

ORDER NO. 25-147

ENTERED Apr 16 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4359

In the Matter of

AVION WATER COMPANY, INC.,

Request for Authority to Enter into a Loan
Agreement with First Interstate Bank.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on April 15, 2025, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Alison Lackey

Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA13

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 15, 2025**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** April 17, 2025

DATE: April 3, 2025

TO: Public Utility Commission

FROM: Scott Shearer

THROUGH: Bryan Conway and Russ Beitzel **SIGNED**

SUBJECT: AVION WATER COMPANY INC:
(Docket No. UF 4359)
Requests authority to enter into loan agreement with First Interstate Bank.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (Commission) authorize Avion Water Company, Inc. (Avion or Company) to enter into a loan agreement with First Interstate Bank, subject to the following Staff-recommended conditions (conditions):

1. Authorized Amount: Avion agrees that the principal amount of the loan from First Interstate Bank will not exceed \$2,100,000 unless approved by the Commission.
2. Access to Information: Avion agrees to provide the Commission with access to all books of account as well as all documents, data, and records that pertain to the new loan with First Interstate Bank.
3. Compliance Filing: Avion agrees that it will provide a report indicating the final terms of the loan with First Interstate Bank within 30 days of closing. Avion further agrees to notify the Commission of any substantive changes to the loan terms, including any material change in the loan amount or interest rate. In the event Staff finds that any such change is material, Staff will notify the Company, and the Company agrees to promptly file an application requesting a supplemental order (or other appropriate order) be issued approving the new loan terms and conditions.
4. Reservation of Judgement: The Commission reserves the right to review for reasonableness all financial aspects of the transaction in any rate proceeding, audit, or earnings review under an alternate form of regulation.

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DISCUSSION:

Issue

Whether the Commission should approve Avion's request to enter into a loan agreement with First Interstate Bank.

Applicable Law

Pursuant to ORS 757.405, the State maintains the right to supervise, regulate, restrict, and control public utilities' issuance of stocks and bonds and other evidences of indebtedness on their property within the State. These powers are exercised through the Public Utility Commission. As a result, public utilities operating within the State must obtain Commission approval prior to issuing stocks and bonds, notes, and other evidences of indebtedness. ORS 757.410 (1). Any non-exempt issuance of stocks and bonds, notes or other indebtedness is considered void without the approval of the Commission. ORS 757.410(1).

The Commission may authorize an issuance if it is for one of the permissible purposes listed in ORS 757.415(1), satisfies the criteria of ORS 757.415(2)(b), and, except as permitted, the purpose of the issuance is not reasonably chargeable to operating expenses or income, ORS 757.415(2)(c).

Permissible purposes for an issuance under ORS 757.415(1) include, *inter alia*, the acquisition of property, the construction, completion, extension or improvement of its facilities, the improvement or maintenance of its service, and the discharge or lawful refunding of its obligations.

Finally, ORS 757.430 states that the Commission may by order grant permission for the issue of stocks or bonds, notes or other evidences of indebtedness and may attach to the exercise of permission such condition or conditions as the Commission deems reasonable and necessary.

Analysis

Background

Avion is a private water utility regulated by the Commission that provides water service to approximately 16,100 residential and commercial customers, and 950 irrigation customers in the vicinity of Bend, Oregon. On March 17, 2025, Avion filed its Application to enter into a loan agreement, for approval by the Commission. On

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March 25, 2025, Avion filed an Addendum to its Application, with additional information for the Commission to consider.

The purpose of this application is to gain approval for the Company to borrow \$2,100,000 from First Interstate Bank for a ten-year term at 7.34 percent interest per year.

Use of Proceeds

Avion intends to use the proceeds to provide financing for the replacement of old meters with new radio read meters.

Staff believes the proposed transaction is reasonable, subject to Staff's proposed conditions. This loan will be used to provide needed construction upgrades.

Cost Comparisons and Contract Provisions

Avion, in the Addendum to its application, provided a competitive bid showing a higher interest rate of 7.73 percent, more than what is provided in the new loan agreement. This helps demonstrate that Avion obtained a competitive rate.

Additionally, the terms of Avion's existing loan contract with First Interstate Bank, previously approved by the Commission state:

Borrower shall not create, incur, assume, or otherwise establish any indebtedness, including contingent indebtedness in excess of \$150,000.00 per year, except for: (1) indebtedness incurred under the existing agreement; (2) other indebtedness to lender (First Interstate Bank); (3) current accounts payable in the ordinary course of business; and (4) indebtedness between and among Borrower and Borrower's wholly owned subsidiaries, without First Interstate Banks consent.

Public Interest

The proposed loan will aid the Company in meter replacement of old meters with new radio read meters. Avion's ability to continue reading meters is a vital part of its operations as a utility.

Conclusion

After review of Avion's Application and Addendum, Staff finds that Avion's proposal to enter into a loan agreement with First Interstate Bank is reasonable and recommends that the Application be approved.

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The Company has reviewed a draft of this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve Avion's request to enter into a loan agreement with First Interstate Bank, subject to Staff's recommended conditions.

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