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AZ CORP COMMISSION
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October 27, 2005

Naco Water Company, LLC

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Arizona Corporation Commission
2100 W. Washington Street
Phoenix, AZ 85007-2927

Re: Naco Water Company, LLC. Finance Application Amendment
Docket #W-02860A-05-0727

Please accept this letter as an amendment to the original Finance Application submitted on October 17, 2005.

Since filing the application we have had a meeting with the Engineers who were assigned to us by WIFA through our Technical Assistance grant. Also, there have been more developments since filing the application.

To explain further, Well#4 which was originally thought to be going dry had to be completely shut down and a camera was dropped to see what was going on as the well continued to run out of water.

When the column pipe was pulled, it was discovered there was a hole in it. To compound the issue, the build up of barnacles and corrosive matter on the casing and in the bottom of the well was so excessive that only about 10% of the perforations were open and the casing had to be brushed and bailed to get a new casing down. This proved to be very difficult as the build up had accumulated so much that the brush could not go through. The brush had to be cut into a cone shape to try to break through build up. Thankfully, we were able to get through and the well is now pumping at about 30-35 g.p.m. Naco Water Co. had to have water hauled to the customers in Bisbee Junction at a cost of \$15,600.00 in addition to the well brushing, bailing and camera cost.

We have since just recently discovered that there is a plume of sulfate that passes almost directly over our existing well site. We are assuming this plume is the tailing from past Phelps Dodge mining operations in that area. Several private wells had to be abandoned in the Bisbee Junction location.

The Engineers expressed concern and felt that we need to find another well site to get away from the plume as it may be a possible problem in the future. We have also surmised that there is a definite need for two wells in the Bisbee Junction area as well as additional storage to put an end to the shortage of water.

So, we have the problem of first finding additional well sites, purchasing the land, drilling wells and adding more storage tanks.

In our meeting we also discovered the problem of having to possibly locate waste water lines and/or septic tanks when trying to disconnect homes from the old water line and access private property to connect to the new system in front of most of the homes in the Naco Township area.

This process alone will be very costly, in that, approximately 70 homes need to be connected to the existing new water line.

We are estimating the cost to more than double in price due to the current findings. I hope to have a more formal estimate soon and will advise Staff accordingly.

The closest best estimate we can give you at this time is approximately \$1,400,000.00 to complete the entire project along with the new developments that have risen.

WIFA is aware of the situation and are working with us and the assigned Engineer to examine the project.

Please do not hesitate to call if you need further information and or documentation.

Thank you for your help in this matter.

Sincerely,



Bonnie O'Connor, V.P.
Southwestern Utility Management, Inc.

For

Naco Water Company, LLC
Salim S. Dominguez, Jr., Owner

cc: Salim S. Dominguez, Jr.