DEDUCTIONS												
53	403	Depreciation Expense	408,876	0	408,876		408,876	40,138	449,014		449,014	
54	407	Amortization Expense	0	0	0		0	0	0		0	
55	408.11	Property Tax	215,155	6,455	221,610		221,610	30,118	245,273		245,273	
56	408.12	Payroll Tax	90,256	3,699	93,955		93,955	15,233	105,489		105,489	
57	408.13	Other Taxes - Bend Franchise	56,209	280	56,489		56,489	(56,209)	0		0	
58	409.11	Oregon Income Tax	99,515	820	100,335	44,597	144,932	(35,167)	64,348	34,995	99,343	
59	409.10	Federal Income Tax	478,770	1,741	480,511	214,580	695,091	(147,279)	331,491	168,378	499,869	
60		TOTAL REVENUE DEDUCTIONS	4,404,488	342,660	4,747,148	260,871	5,008,019	26,772	4,431,260	204,702	4,635,962	
61		NET OPERATING INCOME	725,067	9,867	734,934	416,491	1,151,425	167,327	892,393	326,852	1,219,245	1,200,117 Stipulated
62	101	Utility Plant in Service	17,940,497	0	17,940,497		17,940,497	645,179	18,585,676		18,585,676	
63		Less:										
64	108.1	Depreciation Reserve	4,382,160	0	4,382,160		4,382,160	(1,302)	4,380,858		4,380,858	
65	271	Contributions in Aid of Const	0	0	0		0	0	0		0	
66	272	Amortization of CIAC	0	0	0		0	0	0		0	
67	281	Accumulated Deferred Income Tax	234,243	0	234,243		234,243	0	234,243		234,243	
68		Net Utility Plant	13,324,094	0	13,324,094		13,324,094	646,481	13,970,575	0	13,970,575	
69		Plus: (working capital)										
70	151	Materials and Supplies Inventory	201,939	0	201,939		201,939	0	201,939		201,939	
71		Working Cash (Total Op Exp /12)	254,642	0	254,642	301	254,943	14,995	269,637	0	269,637	
72		TOTAL RATE BASE	13,780,675	0	13,780,675	301	13,780,976	661,476	14,442,151	0	14,442,151	
73		Rate of Return	5.26%		5.33%		8.36%		6.18%		8.44%	

cash flow \$1,560,301
op exp/cuct/year \$304

cash flow \$1,668,259
op exp/cuct/year \$291

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

NAMING RATES FOR

Avion Water Company, Inc.

(name of utility)

60813 Parrell Road

(address)

Bend, Oregon 97702

(city, state, & zip code)

541-382-5342 (telephone)

541-382-5390 (fax)

(telephone numbers and type)

Serving water in the vicinity of

Parts of Deschutes & Crook Counties, Oregon

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

ADVICE NO. _____
(PUC USE ONLY)

SCHEDULE NO. 1

RESIDENTIAL AND COMMERCIAL METERED RATES

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

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

BASE RATE

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

COMMODITY USAGE RATE

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

Special Provisions:

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

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

ADVICE NO. _____
 (PUC USE ONLY)

SCHEDULE NO. 4

FIRE SERVICE RATES

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

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

Fire Service Base Rate Per Month

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

FIRE HYDRANT MAINTENANCE RATES

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

Applicable: To premises with fire hydrants located on premises.

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

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

ADVICE NO. _____
 (PUC USE ONLY)

SCHEDULE NO. 5

RATES FOR COMMERCIAL WATER HAULERS

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

APPLICABLE: To all commercial water haulers.

COMMERCIAL WATER HAULERS MONTHLY RATE

\$.83 per 100 cubic feet

SPECIAL PROVISIONS:

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

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

ADVICE NO. _____
(PUC USE ONLY)

ORDER NO. 07-554

CASE: UW 122

WITNESS: Renee Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 100

**Direct Testimony
In Support of the
Stipulation**

November 20, 2007

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Renee Sloan. My business address is 550 Capitol Street NE
4 Suite 215, Salem, Oregon 97301-2148. I am a utility analyst with the Public
5 Utility Commission of Oregon (Commission) assigned to review regulated
6 water utility general rate case dockets and various tariff filings.

7 **Q. WHO ARE THE PARTIES IN THIS DOCKET?**

8 A. The Parties in this docket are Commission Staff (Staff) and Avion Water
9 Company, Inc. (Avion or Company).

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. My testimony introduces and supports the Stipulation entered into by the
12 Parties.

13 **Q. DID YOU PREPARE AN EXHIBIT FOR THIS DOCKET?**

14 A. Yes. Staff/101 contains the following documents in support of my Testimony:

- 15 Revenue Requirement Staff/101, page 1
- 16 Summary of Adjustments Staff/101, page 2 - 3
- 17 Revenue Sensitive Costs Staff/101, page 4
- 18 Residential and Commercial Rate Design Staff/101, page 5
- 19 Rate Impacts for Residential and Commercial Customers Staff/101, pages 6 - 12
- 20
- 21 Public Fire Protection Rate Design Staff/101, page 13
- 22 Commercial Water Haulers Rate Design Staff/101, page 14
- 23 Cross Connection Program Rate Design Staff/101, page 15

1 **Q. PLEASE SUMMARIZE AVION'S GENERAL RATE FILING.**

2 A. In tariffs filed with the Commission on July 17, 2007, Avion requested to
3 increase revenues by \$677,362 above the \$5,129,555 collected in 2006.
4 Additionally, the Company requested an 8.36 percent return on a rate base
5 of \$13,780,977.

6 **Q. WHEN WAS THE COMPANY'S LAST RATE INCREASE?**

7 A. Avion's last rate case, UW 93, was filed August 13, 2003. Following Staff's
8 investigation of that filing, the Commission approved an 8.1 percent increase
9 in revenues and a 7.44 percent rate of return on a rate base of \$13,447,498.

10 **Q. WHAT ARE THE RESULTS OF STAFF'S ANALYSIS OF AVION'S UW 122**
11 **FILING?**

12 A. Staff's investigation of Avion's application indicates a 9.63 percent increase
13 in total revenues is warranted. This compares to the overall 12.4 percent
14 increase the Company requested in its filing.

15 **Q. DID THE COMPANY STIPULATE TO STAFF'S ANALYSIS OF THE**
16 **RESULTS OF OPERATIONS FOR AVION?**

17 A. Yes, Avion agreed to a total revenue requirement of \$5,836,079. Additionally,
18 Avion agreed to Staff's recommended total Revenue Reductions of \$4,635,962
19 and Net Operating Income of \$1,200,117. The Company also agreed that
20 Avion should have a reasonable opportunity to earn an 8.44 percent rate of
21 return on a total Rate Base of \$14,442,151.

1 **Q. PLEASE EXPLAIN THE PROPOSED RATE SPREAD AGREED TO BY**
2 **THE PARTIES.**

3 A. The rate spread allocates \$5,566,241 to residential and commercial customers,
4 \$26,888 to Public Fire Protection customers, \$7,647 to Commercial Water
5 Haulers, \$191,408 to the Cross Connection Program, and \$43,857 to a Special
6 Contract.

7 With respect to rate design, Staff generally aims for a 60/40 split between
8 base and variable rates; but in Avion's last rate case (UW 93), Staff and the
9 Company agreed to a 56.5/43.5 split in order to maintain the variable rate of
10 \$0.80 per hundred cubic feet rather than lowering it. In UW 122, Staff was
11 able to set reasonable rates using the traditional 60/40 methodology.

12 **Q. PLEASE EXPLAIN WHY STAFF PROPOSED A MODIFICATION OF THE**
13 **AWWA FACTORS AVION PROPOSED TO ALLOCATE BASE RATES BY**
14 **METER SIZE.**

15 A. In the instance where a company has different meter sizes, Staff's practice is to
16 apply AWWA factors, or modified factors to the different size meters. Avion's
17 water rates are based upon a cost of service rate structure which includes the
18 cost of providing water and operating and maintaining the water system. The
19 effect of using the AWWA factors is to increase the rates charged to customers
20 with larger meters. From a conceptual standpoint, increasing the rates to
21 customers with larger meters is reasonable because those customers place a
22 greater potential demand on the water system. The AWWA factors are
23 multiplied to the base rate of the 5/8-inch and 3/4-inch meter size to obtain the

1 base rate of larger size meters. As an example, if using the AWWA factors, the
2 base rate of a 1-inch meter would be 2.5 times greater than the base rate of
3 5/8-inch or 3/4-inch meter.

4 Avion currently uses modified AWWA factors, but proposed using full
5 AWWA factors in tariffs filed with its application.

6 **Q. DOES STAFF PROPOSE RATES BASED ON STRICT APPLICATION OF**
7 **AWWA FACTORS?**

8 A. No. Staff felt that using full factors would result in increases that would cause
9 rate shock for some customers. To soften the base rate increases, Staff
10 applied modified factors for 3/4-inch and larger size meters.¹ Except for the
11 3/4-inch meter, Staff's proposed factors are higher than those used in UW 93,
12 yet low enough to result in reasonable rates. Table 1 compares the full AWWA
13 factors to those used in UW 93 and those proposed by Staff in UW 122:

TABLE 1 – AWWA Factors Comparison

Meter Size	AWWA Factor	UW 93 Factor	Staff Modified Factor
5/8"	1.00	1.00	1.00
3/4"	1.00	1.21	1.15
1"	2.50	1.43	1.77
1.5"	5.00	2.47	3.20
2"	8.00	4.31	5.60
3"	15.00	6.66	8.65
4"	25.00	9.93	12.90

14
15 As illustrated by Table 1, increases for the larger size meters were reduced
16 by Staff's proposed modified factors as compared to strict application of the

¹ The factor used for 3/4-inch meters in UW 93 is larger than the AWWA factor for that size meter. In UW 122, Staff lowered the number to move the factor closer to the AWWA factor, and proposes to match the AWWA factor in a future rate case.

1 AWWA factors. The Parties agree that using Staff's proposed modified factors
2 is reasonable because:

- 3 ▪ Although modified AWWA factors were previously used by Avion, using
4 full AWWA factors would cause the rate increases to larger user meters
5 to be unacceptable; and
- 6 ▪ The use of Staff's proposed modified AWWA factors still takes into
7 account that larger meters do place a greater potential demand on the
8 water system, and customers with larger meters should pay higher base
9 rates because of this potential demand.
- 10 ▪ To soften the overall increase, Staff made an additional reduction of
11 \$0.60 to the 1-inch meter base rate. Staff was able to lower this base
12 rate without affecting overall revenue by offsetting additional revenue
13 that resulted from the rounding of the commodity rate from the
14 calculated \$0.81786 to the recommended commodity rate of \$0.82.

15 **Q. WHAT ARE THE STIPULATED RATES FOR RESIDENTIAL AND**
16 **COMMERCIAL CUSTOMERS?**

17 A. Staff and the Company agreed that commercial customers would continue
18 to pay the same rates as residential customers for the same sized meter.

19 Table 2 compares Avion's current rates, Avion's proposed rates filed with the
20 Application, and final rates agreed to by the Parties:

TABLE 2 - Residential and Commercial Rates

Meter Size	Current Rates	Avion Proposed	Stipulated Rates
5/8" x 3/4"	\$20.82	\$22.52	\$22.51
3/4"	\$25.24	\$33.78	\$25.88
1"	\$29.67	\$56.30	\$39.24
1.5"	\$51.48	\$112.60	\$72.02
2"	\$89.65	\$180.16	\$126.04
3"	\$138.68	\$360.32	\$194.68
4"	\$206.78	\$563.00	\$290.33
Variable per 100 cf	\$0.80	\$0.89	\$0.82

1
2 **Q. PLEASE DESCRIBE THE RATE IMPACTS FOR RESIDENTIAL AND**
3 **COMMERCIAL CUSTOMERS?**

4 A. Table 3 shows a comparison of current, Company proposed, and stipulated
5 average monthly rates.

TABLE 3 - Average Rates (Residential / Commercial)

Meter Size	Current	Avion Proposed ²	Percent Increase	Stipulated	Percent Increase
5/8" x 3/4"	\$34.07	\$37.33	9.57%	\$36.05	5.82%
3/4"	\$52.85	\$64.63	22.29%	\$54.11	2.38%
1"	\$53.82	\$83.29	54.76%	\$63.92	18.78%
1.5"	\$161.35	\$241.53	49.69%	\$184.34	14.25%
2"	\$163.46	\$262.65	60.68%	\$201.49	23.27%
3"	\$607.24	\$910.19	49.89%	\$673.71	10.94%
4"	\$1,183.43	\$1,709.11	44.42%	\$1,288.79	8.90%

6
7 Staff/101, pages 6 through 12, contains the rate impacts of the stipulated
8 rates for each meter size. Please note that the percent increases for the
9 3-inch and 4-inch meters are lower than the 1-inch, 1.5-inch, and 2-inch

² Using full AWWA Factors.

1 meters because of the higher consumption patterns of these users and the
2 relatively low increase in the commodity rate from \$0.80 to \$0.82.

3 **Q. WHAT ARE THE STIPULATED PUBLIC FIRE PROTECTION RATES?**

4 A. Table 4 compares current rates, proposed rates filed with the Application, and
5 final rates agreed to by Staff and Avion. Fire Protection customers do not pay a
6 variable rate.

TABLE 4 - Fire Protection Flat Rate

Meter Size	Current	Avion Proposed	Stipulated	Percent Increase
4" or less	\$16.45	\$17.50	\$17.50	6.38%
6"	\$36.06	\$38.33	\$38.33	6.28%
8"	\$63.20	\$67.20	\$67.20	6.33%
10"	\$98.08	\$104.30	\$104.30	6.34%
12"	\$140.57	\$149.63	\$149.63	6.44%
Hydrants	\$10.00	\$10.68	\$11.00	9.99%

7
8 **Q. WHAT IS THE RATE AGREED TO FOR COMMERCIAL WATER
9 HAULERS?**

10 A. The Parties stipulated to a variable rate of \$0.83 per 100 cubic feet for
11 Commercial Water Haulers, who currently pay \$0.75 per 100 cubic feet.
12 Commercial Water Haulers do not pay a base rate.

13 **Q. DOES THE STIPULATION INCLUDE A CHANGE IN RATES FOR THE
14 CROSS CONNECTION PROGRAM AS PROPOSED IN AVION'S
15 APPLICATION?**

16 A. No. In its application, the Company proposed increasing the monthly charge
17 from \$2.50 to \$2.65 for customers who do not opt out of Avion's Cross
18 Connection Program. During settlement discussions, Avion reconsidered

1 the proposed increase, and the Parties agreed to maintain the current rate.³

2 Current rate levels are reasonable given the relationship of revenues and costs
3 for the Cross Connection Program. The Company and Staff agreed that this
4 rate will be re-examined in all subsequent rate applications to ensure that
5 program revenues meet program costs and the rates are just and reasonable.

6 **Q. ARE THE RESULTING RATES FAIR AND REASONABLE TO AVION'S**
7 **CUSTOMERS?**

8 A. Yes. Based on Staff's investigation and the documented costs provided
9 by Avion, the Parties believe the stipulated revenue requirement generates
10 rates that are just and reasonable. The stipulated rates will provide adequate
11 revenue to cover Avion's reasonable expenses and allow the Company an
12 opportunity to earn a reasonable return on its investment.

13 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE STIPULATION?**

14 A. I recommend that the Commission admit the Stipulation into the UW 122 record
15 and adopt the Stipulation in its entirety.

16 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17 A. Yes.

³ Staff's results of analysis resulted in a monthly rate of \$2.75. By maintaining \$2.50 per month, the Company agreed to forgo \$19,218 in revenues (6,376 customers x 12 months x \$0.25). The result is a Net Operating Income of \$1,200,117 instead of \$1,219,245 as calculated by the model.

ORDER NO. 07-554

CASE: UW 122
WITNESS: Renee Sloan

**PUBLIC UTILITY COMMISSION
OF
OREGON**

STAFF EXHIBIT 101

**Exhibits in Support of
Direct Testimony**

November 20, 2007

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

Company Case
12.4%

Staff Case
9.83%

		A	B	C	D	E	F	G	H	I
Acct. No.	REVENUES	Balance Per Application Test Year: 2006	Proposed Company Adjustments	Adjusted Results (A+B=C)	Company Proposed Rev Changes	Proposed Results (C+D=E)	Proposed Staff Adjustments (C+D=E)	Adjusted Results (A+D = E)	Staff Proposed Rev Changes	Proposed Results (C+D=E)
1	461.1 Residential & commercial Water Sales	4,816,323	337,143	5,153,466	641,895	5,795,361	240,816	5,057,139	509,102	5,566,241
2	461.2 Commercial Water Sales	0	0	0	0	0	0	0	0	0
3	462.1 Public Fire Protection	23,603	0	23,603	2,940	26,543	826	24,429	2,459	26,888
4	462.2 Private Fire Protection	0	0	0	0	0	0	0	0	0
5	466 Sales for RE SALE (Comm Water Haulers)	6,948	0	6,948	865	7,813	0	6,948	699	7,647
6	471 Misc. Revenues	19,047	0	19,047	2,372	21,419	(19,047)	0	0	0
7	474 Other Water Revenue	71,345	4,994	76,339	9,508	85,847	(71,345)	0	0	0
8	475 Cross Connection Control Program	148,432	10,390	158,822	19,782	178,604	42,848	191,280	19,256	191,408
9	Special Contracts (Const cos Bulk use)	43,857	0	43,857	0	43,857	0	43,857	0	43,857
11	TOTAL REVENUE	5,129,555	352,527	5,482,082	677,362	6,159,444	194,098	5,323,653	531,553	5,836,079
OPERATING EXPENSES										
12	601 Salaries and Wages - Employees	853,280	42,664	895,944		895,944	(12,171)	841,109		841,109
13	603 Salaries and Wages - Officers	177,298	0	177,298		177,298	127,660	304,958		304,958
14	604 Employee Pension & Benefits	332,021	49,734	381,755		381,755	72,084	404,105		404,105
15	610 Purchased Water	0	0	0		0	0	0		0
16	611 Telephone/Communications	26,560	797	27,357		27,357	16,386	42,946		42,946
17	615 Purchased Power	429,867	12,896	442,763		442,763	26,312	456,179		456,179
18	617 Utilities - Other	1,817	55	1,872		1,872	172	1,989		1,989
19	618 Chemical / Treatment Expense	0	0	0		0	0	0		0
20	619 Office Supplies	30,522	110	30,632		30,632	(11,362)	19,160		19,160
21	619.1 Postage	7,862	393	8,255		8,255	402	8,264		8,264
22	620 O&M Materials/Supplies	143,507	4,305	147,812		147,812	(26,842)	116,665		116,665
23	621 Repairs to Water Plant	64,160	1,925	66,085		66,085	56,450	120,610		120,610
24	631 Contract Svcs - Engineering	15,414	462	15,876		15,876	1,421	16,835		16,835
25	632 Contract Svcs - Accounting	5,584	168	5,752		5,752	(1,038)	4,546		4,546
26	633 Contract Svcs - Legal	32,076	962	33,038		33,038	(4,640)	27,436		27,436
27	634 Contract Svcs - Management Fees	0	0	0		0	0	0		0
28	635 Contract Svcs - Testing	29,594	888	30,482		30,482	(500)	29,094		29,094
29	636 Contract Svcs - Labor	30,452	914	31,366		31,366	(30,452)	0		0
30	637 Contract Svcs - Billing/Collection	73,481	0	73,481		73,481	5,944	79,425		79,425
31	638 Contract Svcs - Meter Reading	76,187	2,286	78,473		78,473	9,746	85,933		85,933
32	639 Contract Svcs - Other	120,003	3,600	123,603		123,603	(90,944)	29,059		29,059
33	641 Rental of Building/Real Property	15,202	456	15,658		15,658	456	15,658		15,658
34	642 Rental of Equipment	10,353	311	10,664		10,664	149	10,502		10,502
35	643 Small Tools	9,215	276	9,491		9,491	(1,211)	8,004		8,004
36	648 Computer/Electronic Expenses	32,247	967	33,214		33,214	(14,229)	18,018		18,018
37	650 Transportation	118,700	12,000	130,700		130,700	(7,168)	111,532		111,532
38	656 Vehicle Insurance	25,122	(5,300)	19,822		19,822	(5,762)	19,360		19,360
39	657 General Liability Insurance	78,224	(21,295)	56,929		56,929	(15,995)	62,229		62,229
40	658 Workers' Comp Insurance	42,216	(1,143)	41,073		41,073	8,732	50,948		50,948
41	659 Insurance - Other	64,995	1,950	66,945		66,945	(41,361)	23,634		23,634
42	660 Public Relations/Advertising	0	0	0		0	0	0		0
43	666 Amortz. of Rate Case	0	0	0		0	0	0		0
44	667 Gross Revenue Fee (PUC)	12,209	881	13,091	1,694	14,785	881	13,091	1,329	14,420
45	668 Water Resource Conservation	5,092	153	5,245		5,245	7,029	12,121		12,121
46	670 Bad Debt Expense	10,785	324	11,109		11,109	324	11,109		11,109
47	671 Cross Connection Control Program	149,062	1,835	150,897		150,897	(7,071)	141,991		141,991
48	672 System Capacity Dev Program	0	0	0		0	0	0		0
49	673 Training and Certification	25,706	771	26,477		26,477	(13,839)	11,867		11,867
50	674 Consumer Confidence Report	3,498	105	3,603		3,603	112	3,610		3,610
51	675 General Expense	3,396	215,215	218,611		218,611	130,261	133,657		133,657
52	TOTAL OPERATING EXPENSE	3,055,707	329,664	3,385,372	1,694	3,387,066	179,938	3,235,645	1,329	3,236,974
OTHER REVENUE DEDUCTIONS										
53	403 Depreciation Expense	408,876	0	408,876		408,876	40,138	449,014		449,014
54	407 Amortization Expense	0	0	0		0	0	0		0
55	408.11 Property Tax	215,155	6,455	221,610		221,610	30,118	245,273		245,273
56	408.12 Payroll Tax	90,256	3,699	93,955		93,955	15,233	105,489		105,489
57	408.13 Other Taxes - Bend Franchise	56,209	280	56,489		56,489	(56,209)	0		0
58	409.11 Oregon Income Tax	99,515	820	100,335	44,597	144,932	(35,167)	64,348	34,995	99,343
59	409.10 Federal Income Tax	478,770	1,741	480,511	214,580	695,091	(147,279)	331,491	168,378	499,869
60	TOTAL REVENUE DEDUCTIONS	4,404,488	342,660	4,747,148	260,871	5,008,019	26,772	4,431,260	204,702	4,635,962
61	NET OPERATING INCOME	725,067	9,867	734,934	416,491	1,151,425	167,327	892,393	326,852	1,219,245
1,200,117 Stipulated										
62	101 Utility Plant in Service	17,940,497	0	17,940,497		17,940,497	645,179	18,585,676		18,585,676
63	Less:									
64	108.1 Depreciation Reserve	4,382,160	0	4,382,160		4,382,160	(1,302)	4,380,858		4,380,858
65	271 Contributions in Aid of Const	0	0	0		0	0	0		0
66	272 Amortization of CIAC	0	0	0		0	0	0		0
67	281 Accumulated Deferred Income Tax	234,243	0	234,243		234,243	0	234,243		234,243
68	Net Utility Plant	13,324,094	0	13,324,094		13,324,094	646,481	13,970,575	0	13,970,575
69	Plus: (working capital)									
70	151 Materials and Supplies Inventory	201,939	0	201,939		201,939	0	201,939		201,939
71	Working Cash (Total Op Exp /12)	254,642	0	254,642	301	254,943	14,995	269,637	0	269,637
72	TOTAL RATE BASE	13,780,675	0	13,780,675	301	13,780,976	661,476	14,442,151	0	14,442,151
73	Rate of Return	5.26%		5.33%		8.36%		6.18%		8.44%

cash flow \$1,560,301
op exp/cuct/year \$304

cash flow \$1,668,259
op exp/cuct/year \$281

APPENDIX B
PAGE 11 OF 25

Company: Avion Water Co., Inc.				
Test Year: 2006				
SUMMARY OF ADJUSTMENTS				
			Staff Adjustments to Rev Req Column D	Reason for Adjustment
REVENUES				
1	461	Residential & commercial Water Sales	240,816	Company growth (5%)
2	461	Commercial Water Sales	0	
3	465	Public Fire Protection	826	Company growth
4	462	Private Fire Protection	0	
5	466	Sales for RESALE (Comm Water Haulers)	0	Company growth
6	471	Misc. Revenues	(19,047)	Removed Disconnect/Reconnect
7	474	Other Water Revenue	(71,345)	Removed Bend Franchise (Pass -Thru) & Returned Check, Finance Charges.
8	475	Cross Connection Control Program	42,848	Based on DCVA customers of 6,376 (Company supplied number).
9		Special Contracts (Const cos Bulk use)	0	
11		TOTAL REVENUE	194,098	
OPERATING EXPENSES				
12	601	Salaries and Wages - Employees	(12,171)	3.2% cola on employee wages; allocated 11.41% total wages to capital plant. Included 50% of bonuses. Placed all other clearings back into wages. Added 1.5 FTE.
13	603	Salaries and Wages - Officers	127,660	Included VP and CFO into Officers. 3.2% cola on officer wages; allocated 6.23% total salary to capital plant.
14	604	Employee Pension & Benefits	72,084	Increase in 401(k) due to 3.2% COLA increase in wages; increased medical and dental health insurance by 9.7% based on latest industry data (Milliman). Added benefits for 1.0 FTE.
15	610	Purchased Water	0	
16	611	Telephone/Communications	16,386	Moved Centratel from Acct #239, and escalated 3.2%.
17	615	Purchased Power	26,312	5% PPL increase per UE 179.
	617	Utilities - Other	172	Moved \$110.05 from Acct #239 and escalated 3.2%.
19	618	Chemical / Treatment Expense	0	
20	619	Office Supplies	(11,362)	Moved \$3,524.25 to other Accounts and escalated revised total 3.2%.
21	619	Postage	402	5% postage increase by USPS.
22	620	O&M Materials/Supplies	(26,842)	Removed Payroll, moved some to Plant and othr accts.
23	621	Repairs to Water Plant	56,450	Removed \$5,960 Payroll amounts; Moved \$58,957 from other accounts.
24	631	Contract Svcs - Engineering	1,421	Based on submitted O&M invoices and escalated by 3.2%.
25	632	Contract Svcs - Accounting	(1,038)	Based on submitted invoices and escalated by 3.2%.
26	633	Contract Svcs - Legal	(4,640)	Based on invoices. Moved \$8,562.44 to Acct #668.
27	634	Contract Svcs - Management Fees	0	
28	635	Contract Svcs - Testing	(500)	4-year average per lab.
29	636	Contract Svcs - Labor	(30,452)	Moved to Other Accounts, mainly Repairs.
30	637	Contract Svcs - Billing/Collection	5,944	Based on 2006 invoices + 3.2% escalation. (August billing info obtained from September invoice).
31	638	Contract Svcs - Meter Reading	9,746	Based on 2006 invoices + 3.2% escalation. (Moved \$7,081.25 from Contract Labor, Acct 638)
32	639	Contract Svcs - Other	(90,944)	Moved to Other Accounts, mostly to Repairs.
33	641	Rental of Building/Real Property	456	Based on monthly amount and escalation clause in lease.
34	642	Rental of Equipment	149	
32	643	Small Tools	(1,211)	Moved to Computer/Electronics
33	648	Computer/Electronic Expenses	(14,229)	Moved to Contract Services- Other
37	650	Transportation	(7,168)	Removed 50% of lease cost, fuel, and maintenance for personal vehicle. Removed Payroll costs.
38	656	Vehicle Insurance	(5,762)	Premium reduction due to new carrier.
39	657	General Liability Insurance	(15,995)	Premium reduction due to new carrier; based on documented policies.

SUMMARY OF ADJUSTMENTS (Continued)				
40	658	Workers' Comp Insurance	8,732	Reflects increase in rates based on increased experience rating.
41	659	Insurance - Other	(41,361)	
42	660	Public Relations/Advertising	0	
43	666	Amortz. of Rate Case	0	
44	667	Gross Revenue Fee (PUC)	881	Calculated
45	668	Water Resource Conservation	7,029	Moved related expense from Legal; Removed duplicate invoice.
46	670	Bad Debt Expense	324	
47	671	Cross Connection Control Program	(7,071)	Moved wages, taxes, benefits, and transportation expenses and placed in Accounts 601, 603, 604, 650, 656, 658, and 408. Escalated non-labor by Company growth
48	672	System Capacity Dev Program	0	
49	673	Training and Certification	(13,839)	Based on invoices and escalated by 3.2%.
50	674	Consumer Confidence Report	112	3.2% inflation adjustment
51	675	General Expense	130,261	Loan guarantee fees (UI 268) plus other documented fees included fees removed from Account 408. Also placed Bank Fees in this account.
52		TOTAL OPERATING EXPENSE	179,938	
		OTHER REVENUE DEDUCTIONS		
53	403	Depreciation Expense	40,138	2008 Depreciation Expense
54	407	Amortization Expense	0	
52	408	Property Tax	30,118	Actual plus calculated new construction property tax.
53	408	Payroll Tax	15,233	Increase due to wage increases and removing payroll tax clearings from O&M accounts; removed capital amounts.
54	408	Other Taxes - Bend Franchise	(56,209)	Removed City of Bend Franchise Fee from both revenue and expenses, other fees moved to Acct 675.
55	409	Oregon Income Tax	(35,167)	Calculated
56	409	Federal Income Tax	(147,279)	Calculated
57		TOTAL REVENUE DEDUCTIONS	26,772	
58		NET OPERATING INCOME	167,327	
62	101	Utility Plant in Service	645,179	Added Capitalized Interest & Wages for Dyer project
63		Less:		
64	108	Depreciation Reserve	(1,302)	
65	271	Contributions in Aid of Const	0	
66	272	Amortization of CIAC	0	
67	281	Accumulated Deferred Income Tax	0	
68		Net Utility Plant	646,481	
69		Plus: (working capital)		
70	151	Materials and Supplies Inventory	0	
71		Working Cash (Total Op Exp /12)	14,995	
72		TOTAL RATE BASE	661,476	
73		Rate of Return		

	A	B	C	D	E	F	G	H	I	J
1	Company: Avion Water Co., Inc.									
2	Test Year: 2006									
3	REVENUE SENSITIVE COSTS									
4	COST OF CAPITAL									
5	Revenues			1.0000						
6	O&M - Uncollectibles			0.0000						
7	Franchise Fees			0.0000						
8	OPUC Fee			0.0025						
9	Short-term Interest			0.0000						
10	State Taxable Income			0.9975						
11	State Income Tax @		6.60%	0.0658						
12	Federal Taxable Income			0.9317						
13	Federal Income Tax @		34.00%	0.3168						
14	Total Income Taxes			0.3826						
15	Total Revenue Sensitive Costs			0.3851						
16	Utility Operating Income			0.6149						
17	Net-to-Gross Factor			1.6263						
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										

	DEBT	Capital Structure	Cost	Weighted Cost
Bank of the Cascades	\$3,824,305	26.48%	7.50%	1.99%
Bank of the Cascades	\$2,600,000	18.00%	8.17%	1.47%
ODOE Bond	\$1,520,127	10.53%	4.62%	0.49%
	\$7,944,432			3.94%
EQUITY				
	\$6,497,719	44.99%	10.00%	4.50%
	\$14,442,151	100.00%		8.44%

Added \$3,000 to renew LOC to Bank of Cascades Loan (\$3,821,305).

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1	Company: Avion Water Co., Inc.															
2	Test Year: 2004-2005															
3	RESIDENTIAL/COMMERCIAL RATE DESIGN															
4	Proposed Revenues of:															
5	Proposed Rev			\$5,566,241												
6	Base/Commodity Split															
7	Variable Rate															
8																
9																
10																
11	Base Rate															
12																
13																
14																
15																
16																
17	BASE RATE															
18	Size of Line															
19	Residential & Commercial															
20	5/8"	10,230	\$20.82	\$22.51	\$2,762,508	\$22.52	\$2,565,901									
21	3/4"	5	\$25.24	\$25.88	\$1,553	\$33.78	\$1,514									
22	1"	768	\$29.67	\$39.24	\$360,656	\$56.30	\$272,727									
23	1.5"	32	\$51.48	\$72.02	\$27,224	\$112.60	\$19,459									
24	2"	80	\$89.65	\$126.04	\$120,894	\$180.16	\$86,664									
25	3"	7	\$138.68	\$194.68	\$17,171	\$360.32	\$12,232									
26	4"	13	\$206.78	\$290.33	\$43,998	\$563.00	\$31,265									
27	6"	0	\$274.92	\$384.86	\$0	\$1,126.00	\$0									
28																
29																
30		11,133														
31	Commercial		\$20.82	\$22.51	\$0	\$0	\$0									
32	5/8"	0	\$25.24	\$25.88	\$0	\$0	\$0									
33	3/4"	0	\$29.67	\$39.24	\$0	\$0	\$0									
34	1"	0	\$51.48	\$72.02	\$0	\$0	\$0									
35	1.5"	0	\$89.65	\$126.04	\$0	\$0	\$0									
36	2"	0	\$138.68	\$194.68	\$0	\$0	\$0									
37	3"	0	\$206.78	\$290.33	\$0	\$0	\$0									
38	4"	0	\$274.92	\$384.86	\$0	\$0	\$0									
39																
40																
41	TOTALS	11,133			\$3,334,404		\$2,979,462									
42																
43																
44																
45																
46																
47																
48																
49	COMMERCIAL RATE															
50																
51	Proposed Revenue															
52																
53																
54																
55	Average Monthly Bill:															
56																
57	Incremental Revenue															
58																
59																
60																
61																
62																
63	Meter Size															
64	Residential/Commercial															
65	5/8"															
66	3/4"															
67	1"															
68	1.5"															
69	2"															
70	3"															
71	4"															
72	6"															
73																
74																
75	Commercial															
76	5/8" x 3/4"															
77	1"															
78	1.5"															
79	2"															
80	3"															
81	4"															
82	6"															
83																
84																

Company: Avion Water
Test Year: 2006

RATE IMPACT - RESIDENTIAL/COMMERCIAL (5/8") - 1 TIER

Commodity Rate		\$0.82									
Monthly	Consumptions	Customer Usage	Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
0	\$20.82	\$20.82	\$0.80	\$0.80	\$20.82	\$22.51	\$0.82	0	\$22.51	\$1.69	8.10%
700	\$20.82	\$20.82	\$0.80	\$0.80	\$26.42	\$22.51	\$0.82	7	\$28.23	\$1.81	6.86%
1050	\$20.82	\$20.82	\$0.80	\$0.80	\$29.22	\$22.51	\$0.82	10.5	\$31.09	\$1.87	6.41%
1400	\$20.82	\$20.82	\$0.80	\$0.80	\$32.02	\$22.51	\$0.82	14	\$33.96	\$1.94	6.05%
1656	\$20.82	\$20.82	\$0.80	\$0.80	\$34.07	\$22.51	\$0.82	16.56	\$36.05	\$1.98	5.82%
1750	\$20.82	\$20.82	\$0.80	\$0.80	\$34.82	\$22.51	\$0.82	17.5	\$36.82	\$2.00	5.74%
2100	\$20.82	\$20.82	\$0.80	\$0.80	\$37.62	\$22.51	\$0.82	21	\$39.68	\$2.06	5.48%
2450	\$20.82	\$20.82	\$0.80	\$0.80	\$40.42	\$22.51	\$0.82	24.5	\$42.54	\$2.12	5.25%
2800	\$20.82	\$20.82	\$0.80	\$0.80	\$43.22	\$22.51	\$0.82	28	\$45.41	\$2.19	5.06%
3150	\$20.82	\$20.82	\$0.80	\$0.80	\$46.02	\$22.51	\$0.82	31.5	\$48.27	\$2.25	4.89%
3500	\$20.82	\$20.82	\$0.80	\$0.80	\$48.82	\$22.51	\$0.82	35	\$51.13	\$2.31	4.73%
3850	\$20.82	\$20.82	\$0.80	\$0.80	\$51.62	\$22.51	\$0.82	38.5	\$53.99	\$2.37	4.60%
4200	\$20.82	\$20.82	\$0.80	\$0.80	\$54.42	\$22.51	\$0.82	42	\$56.86	\$2.44	4.48%
4550	\$20.82	\$20.82	\$0.80	\$0.80	\$57.22	\$22.51	\$0.82	45.5	\$59.72	\$2.50	4.37%
4900	\$20.82	\$20.82	\$0.80	\$0.80	\$60.02	\$22.51	\$0.82	49	\$62.58	\$2.56	4.27%
5250	\$20.82	\$20.82	\$0.80	\$0.80	\$62.82	\$22.51	\$0.82	52.5	\$65.44	\$2.62	4.18%
5600	\$20.82	\$20.82	\$0.80	\$0.80	\$65.62	\$22.51	\$0.82	56	\$68.31	\$2.69	4.09%
5950	\$20.82	\$20.82	\$0.80	\$0.80	\$68.42	\$22.51	\$0.82	59.5	\$71.17	\$2.75	4.02%

\$853.76

\$813.61

Company: Avion Water
Test Year: 2006
RATE IMPACT - RESIDENTIAL/COMMERCIAL (3/4") - 1 TIER

Monthly Consumptions Customer Usage	Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
0	\$25.24	\$0.80	\$25.24	\$25.88	\$0.82	0	\$25.88	\$0.64	2.54%
700	\$25.24	\$0.80	\$30.84	\$25.88	\$0.82	7	\$31.61	\$0.77	2.49%
1050	\$25.24	\$0.80	\$33.64	\$25.88	\$0.82	10.5	\$34.47	\$0.83	2.47%
1400	\$25.24	\$0.80	\$36.44	\$25.88	\$0.82	14	\$37.33	\$0.89	2.45%
1750	\$25.24	\$0.80	\$39.24	\$25.88	\$0.82	17.5	\$40.19	\$0.95	2.43%
2100	\$25.24	\$0.80	\$42.04	\$25.88	\$0.82	21	\$43.06	\$1.02	2.42%
2450	\$25.24	\$0.80	\$44.84	\$25.88	\$0.82	24.5	\$45.92	\$1.08	2.41%
2800	\$25.24	\$0.80	\$47.64	\$25.88	\$0.82	28	\$48.78	\$1.14	2.40%
3150	\$25.24	\$0.80	\$50.44	\$25.88	\$0.82	31.5	\$51.64	\$1.20	2.39%
3451	\$25.24	\$0.80	\$52.85	\$25.88	\$0.82	34.5	\$54.11	\$1.26	2.38%
3500	\$25.24	\$0.80	\$53.24	\$25.88	\$0.82	35	\$54.51	\$1.27	2.38%
3850	\$25.24	\$0.80	\$56.04	\$25.88	\$0.82	38.5	\$57.37	\$1.33	2.37%
4200	\$25.24	\$0.80	\$58.84	\$25.88	\$0.82	42	\$60.23	\$1.39	2.37%
4550	\$25.24	\$0.80	\$61.64	\$25.88	\$0.82	45.5	\$63.10	\$1.46	2.36%
4900	\$25.24	\$0.80	\$64.44	\$25.88	\$0.82	49	\$65.96	\$1.52	2.35%
5250	\$25.24	\$0.80	\$67.24	\$25.88	\$0.82	52.5	\$68.82	\$1.58	2.35%
5600	\$25.24	\$0.80	\$70.04	\$25.88	\$0.82	56	\$71.68	\$1.64	2.35%
5950	\$25.24	\$0.80	\$72.84	\$25.88	\$0.82	59.5	\$74.55	\$1.71	2.34%
			<u>\$907.53</u>				<u>\$929.21</u>		

Company: Avion Water
Test Year: 2006
RATE IMPACT - RESIDENTIAL/COMMERCIAL (1") - 1 TIER

Commodity Rate		\$0.82										
Monthly Consumptions Customer Usage	Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference			
0	\$29.67	\$0.80	\$29.67	\$39.24	\$0.82	0	\$39.24	\$9.57	32.24%			
700	\$29.67	\$0.80	\$35.27	\$39.24	\$0.82	7	\$44.96	\$9.69	27.48%			
1050	\$29.67	\$0.80	\$38.07	\$39.24	\$0.82	10.5	\$47.82	\$9.75	25.62%			
1400	\$29.67	\$0.80	\$40.87	\$39.24	\$0.82	14	\$50.69	\$9.82	24.02%			
1750	\$29.67	\$0.80	\$43.67	\$39.24	\$0.82	17.5	\$53.55	\$9.88	22.62%			
2100	\$29.67	\$0.80	\$46.47	\$39.24	\$0.82	21	\$56.41	\$9.94	21.39%			
2450	\$29.67	\$0.80	\$49.27	\$39.24	\$0.82	24.5	\$59.27	\$10.00	20.30%			
2800	\$29.67	\$0.80	\$52.07	\$39.24	\$0.82	28	\$62.14	\$10.07	19.33%			
3019	\$29.67	\$0.80	\$53.82	\$39.24	\$0.82	30.2	\$63.92	\$10.11	18.78%			
3150	\$29.67	\$0.80	\$54.87	\$39.24	\$0.82	31.5	\$65.00	\$10.13	18.46%			
3500	\$29.67	\$0.80	\$57.67	\$39.24	\$0.82	35	\$67.86	\$10.19	17.67%			
3850	\$29.67	\$0.80	\$60.47	\$39.24	\$0.82	38.5	\$70.72	\$10.25	16.96%			
4200	\$29.67	\$0.80	\$63.27	\$39.24	\$0.82	42	\$73.59	\$10.32	16.31%			
4550	\$29.67	\$0.80	\$66.07	\$39.24	\$0.82	45.5	\$76.45	\$10.38	15.71%			
4900	\$29.67	\$0.80	\$68.87	\$39.24	\$0.82	49	\$79.31	\$10.44	15.16%			
5250	\$29.67	\$0.80	\$71.67	\$39.24	\$0.82	52.5	\$82.17	\$10.50	14.66%			
5600	\$29.67	\$0.80	\$74.47	\$39.24	\$0.82	56	\$85.04	\$10.57	14.19%			
5950	\$29.67	\$0.80	\$77.27	\$39.24	\$0.82	59.5	\$87.90	\$10.63	13.76%			
							\$983.81					
							\$1,166.04					

Company: Avion Water
Test Year: 2006

RATE IMPACT - RESIDENTIAL/COMMERCIAL (1.5") - 1 TIER

Commodity Rate												
		\$0.82										
Monthly Consumptions Customer Usage	Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference			
0	\$51.48	\$0.80	\$51.48	\$72.02	\$0.82	0	\$72.02	\$20.54	39.90%			
700	\$51.48	\$0.80	\$57.08	\$72.02	\$0.82	7	\$77.75	\$20.67	36.20%			
1050	\$51.48	\$0.80	\$59.88	\$72.02	\$0.82	10.5	\$80.61	\$20.73	34.62%			
1400	\$51.48	\$0.80	\$62.68	\$72.02	\$0.82	14	\$83.47	\$20.79	33.17%			
1750	\$51.48	\$0.80	\$65.48	\$72.02	\$0.82	17.5	\$86.33	\$20.85	31.85%			
2100	\$51.48	\$0.80	\$68.28	\$72.02	\$0.82	21	\$89.20	\$20.92	30.63%			
2450	\$51.48	\$0.80	\$71.08	\$72.02	\$0.82	24.5	\$92.06	\$20.98	29.51%			
2800	\$51.48	\$0.80	\$73.88	\$72.02	\$0.82	28	\$94.92	\$21.04	28.48%			
3150	\$51.48	\$0.80	\$76.68	\$72.02	\$0.82	31.5	\$97.78	\$21.10	27.52%			
3500	\$51.48	\$0.80	\$79.48	\$72.02	\$0.82	35	\$100.65	\$21.17	26.63%			
3850	\$51.48	\$0.80	\$82.28	\$72.02	\$0.82	38.5	\$103.51	\$21.23	25.80%			
4200	\$51.48	\$0.80	\$85.08	\$72.02	\$0.82	42	\$106.37	\$21.29	25.02%			
4550	\$51.48	\$0.80	\$87.88	\$72.02	\$0.82	45.5	\$109.23	\$21.35	24.30%			
4900	\$51.48	\$0.80	\$90.68	\$72.02	\$0.82	49	\$112.10	\$21.42	23.62%			
5250	\$51.48	\$0.80	\$93.48	\$72.02	\$0.82	52.5	\$114.96	\$21.48	22.98%			
5600	\$51.48	\$0.80	\$96.28	\$72.02	\$0.82	56	\$117.82	\$21.54	22.37%			
5950	\$51.48	\$0.80	\$99.08	\$72.02	\$0.82	59.5	\$120.68	\$21.60	21.80%			
13734	\$51.48	\$0.80	\$161.35	\$72.02	\$0.82	137.3	\$184.34	\$22.99	14.25%			
							\$1,843.79					

Company: Avion Water
Test Year: 2006

RATE IMPACT - RESIDENTIAL/COMMERCIAL (2") - 1 TIER

Commodity Rate												Commodity Rate	
												\$0.82	
Monthly Customer Usage	Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference				
0	\$89.65	\$0.80	\$89.65	\$126.04	\$0.82	0	\$126.04	\$36.39	40.59%				
700	\$89.65	\$0.80	\$95.25	\$126.04	\$0.82	7	\$131.76	\$36.51	38.33%				
1050	\$89.65	\$0.80	\$98.05	\$126.04	\$0.82	10.5	\$134.62	\$36.57	37.30%				
1400	\$89.65	\$0.80	\$100.85	\$126.04	\$0.82	14	\$137.49	\$36.64	36.33%				
1750	\$89.65	\$0.80	\$103.65	\$126.04	\$0.82	17.5	\$140.35	\$36.70	35.41%				
2100	\$89.65	\$0.80	\$106.45	\$126.04	\$0.82	21	\$143.21	\$36.76	34.53%				
2450	\$89.65	\$0.80	\$109.25	\$126.04	\$0.82	24.5	\$146.07	\$36.82	33.70%				
2800	\$89.65	\$0.80	\$112.05	\$126.04	\$0.82	28	\$148.94	\$36.89	32.92%				
3150	\$89.65	\$0.80	\$114.85	\$126.04	\$0.82	31.5	\$151.80	\$36.95	32.17%				
3500	\$89.65	\$0.80	\$117.65	\$126.04	\$0.82	35	\$154.66	\$37.01	31.46%				
3850	\$89.65	\$0.80	\$120.45	\$126.04	\$0.82	38.5	\$157.52	\$37.07	30.78%				
4200	\$89.65	\$0.80	\$123.25	\$126.04	\$0.82	42	\$160.39	\$37.14	30.13%				
4550	\$89.65	\$0.80	\$126.05	\$126.04	\$0.82	45.5	\$163.25	\$37.20	29.51%				
4900	\$89.65	\$0.80	\$128.85	\$126.04	\$0.82	49	\$166.11	\$37.26	28.92%				
5250	\$89.65	\$0.80	\$131.65	\$126.04	\$0.82	52.5	\$168.97	\$37.32	28.35%				
5600	\$89.65	\$0.80	\$134.45	\$126.04	\$0.82	56	\$171.84	\$37.39	27.81%				
5950	\$89.65	\$0.80	\$137.25	\$126.04	\$0.82	59.5	\$174.70	\$37.45	27.28%				
9226	\$89.65	\$0.80	\$163.46	\$126.04	\$0.82	92.3	\$201.49	\$38.03	23.27%				
											<u>\$2,113.11</u>	<u>\$2,779.19</u>	

Company: Avion Water
Test Year: 2006
RATE IMPACT - RESIDENTIAL/COMMERCIAL (3") - 1 TIER

Commodity Rate		\$0.82									
Monthly Consumptions Customer Usage	Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference		
0	\$138.68	\$0.80	\$138.68	\$194.68	\$0.82	0	\$194.68	\$56.00	40.38%		
700	\$138.68	\$0.80	\$144.28	\$194.68	\$0.82	7	\$200.40	\$56.12	38.90%		
1050	\$138.68	\$0.80	\$147.08	\$194.68	\$0.82	10.5	\$203.27	\$56.19	38.20%		
1400	\$138.68	\$0.80	\$149.88	\$194.68	\$0.82	14	\$206.13	\$56.25	37.53%		
1750	\$138.68	\$0.80	\$152.68	\$194.68	\$0.82	17.5	\$208.99	\$56.31	36.88%		
2100	\$138.68	\$0.80	\$155.48	\$194.68	\$0.82	21	\$211.85	\$56.37	36.26%		
2450	\$138.68	\$0.80	\$158.28	\$194.68	\$0.82	24.5	\$214.72	\$56.44	35.66%		
2800	\$138.68	\$0.80	\$161.08	\$194.68	\$0.82	28	\$217.58	\$56.50	35.08%		
3150	\$138.68	\$0.80	\$163.88	\$194.68	\$0.82	31.5	\$220.44	\$56.56	34.51%		
3500	\$138.68	\$0.80	\$166.68	\$194.68	\$0.82	35	\$223.30	\$56.62	33.97%		
3850	\$138.68	\$0.80	\$169.48	\$194.68	\$0.82	38.5	\$226.17	\$56.69	33.45%		
4200	\$138.68	\$0.80	\$172.28	\$194.68	\$0.82	42	\$229.03	\$56.75	32.94%		
4550	\$138.68	\$0.80	\$175.08	\$194.68	\$0.82	45.5	\$231.89	\$56.81	32.45%		
4900	\$138.68	\$0.80	\$177.88	\$194.68	\$0.82	49	\$234.75	\$56.87	31.97%		
5250	\$138.68	\$0.80	\$180.68	\$194.68	\$0.82	52.5	\$237.62	\$56.94	31.51%		
5600	\$138.68	\$0.80	\$183.48	\$194.68	\$0.82	56	\$240.48	\$57.00	31.07%		
5950	\$138.68	\$0.80	\$186.28	\$194.68	\$0.82	59.5	\$243.34	\$57.06	30.63%		
58570	\$138.68	\$0.80	\$607.24	\$194.68	\$0.82	585.7	\$673.71	\$66.46	10.94%		
							\$3,390.40	\$4,418.35			

Company: Avion Water
Test Year: 2006

RATE IMPACT - RESIDENTIAL/COMMERCIAL (4") - 1 TIER

Commodity Rate **\$0.82**

Monthly Customer Usage	Current Base Rate	Current Commodity Rate	Total Current Average Monthly Rate	Proposed Customer Base Rate	Proposed Commodity Rate Per	Usage Factor	Total Proposed Monthly Rate	Difference	Percentage Difference
0	\$206.78	\$0.80	\$206.78	\$290.33	\$0.82	0	\$290.33	\$83.55	40.41%
700	\$206.78	\$0.80	\$212.38	\$290.33	\$0.82	7	\$296.06	\$83.68	39.40%
1050	\$206.78	\$0.80	\$215.18	\$290.33	\$0.82	10.5	\$298.92	\$83.74	38.92%
1400	\$206.78	\$0.80	\$217.98	\$290.33	\$0.82	14	\$301.78	\$83.80	38.44%
1750	\$206.78	\$0.80	\$220.78	\$290.33	\$0.82	17.5	\$304.64	\$83.86	37.98%
2100	\$206.78	\$0.80	\$223.58	\$290.33	\$0.82	21	\$307.51	\$83.93	37.54%
2450	\$206.78	\$0.80	\$226.38	\$290.33	\$0.82	24.5	\$310.37	\$83.99	37.10%
2800	\$206.78	\$0.80	\$229.18	\$290.33	\$0.82	28	\$313.23	\$84.05	36.67%
3150	\$206.78	\$0.80	\$231.98	\$290.33	\$0.82	31.5	\$316.09	\$84.11	36.26%
3500	\$206.78	\$0.80	\$234.78	\$290.33	\$0.82	35	\$318.96	\$84.18	35.85%
3850	\$206.78	\$0.80	\$237.58	\$290.33	\$0.82	38.5	\$321.82	\$84.24	35.46%
4200	\$206.78	\$0.80	\$240.38	\$290.33	\$0.82	42	\$324.68	\$84.30	35.07%
4550	\$206.78	\$0.80	\$243.18	\$290.33	\$0.82	45.5	\$327.54	\$84.36	34.69%
4900	\$206.78	\$0.80	\$245.98	\$290.33	\$0.82	49	\$330.41	\$84.43	34.32%
5250	\$206.78	\$0.80	\$248.78	\$290.33	\$0.82	52.5	\$333.27	\$84.49	33.96%
5600	\$206.78	\$0.80	\$251.58	\$290.33	\$0.82	56	\$336.13	\$84.55	33.61%
5950	\$206.78	\$0.80	\$254.38	\$290.33	\$0.82	59.5	\$338.99	\$84.61	33.26%
122081	\$206.78	\$0.80	\$1,183.43	\$290.33	\$0.82	1220.8	\$1,288.79	\$105.36	8.90%
							\$5,124.29	\$6,659.51	

Company: Avion Water Co., Inc.
Test Year: 2006
FIRE PROTECTION RATE DESIGN

Proposed Revenues of: \$26,888
Base/Commodity Split Variable Rate = \$0
Proposed Rev \$26,888
Base Rate Proposed Rev \$26,888
100.00% \$26,888

BASE RATE		Current Monthly Base Rate	Proposed Monthly Base Rate	Total Annual Revenues	Company Proposed	Revenue at Current Rates
Size of Line	Number of Customers					
Fire Service Size						
4" or less	49	\$16.45	\$17.50	\$10,290	\$17.50	\$9,673
6"	7	\$36.06	\$38.33	\$3,219	\$38.33	\$3,029
8"	1	\$63.20	\$67.20	\$806	\$67.20	\$758
10"	0	\$98.08	\$104.30	\$0	\$104.30	\$0
12"	0	\$140.57	\$149.63	\$0	\$149.63	\$0
Hydrants	95	\$10.00	\$11.00	\$12,539	\$10.68	\$11,400
	152					
TOTALS				\$26,854		\$24,860

8.0%
PERCENT

8.0%
% Increase

Fire Protection	Service Size	Present rates	Factors Used	Rate Required	AWWA Factors	Percent Increase
49	4" or less	\$16.45	1.00	\$17.50		6.38%
7	6"	\$36.06	2.19	\$38.33		6.28%
1	8"	\$63.20	3.84	\$67.20		6.33%
0	10"	\$98.08	5.96	\$104.30		6.34%
0	12"	\$140.57	8.55	\$149.63		6.44%
95	Hydrants	\$10.00	0.63	\$11.00		9.99%

Fire Protection	Current	Proposed	Increase
4" or less	\$16.45	\$17.50	6.38%
6"	\$36.06	\$38.33	6.28%
8"	\$63.20	\$67.20	6.33%
10"	\$98.08	\$104.30	6.34%
12"	\$140.57	\$149.63	6.44%
Hydrants	\$10.00	\$11.00	9.99%

Company: Avion Water Co., Inc.
Test Year: 2004-2005
Commercial Water Haulers RATE DESIGN

Proposed Revenues of: \$7,647

Base/Commodity Split Variable Rate	100.00%	Proposed Rev	\$7,647	=	\$7,647
Base Rate	0.00%	Proposed Rev	\$7,647	=	\$0
					<u>\$7,647</u>

Size of Line	Number of Customers	Current Monthly Base Rate	Proposed Monthly Base Rate	Total Annual Revenues	Revenue at Current Rates
Commercial Water Haulers	0			\$0	\$0
TOTALS	8			<u>\$0</u>	<u>\$0</u>

0.0% PERCENT \$0 0.0% increase

COMMODITY RATE	\$0.83 per 100 cf.
Proposed Revenue	\$7,647 divided by 9,253 = average rate 0.82647 per 100 cf.
Proposed Average Monthly Bill:	\$79.66
Current ave. monthly bill	\$72.29

Increase 10.20% Previous Rates 0.75

10.20% increase

Agree to usage shown 925,257 Proposed Consumption per Application - base consumpt ("free" water x cust x 12 months) 925,257 divided by unit of measure 100 cf 9,253

Commercial Water Haulers Water Haulers	Average rates Current \$72.29	Proposed Rates \$79.66	Percent Increase 10.20%
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Consumption - Test Year Commercial Water Haulers 925,257 cf
Consumption - Projected Commercial Water Haulers 990,025 cf

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

Cross Connection Program RATE DESIGN

Proposed Revenues of: \$191,408

Base/Commodity Split
Variable Rate 0.00% Proposed Rev \$191,408 = \$0

Base Rate 100.00% Proposed Rev \$191,408 = \$191,408

BASE RATE		Number of Customers	Current Monthly Base Rate	Proposed Monthly Base Rate	Total Annual Revenues
Size of Line					
Cross Connection					
DCVA	6,376	\$2.50	\$2.50	\$191,408	
			\$0.00	\$0	
			\$0.00	\$0	
TOTALS	6,376			\$191,408	

0%
PERCENT

Revenue at Current Rates
\$191,280
\$0
\$0
\$191,280

0%

Cross Connection	Service Size	Present Rates	Factors Used	Rate Required	AWWA Factors
6,376	DCVA	\$2.50	1.00	\$2.50	1
0	0.0	\$0.00	0.00	\$0.00	1
0	0.0	\$0.00	0.00	\$0.00	2.5
0	0.0	\$0.00	0.00	\$0.00	5
0	0.0	\$0.00	0.00	\$0.00	8
0	0.0	\$0.00	0.00	\$0.00	15