

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: Thomas M. Broderick
Director
Utilities Division

for

Amjoes

DATE: March 18, 2016

RE: STAFF REPORT IN THE MATTER OF THE APPLICATION OF ARIZONA WINDSONG WATER CO. FOR APPROVAL TO TRANSFER UTILITY ASSETS TO THE NAVAJO TRIBAL UTILITIES AUTHORITY (DOCKET NO. W-20919A-16-0068)

Attached is the Staff Report for the Application of Arizona Windsong Water Company for Approval to Transfer Utility Assets to the Navajo Tribal Utilities Authority, Docket No. W-20919A-16-0068.

TMB:VW:nr/ML

Originator: Vicki Wallace

Arizona Corporation Commission

DOCKETED

MAR 18 2016

DOCKETED BY *KG*

AZ CORP COMMISSION
DOCKET CONTROL

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Service List for: Arizona Windsong Water Co.
Docket No. W-20919A-16-0068

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**ARIZONA WINDSONG WATER CO.
DOCKET NO. W-20919A-16-0068**

**IN THE MATTER OF THE APPLICATION OF ARIZONA WINDSONG WATER CO.
TO TRANSFER ASSETS TO NAVAJO UTILITIES AUTHORITY**

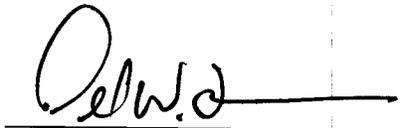
MARCH 18, 2016

STAFF ACKNOWLEDGMENT

The Staff Report for Arizona Windsong Water Co. Docket No. W-20919A-16-0068 was prepared by the Staff members shown below.

A handwritten signature in cursive script that reads "Vicki Wallace".

Vicki Wallace
Executive Consultant

A handwritten signature in cursive script that reads "Katrin Stukov".

Katrin Stukov
Utilities Engineer

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INTRODUCTION

On February 24, 2016, Arizona Windsong Water Company ("Arizona Windsong", "Applicant" or "Company"), through its attorney, docketed an application with the Arizona Corporation Commission ("ACC" or "Commission") to transfer assets to the Navajo Tribal Utilities Authority ("NTUA"). The Certificate of Convenience and Necessity ("CC&N") previously granted by the ACC in Decision No. 75083 was revoked via Decision No. 75407 issued January 19, 2016, due to uranium contamination of its water supply. The Decision also required Arizona Windsong to continue to provide service at approved rates to customers until a new provider is ready, willing, and able to provide adequate service to customers within Arizona Windsong's service territory. The area formerly covered by the CC&N is approximately 1,662 acres (approximately 2.6 square miles). Exhibit 1 is an Engineering's map of the service territory.

BACKGROUND AND ANALYSIS

Arizona Windsong provides water service to approximately 68 residential customers and 1 commercial customer in Apache County near the Town of Sanders, Arizona (approximately 50 miles east of Holbrook). According to the application, Arizona Windsong does not have the capability to provide safe drinking water to its customers, and NTUA has access to an adequate safe drinking water supply that meets Navajo Nation EPA and Federal Drinking Water Standards. Additionally, the ACC has received numerous complaints within the last 3 three years mostly in relation to quality of service and billing.

The NTUA, a multi-service utility of the Navajo Nation, provides electric, natural gas, water and wastewater utility services to the residents of the Navajo Nation and surrounding areas. According to its website NTUA serves approximately 39,400 electric customers, 36,600 water, 13,600 waste water customers, 7,900 natural gas customers. The NTUA has expressed its willingness to interconnect its water system with the Company's existing distribution piping network and extend NTUA water service to Arizona Windsong customers. If the transfer is approved by the ACC, NTUA will be responsible for the water system's operation and maintenance. NTUA intends to seek funding to rebuild/replace the aged Arizona Windsong distribution system in the near future. Attached as Exhibit 2 is Staff's Engineering Report.

NTUA will provide service under its existing tariffs, which are attached to the application and are far less than the current tariffed rates charged by Arizona Windsong. A comparison of the rate impact is provided in Exhibit 3. In short, NTUA's rates would decrease the typical Arizona Windsong residential 5/8 x 3/4-inch meter bill with an average usage of 10,100 gallons from \$84.00 to \$49.50, or a (\$34.62) or (41.16) percent decrease.

The NTUA will, however, be requesting a one-time investment contribution of \$500.00 per customer, which can be paid in installments over two years. In the interim, NTUA is purchasing the existing pipes, minus the contaminated well. NTUA will then connect the existing pipe network to its system and begin providing safe water. A draft letter from NTUA to the customers of Arizona Windsong regarding the transfer and conditions thereof was attached to the application and will be sent upon approval of the transfer. NTUA has verbally indicated the customers appear excited about

the NTUA's intent to serve, and the Applicant as well as NTUA request the transfer of assets in an expedited manner to remove any impediment to the NTUA immediately extending service.

Arizona Windsong does not have any main extension agreements. Additionally, Arizona Windsong does not have any customer deposits to refund.

AGREEMENT AND BILL OF SALE

An Agreement and Bill of Sale ("Agreement") which is attached as Exhibit 4 has been reviewed and approved by both parties and will be executed upon the ACC approval of the transfer. Under this Agreement, NTUA will pay to Arizona Windsong a sum of \$10,000 for its water distribution system including all pipes, service lines and meters. The Agreement provides that upon NTUA's acquisition of the distribution system, Arizona Windsong will cease operating as a water utility; and NTUA will be responsible for providing water utility services to Arizona's Windsong's customers under the terms and conditions of the NTUA tariff.

PUBLIC INTEREST

Arizona Windsong does not currently have access to an adequate water supply due to uranium contamination of its water supply. NTUA does have access to uncontaminated water and is willing to interconnect Arizona Windsong's customers to its system. Thus, Staff believes the proposed transfer is in the public interest, and the water system should be transferred to NTUA as soon as possible. There was no public opposition expressed to the ACC on the transfer of Arizona Windsong to NTUA.

PUBLIC SERVICE CORPORATION STATUS

In compliance with Decision No. 75407, once NTUA begins to provide service to the customers, Arizona Windsong should file notification with the Commission as ordered within thirty (30) days. Upon receipt of the notification, Staff believes Arizona Windsong would no longer be functioning as a Public Service Corporation; and its status as such should be terminated.

STAFF RECOMMENDATIONS

Staff recommends that the application of Arizona Windsong Water Company to transfer its assets to the Navajo Tribal Utilities Authority be approved, and the water system transferred to NTUA upon Commission approval. Further, once Arizona Windsong provides notice of NTUA providing service, Arizona Windsong's status as a Public Service Corporation should be terminated.

MEMORANDUM

TO: Vicki Wallace
Executive Consultant III
Utilities Division

FROM: Lori H. Miller *lhm*
GIS Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: March 15, 2016

RE: ARIZONA WINDSONG WATER COMPANY (DOCKET NO. W-20919A-16-0068)

Arizona Windsong Water Company has filed an application to transfer its assets to Navajo Tribal Utilities Authority.

Attached is a copy of the map for your files.

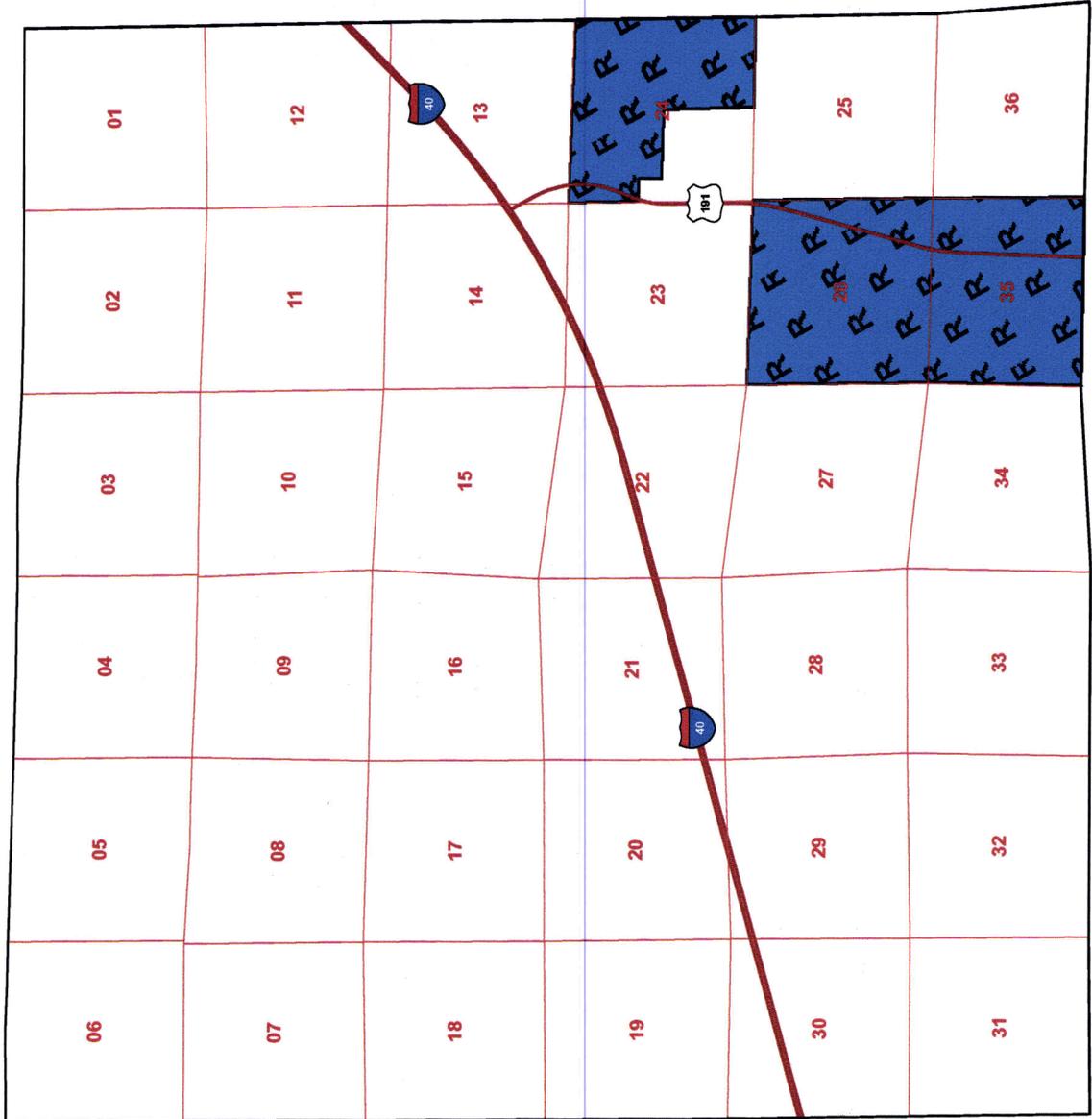
/lhm

Attachment

cc: Mr. Timothy J. Sabo
Ms. Katrin Stukov
Ms. Deb Person (Hand Carried)
File

RANGE 28 East

TOWNSHIP 21 North



W-20919A (1)
 Arizona Windsong Water Company

(1)
 Application for transfer to
 Navajo Tribal Utilities Authority
 (Revoked by Decision No. 75407)



MEMORANDUM

TO: Vicki Wallace
Executive Consultant
Utilities Division

FROM: Katrin Stukov 
Utilities Engineer
Utilities Division

DATE: March 4, 2016

RE: Arizona Windsong Water Company (Application to transfer utility assets)
Docket No. W- 20919A-16-0068

On February 24, 2016 the Arizona Windsong Water Company (“Windsong” or “Company”) filed with the Arizona Corporation Commission (“ACC”) an application to transfer its distribution system assets to the Navajo Tribal Utilities Authority (“NTUA”).

The Company is providing service to approximately 69 customers¹ near the Town of Sanders (approximately 50 miles east of Holbrook) in Apache County. According to the application, Windsong does not have capability to provide safe drinking water to its customers and NTUA has access to an adequate safe drinking water supply that meets Navajo Nation EPA and Federal Drinking Water Standards. According to the application, NTUA is planning to interconnect its water system with the Company’s existing distribution piping network and extend NTUA water service to Windsong customers. NTUA will be responsible for the water system’s operation and maintenance. NTUA intends to seek funding to rebuild/replace the aged Windsong distribution system in the near future.

¹ Per Docket No.14-0376

Transfer of Assets From Arizona Windsong
Docket No. W-20919A-16-0068

TYPICAL BILL ANALYSIS
Arizona Windsong Water Company
5/8 x 3/4 - Inch Meter

Company Proposed	Gallons	Arizona Windsong		Arizona Windsong		Dollar Decrease	Percent Decrease
		Present Rates	Proposed NTUA Rates	Proposed NTUA Rates	Dollar Decrease		
Average Usage	10,100	\$ 84.12	\$ 49.50	\$ (34.62)	-41.16%		
Median Usage	3,736	\$ 52.80	\$ 15.42	\$ (37.38)	-70.79%		

Staff Recommended

Average Usage	10,100	\$ 84.12	\$ 49.50	\$ (34.62)	-41.16%
Median Usage	3,736	\$ 52.80	\$ 15.42	\$ (37.38)	-70.79%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Arizona Windsong Present		Arizona Windsong Proposed		%	Staff Recommended	
	5/8"		5/8"			NTUA Rates	
	Rates		Rates	Decrease		Rates	Decrease
-	\$ 37.12	\$ 0.89	-97.60%	\$ 0.89	-97.60%		
1,000	41.12	4.40	-89.30%	4.40	-89.30%		
2,000	45.12	7.91	-82.47%	7.91	-82.47%		
3,000	49.12	11.42	-76.75%	11.42	-76.75%		
3,736	52.80	15.42	-70.79%	15.42	-70.79%		
4,000	54.12	16.86	-68.85%	16.86	-68.85%		
5,000	59.12	22.30	-62.28%	22.30	-62.28%		
6,000	64.12	27.74	-56.74%	27.74	-56.74%		
7,000	69.12	33.18	-52.00%	33.18	-52.00%		
8,000	74.12	38.62	-47.90%	38.62	-47.90%		
9,000	79.12	44.06	-44.31%	44.06	-44.31%		
10,000	84.12	49.50	-41.16%	49.50	-41.16%		
11,000	89.12	54.94	-38.35%	54.94	-38.35%		
12,000	94.12	60.38	-35.85%	60.38	-35.85%		
13,000	100.12	65.82	-34.26%	65.82	-34.26%		
14,000	106.12	71.26	-32.85%	71.26	-32.85%		
15,000	112.12	76.70	-31.59%	76.70	-31.59%		
16,000	118.12	82.14	-30.46%	82.14	-30.46%		
17,000	124.12	87.58	-29.44%	87.58	-29.44%		
18,000	130.12	93.02	-28.51%	93.02	-28.51%		
19,000	136.12	98.46	-27.67%	98.46	-27.67%		
20,000	142.12	103.90	-26.89%	103.90	-26.89%		
25,000	172.12	131.10	-23.83%	131.10	-23.83%		
30,000	202.12	158.30	-21.68%	158.30	-21.68%		
35,000	232.12	185.50	-20.08%	185.50	-20.08%		
40,000	262.12	212.70	-18.85%	212.70	-18.85%		
45,000	292.12	239.90	-17.88%	239.90	-17.88%		
50,000	322.12	267.10	-17.08%	267.10	-17.08%		
75,000	472.12	403.10	-14.62%	403.10	-14.62%		
100,000	622.12	539.10	-13.34%	539.10	-13.34%		

Agreement and Bill of Sale

This transfer agreement and bill of sale (the "Transfer Agreement") is entered into as of the ___ day of _____, 2016 ("Effective Date") by and between Navajo Tribal Utility Authority (NTUA), an enterprise of the Navajo Nation and Arizona Windsong Water Co. (Arizona Windsong)

Recitals

1. Arizona Windsong is a water utility regulated by the Arizona Corporation Commission serving an area in or about Sanders, Arizona in an area more completely described in Arizona Corporation Commission Decision Nos. 75083 and 75407.
2. NTUA, a multi-service utility of the Navajo, provides water and wastewater utility services to the residents of the Navajo Nation and surrounding areas, as designated.
3. The Arizona Corporation Commission has authorized Arizona Windsong to transfer its distribution system (Distribution System) to NTUA and to discontinue operations as a water utility upon the transfer and sale to NTUA.
4. NTUA has had a full opportunity to inspect the Distribution System and is fully informed of its condition.
5. Upon acquisition of the Distribution System, Arizona Windsong will cease operating as a water utility, and NTUA will be responsible for providing water utility service under such terms and conditions as stated in the NTUA Tariff.

NOW THEREFORE, in consideration of the premises, the covenants and representations contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Recitals.** The foregoing recitals to this Transfer Agreement are incorporated into and made a part of this Transfer Agreement.
2. **Bill of Sale.** For the sum of **ten-thousand dollars (\$10,000)**, Arizona Windsong does hereby sell, assign, bargain, transfer, convey and set over its water Distribution System, including all pipes, service lines and meters to NTUA and NTUA agrees to purchase the aforementioned Distribution System from Arizona Windsong, to have and hold the same unto its successors and assigns forever. This sale and transfer of the Distribution System to NTUA is contingent upon approval by Arizona Corporation Commission.
3. **As Is.** This sale is on a "AS IS" basis, with no guarantees or warranties, either expressed or implied.

IN WITNESS WHEREOF, Arizona Windsong Water Co. and NTUA have executed this bill of sale as of the date set forth herein.

ARIZONA WINDSONG WATER CO.

NAVAJO TRIBAL UTILITY AUTHORITY

By: _____
Lillie Paulsell
President

By: _____
Rex P. Kontz
Deputy General Manager