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Sonoita Valley Water Company

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AZ CORP COMMISSION  
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November 3, 2006

Arizona Corporation Commission  
Utilities Division  
Docket Control  
1200 West Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission  
**DOCKETED**

NOV -6 2006

DOCKETED BY  
NR

**Re: Docket No's. W-02017A-06-0410 and W-20435A-06-0411**

This correspondence will serve to document the response of Sonoita Valley Water Company (SVWC) and Southern Water Company (SWC) to Arizona Corporation Commission (ACC) staff direct testimony filed on October 27, 2006 regarding ACC Docket No's W-02017A-06-0410 and W-20435A-06-0411.

Please be advised that it is the opinion of SVWC and SWC that it would be detrimental to both companies involved to use the lower tariff rate.

To date, Mr. E.H. "Buck" Lewis has invested a total of \$40,200.00 (\$39,200/ SVWC and \$1,000/SWC) directly into the Companies to cover operational expenses as well as repair and maintenance.

Another \$30,000 (\$17,000/SVWC and \$23,800/SWC) has been invested directly into the Companies for additional repairs and maintenance as well as operations expense by Lewis Development Corporation.

After approval of the Sale of Assets and Transfer of the CC&N of SWC, we plan to file a rate case to increase rates as well as request financing for a Water Infrastructure Finance Authority (WIFA) loan. We will be requesting rates for system improvements as well as permanently connecting the two systems. We have filed paperwork with WIFA to be on the priority list for 2007.

These systems are in danger of becoming inadequate to supply water to all customers involved. Joining these two systems as well as possibly obtaining another water source will prevent this from happening.

It would be our preference, if not being granted the higher SWC rate for both Companies, to keep the current rate for each Company and bill SWC & SVWC individually as we are currently doing. After approval from the Commission we would then file a rate case to consolidate the rates making them uniform.

Thank you for your consideration in this matter.

Regards,

A handwritten signature in cursive script that reads "E.H. Lewis".

E.H.. Lewis, President