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REFER TO FILE NO.

1620-4

August 31, 2001

Via Facsimile (602) 542-4230
and U.S. Mail

Arizona Corporation Commission

DOCKETED

AUG 31 2001

Mr. Philip J. Dion, III
Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY

Re: Diversified Water Utilities, Inc.'s Application for Authority to Issue Debt
Docket No. W-02859A-00-0964

Dear Mr. Dion:

Pursuant to your request, enclosed is a summary of the current status of areas with active development within Diversified Water Utilities, Inc.'s ("Diversified") certificated area:

	Identification of Area	Total Developable Lots	Connections	Lots Left to be Developed
1.	Quail Hollow Subdivision	120	37	83
2.	Valley of the Sun Subdivision	441	59	382
3.	Skyline Vista Subdivision	144	15	129
4.	North Wildcat Area	Approx. 256	18	238
5.	South Wildcat Area	Approx. 128	70	58
	TOTAL	1,089	199	890

Mr. Philip J. Dion, III
August 31, 2001
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Diversified continues to experience growth at a rate of approximately 3 to 4 customers per month or 36 to 48 customers per year. As of July 1, 2001, 21 new customers had been added since January 1, 2001 and forty (40) customers were added last year. The Company's customer base has grown 125% from January 1, 1999 (89 customers to today 199 customers).

Diversified is further willing to accept an ordering paragraph similar to the following:

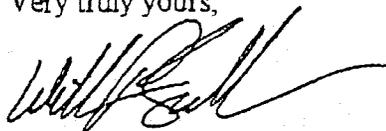
"IT IS FURTHER ORDERED that Diversified Water Utilities, Inc.'s revenue requirement determined in future rate filings will not include additional revenues for debt service on the proposed Skyline Vista debt or any subsequent related debt."

We trust that the foregoing information, together with the information provided August 24, 2001 that demonstrates the Company can now cash flow the entire debt without any reliance on connection fees, will permit you to submit a recommendation to approve the entire debt authorization requested by Diversified.

We spoke to Mr. McNeil, who indicated Diversified's financing will be on the September 11, 2001 Open Meeting Agenda and there would be no problem with providing and considering a substitute recommendation, provided Diversified waives its right to ten days notice (which Diversified is prepared to do). He commented that the sooner the revised recommendation is submitted the better. We will be glad to meet with you today, or Tuesday to discuss this matter.

If you have any questions, please don't hesitate to contact the undersigned.

Very truly yours,



William P. Sullivan
For the Firm

WPS/tsg

cc: Linda Jaress (via Facsimile (542-2129) and U.S. Mail)
Diversified Water Utilities, Inc.

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