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MEMORANDUM  
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FROM: Steven M. Olea  
Director  
Utilities Division

Arizona Corporation Commission  
DOCKETED  
7 - 26 2009

DATE: August 20, 2009

DOCKETED BY	
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RE: TIERRA LINDA HOMEOWNERS ASSOCIATION, INC. - MOTION FOR EXTENSION OF COMPLIANCE DEADLINE (DOCKET NO. W-04236A-04-0075)

In Decision No. 67104, dated July 9, 2004, the Arizona Corporation Commission ("Commission") approved the application of Tierra Linda Homeowners Association, Inc. ("Tierra Linda" or "Company") for a Certificate of Convenience and Necessity ("CC&N") to provide water service in Pima County, Arizona. In issuing its decision, the Commission ordered that Tierra Linda:

"...file a rate application no later than three months following the fifth anniversary of any Decision in this matter."

Based on the July 9, 2004 date of Decision No. 67104, the Commission due date on the above item is October 9, 2009.

On August 7, 2009, the Company filed a motion for an extension of time to file the rate case ordered by Decision No. 67104. The Company requests a one year extension of time, until October 9, 2010, to file its rate application.

In its motion, the Company indicates that a Joint Application of Tierra Linda and Gary Smyth ("Smyth") has been filed with the Commission requesting the sale of assets and transfer of CC&N from Tierra Linda to Smyth.<sup>1</sup> The Company believes that a rate case at this time would not be prudent.

Staff has reviewed the Company's motion as well as Decision No. 67104. During the review, Staff inquired as to when the Company began serving customers. In response, the Company stated that it began serving customers in March of 2006. The Commission, in recent years, has adopted the requirement that companies file their first rate case five years after serving its first customer, instead of five years after the issuance of the CC&N.

In its original application for a CC&N, the Company had proposed to serve 200 customers within its service territory at full build out. Currently, Tierra Linda only serves 59 customers.<sup>2</sup> After review of the Company's finances as provided in its 2008 annual report, if a rate case were to

<sup>1</sup> Docket Nos. W-20689A-09-0327 and W-04236A-09-0327 filed 6/26/09. Application has not yet met sufficiency.

<sup>2</sup> Per the 2008 Annual Report filed by Tierra Linda Homeowners Association, Inc.

be filed using a 2008 test year, customers would likely experience a significant increase in rates due to the small number of customers. In discussions with Tierra Linda, the Company indicates that it expects to be serving approximately 100 customers by 2011.

**Staff Recommendation**

Staff recommends that the Commission grant the motion of Tierra Linda to extend the compliance deadline to file a rate case per Decision No. 67104. Based upon the pending sale of assets and transfer of CC&N case, the relevant short amount of time that the Company has been serving customers, and the small number of current customers, Staff recommends that the Commission extend the compliance date for the filing of a full rate case to no later than June 30, 2011 using a December 31, 2010 test year. The rate case shall be filed by either Tierra Linda or Smyth, whichever holds the CC&N at that time. This requirement would not prevent the Company from filing a rate case sooner with an earlier test year.

EGJ:KDB:lhv

Originator: Kimberly Battista

Attachment

SERVICE LIST FOR:  
DOCKET NOS.

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W-04236A-04-0075

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