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Arizona Corporation Commission
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TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

DATE: February 5, 2010

RE: RED ROCK UTILITIES, L.L.C. (DOCKET NO. WS-04245A-04-0184)

In Decision No. 67409, dated November 2, 2004, the Arizona Corporation Commission (“Commission”) approved the application of Red Rock Utilities, L.L.C. (“Red Rock” or “Company”) for a Certificate of Convenience and Necessity (“CC&N”) to provide water and wastewater service in Pinal County. As part of Decision No. 67409, the Commission ordered that:

“...Red Rock Utilities L.L.C. shall file a rate application for its water and wastewater systems no later than three months following the fifth anniversary of this Decision”

Based on the November 2, 2004 date of Decision No. 67409, the Commission imposed due date for the above compliance item was February 2, 2010.

On December 28, 2009, Red Rock filed for an extension of time until August 3, 2012, to file the required rate applications. The Company identified that the original master developer of the Red Rock Village master-planned community sold the project to Pulte Homes. Due to that transaction and the general effects of the recession and slowdown in the marketplace, the Company states that the pace of development has been slower than anticipated. Subsequently, Red Rock’s first water and wastewater customer was not connected until August 3, 2007.

Red Rock further identifies that Decision No. 67409 also required the Company to make a determination on whether “tiered wastewater rates based on water consumption would be an appropriate rate design” and conduct the necessary research to be able to present such information within the required rate application. The Company states that an extension of the due date on the rate applications will provide both the Commission and Staff with “more meaningful data responsive” to the Commission’s concerns.

On February 3, 2010, Staff contacted Mr. Mark Weinberg of the Company to discuss the Company’s application for extension. Mr. Weinberg confirmed that the first customer was served on August 3, 2007. He stated that the Company currently has 527 customers in a 1,300 acre project that is zoned by Pinal County for a total of 3,900 units. Mr. Weinberg stated that the Company believes a more representative Test Year could be obtained with the proposed extension of time. Also, the application stated that the February 3, 2012 proposed extension date is five years from the date of serving the first customer, which is the Company’s understanding of the time period granted in recent Commission decisions.

Docket Control Center

February 5, 2010

Page 2

Staff is of the opinion that Red Rock's rationale is reasonable. The sale of the project and the slowly changing developmental landscape appear to be legitimate issues in explaining why the Company has achieved a smaller than anticipated number of customers. Further, the application seeks an August 3, 2012 due date, which is consistent with the Commission's current requirement of filing a rate case five years from the date of the first customer rather than the date of the decision.

Based on all of the above, Staff does not object to Red Rock's request for an extension of time until August 3, 2012, for the filing of rate applications relating to its Pinal county water and wastewater systems.

SMO: BKB:lhv

Originator: Brian K. Bozzo

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DOCKET NO. WS-04245A-04-0184

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