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Arizona Corporation Commission
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December 7, 2004

William P. Sullivan
Martinez & Curtis, P.C.
2712 North Seventh Street
Phoenix, Arizona 85016

DOCKETED BY *CM*

Re: Diversified Water Utilities, Inc. - Application for an Extension of its Certificate of Convenience and Necessity (CC&N) Docket W-02859A-04-0844
INSUFFICIENCY LETTER

Dear Mr. Sullivan,

In reference to the Diversified Water Utilities, Inc., Application for an Extension of its Certificate of Convenience and Necessity, docketed November 24, 2004, this letter is to inform you that the application has not met the sufficiency requirements as outlined in Arizona Administrative Code ("A.A.C.") R14-2-411.

1. Please provide a request for service from the each of the affected property owners.
2. Please provide a map of the requested service territory with an identification of the respective property owners requesting service.
3. Please provide a map of the requested territory in relation to the existing utility's existing service area.
4. Please provide a drinking water design report which clarifies how water will be provided to the proposed CC&N.

The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources.

The report should include the estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N.

The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities.

The design report should describe water quality and address any water quality problems with the existing and future sources of water (as an example, will extra treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic nitrates or fluorides in the drinking water?).

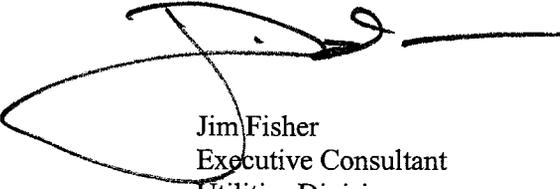
5. Please provide a copy of the Arizona Department of Water Resources Analysis of Adequate Water Supply for the proposed service territory.
6. Please provide any other information which will allow the Commission to analyze and conclude that the company has sufficient water production capacity, or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N.
7. Please provide a set of design plans for the proposed water facilities.
8. Please provide an estimate of the water facilities costs to the Diversified Water Utilities, Inc., necessary to serve the proposed CC&N extension. The costs should include a description of the major components with the cost of the component (i.e., wells, number and size of storage tanks, etc.). The method of financing for the major components should be described specifically.
9. Please provide evidence of Diversified Water Utilities, Inc.'s current financial condition.
10. Please provide a copy of the Pinal County Franchise for the requested area.

Per Arizona Administrative Code upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing a proposed Opinion and Order to present to the Commission at an Open Meeting.

Please also understand that according to A.A.C. R14-2-411 C.3, Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

Should you have any questions or concerns on this matter, please contact me at (602) 542-0839.

Sincerely,



Jim Fisher
Executive Consultant
Utilities Division
Arizona Corporation Commission

C: Docket Control
Lyn Farmer
Del Smith
Vicki Wallace