

DISCUSSION:

This application was filed on January 22, 2007, pursuant to ORS 757.490 and OAR 860-036-0730. Jan Wick is the majority shareholder of both Avion and Conservation Associates, LLC and therefore the entities are affiliated interests pursuant to ORS 757.015.

According to the Company, \$1,152.90 was paid out in 2005, \$0 in 2006, and no utility expenditures are expected in 2007. The prior level of payments is below the 0.1 per cent of 2005 operating revenues (the last annual report filed) threshold under OAR 860-036-0738 for waiver of OAR 860-036-0730. Given the circumstances, Avion was able to file an abbreviated application.

The following issues were investigated in this application:

- Scope of the Agreement
- Transfer Pricing
- Determination of Public Interest Compliance
- Records Availability, Audit Provisions, and Reporting Requirements

Scope of the Agreement: Conservation Associates LLC has and will provide consultation on Avion's securing available energy tax credits. There is no current written contract (see Staff Recommendation Condition 4).

Transfer Pricing: Compliance with OAR 860-036-0739(3)(e), the lower of cost or market principle, would be Staff's major concern in this matter if financial materiality is achieved in these transactions (see Staff Recommendation Condition 4).

Determination of Public Interest Compliance: A positive judgment on contractual just and reasonable terms is temporarily granted.

Records Availability, Audit Provisions, and Reporting Requirements: Staff Recommendation Condition No. 1 affords necessary access to any relevant records.

Based on the review of this application, Staff concludes the following:

1. The arrangement's scope is reasonable.
2. Potential transactions will not harm customers and are not contrary to the public interest with the recommended conditions.
3. Necessary records are available.

Docket No. UI 259
March 22, 2007
Page 3

PROPOSED COMMISSION MOTION:

The consulting agreement between Avion Water Company and Conservation Associates, LLC be approved subject to the four recommended conditions.