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SERVICEBERRY WATER CO.

P.O. BOX 1270 SHOW LOW, AZ 85902/PHONE 928-537-8739/FAX 928-537-1245

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2007 MAY -3 A 11: 29

April 24, 2007

AZ CORP COMMISSION  
DOCUMENT CONTROL

RE: Serviceberry Water Company – Application for Approval of the Sale of Assets and/or Transfer of Certificate of Convenience and Necessity (CC&N) to Vernon Valley Water, Inc. in Docket No. W-02481A-07-0168  
RESPONSE TO INSUFFICIENCY LETTER

1. Failure to comply with prior Commission Decision. According to Utilities Division's Compliance Database, the Company is not in compliance with Commission Decision Nos. 68335, issued in W-02481A-05-0446. Please contact Kim Battista at 602-542-0747 to resolve the Compliance Delinquencies.

Serviceberry Water Company dba Vernon Valley Water, Inc. sent the paperwork needed to resolve this issue to the Arizona Corporation Commission on April 25, 2007.

2. Line left Blank
3. Please provide a list of assets that Cedar Grove Water Company will be transferring to Cedar Grove Water Company, Inc.

Serviceberry Water Company dba Vernon Valley Water, Inc. has no affiliation with Cedar Grove Water Company. Therefore, Serviceberry Water Company dba Vernon Valley Water, Inc. is not authorized to provide the information requested.

4. Please provide a copy of the Certificate of Good Standing issued by the Arizona Corporation Commission's Corporation Division.

Certificate of Good Standing issued by the Arizona Corporation Commission's Corporation Division has been requested and will be forwarded upon receipt.

Arizona Corporation Commission

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5. Please provide a copy of the transfer of County Franchise from Transferor to Transferee. If the County Franchise has not been issued, please inform Utilities Division Staff ("Staff") of the status of the application for the Approval to Construct.

Company contacted Apache County on April 24, 2007 to ascertain the status of the letter Company mailed on February 21, 2007 requesting that Serviceberry Water Company's Franchise be transferred to Vernon Valley Water, Inc. Company submitted another letter upon request and has been informed that it will be discussed at a meeting dated May 15, 2007. Once a conclusion has been reached, Serviceberry Water Company dba Vernon Valley Water, Inc. will forward the information requested by the Arizona Corporation Commission.

6. In Item T. of the Application, the Applicant indicated in its response "N/A". Staff is aware that the Transferee has other public utility interest. Please provide the names and addresses of any other public utility interest Transferee has.

Transferee, Vernon Valley Water, Inc., is a Corporation not affiliated with, or possessing interest in, any other public utility.

7. Based on Water Use Data information reported in the 2005 Annual Report, Staff concludes that this water system lacks adequate storage capacity to serve the existing customer base. Please provide a detail description of the Transferor and/or Transferee plans to address this issue.

Water Use Data Sheet for 2006 indicates that the Serviceberry Water Company dba Vernon Valley Water, Inc. System maintains one day storage in the 10,000 gallon storage tank connected to the System (Please see Attachment A for the 2006 Water Use Data Sheet). The highest month usage in 2005 is slightly over the storage capacity presently available. Management of Serviceberry Water Company dba Vernon Valley Water, Inc. will continue to monitor storage capacity.

# ATTACHMENT A

