

ORIGINAL

LAS QUINTAS SERENAS WATER CO



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P.O. Box 68

Sahuarita, Arizona 85629

Telephone: 520.625.8040 Facsimile: 520.648.3520

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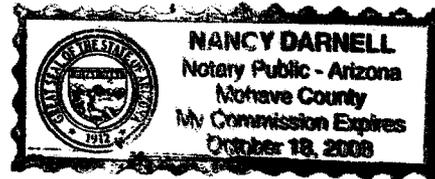
STATE OF ARIZONA)
County of Pima) SS

DOCKETED BY [Signature]

Kaycee Conger, Administrative Manager for Las Quintas Serenas Water Company, being duly sworn, states that on Tuesday, January 30, 2007, she mailed a copy of a Public Notice of Increase in Water Rates (a copy of which is hereto attached) to each customer of record at his or her last known mailing address as it was recorded on the books of Las Quintas Serenas Water Company or as could otherwise be reasonably determined where no address existed. Such copies were deposited in the United States Post Office in the Town of Sahuarita, Arizona, within sealed envelopes, postage prepaid, and duly addressed.

IN WITNESS WHEREOF, the undersigned party has executed this Affidavit of Mailing this 30th day of January 2007.

By: [Signature of Kaycee Conger]



SUBSCRIBED AND SWORN TO before me this 30 day of January 2007, by Kaycee Conger

My Commission Expires: 10/18/2008

[Signature of Nancy Darnell]
Notary Public

1/30/07

LAS QUINTAS SERENAS WATER COMPANY

P.O. Box 68

Sahuarita, Arizona 85629

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NOTICE OF INCREASE IN WATER RATES

Date: January 24, 2007

To: Las Quintas Serenas Water Company Customer

Subject: ARSENIC REMEDIAL SURCHARGE MECHANISM

Reference: Las Quintas Serenas Water Company
Docket No. W-01583A-04-0178, W-01583A-05-0326, W-01583A-05-0340
Decision No. 69214 issued December 21, 2006

From: Ray Romero; General Manager

On January 23, 2001 the United States Environmental Protection Agency reduced the drinking water standard for arsenic from 50 parts per billion ("ppb") to 10 ppb. Las Quintas Serenas Water Company ("Company") must comply with the new federal rule no later than December 31, 2007.

In order to meet the new drinking water standard for arsenic, Las Quintas Serenas Water Company applied for and obtained authorized financing approval for a loan through the Water Infrastructure Finance Authority of Arizona (WIFA) and an Arsenic Remedial Surcharge Mechanism to repay that loan that will finance construction of water treatment plant facilities to treat and remove arsenic.

As a result of the Company's filing in the above-reference docket for authority to implement a surcharge to cover its principal and interest obligations on the actual amount of the loan and pay income taxes on the surcharges, the Arizona Corporation Commission authorized an Arsenic Remedial Surcharge Mechanism to become effective for all service provided on and after January 24, 2007. The Arsenic Remedial Surcharge Tariff is attached and is anticipated to increase the average residential customer's bill by approximately \$11.37, from \$23.20 to \$34.57.

Should you have any questions, please do not hesitate to contact the Las Quintas Serenas Water Company during office hours, 9:00 am to 1:00 p.m. Monday through Friday, (520) 625-8040.

WATER TARIFF SCHEDULE

UTILITY:
DOCKET NO:

Las Quintas Serenas Water Company
W-01583A-04-0178, W-01583A-05-0326, W-01583A-05-0340

DECISION:
EFFECTIVE:

69214
December 21, 2006

ARSENIC REMEDIAL MONTHLY SURCHARGE TARIFF

METER	CHARGES	GALLONS
5/8" X 3/4"	\$11.37	0
3/4"	17.05	0
1"	28.42	0
1 1/2"	56.84	0
2"	90.94	0
3"	170.52	0
4"	284.20	0
6"	568.40	0
Standpipe	11.37	0

Terms and Conditions

This surcharge is in addition to the water rates and charges approved by the Arizona Corporation Commission, Decision No. 67455, effective January 1, 2005, and will be billed per month according to meter size as stated above.

The billing and collection terms as established for the Company's water rates and charges also apply to this surcharge.