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AUG -9 2006

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August 9, 2006

WS - 02987A-00-0618
W - 02857A-00-0774
W - 01395A-00-078A
WS - 02987A-99-583

HAND DELIVERY

Mr. Brian Bozzo, Compliance Manager
Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007

Re: H2O, Inc ; Docket No. W-02234A-00-0371; Decision No. 64062; Compliance Filing and Request for Extension of Time to Comply

Dear Mr. Bozzo:

Your office recently inquired as to the status of certain Compliance Items, a copy of which is attached for your convenience. We have numbered the Compliance Items attached to that memo for easy reference. Items 1, 2 and 3 pertain to Parcels 2 and 24 which were granted to Diversified Water Company, not H2O, Inc.

We are not certain that the compliance descriptions match the requirements of the Decision, so we will respond to the remaining items on the attachment by referencing the requirements set forth in the Findings of Fact (hereinafter "FOF") of the Decision. The fourth, sixth, and seventh item all pertain to FOF 159 and are restated in FOF 161. Attached hereto as Exhibit A is the Approval of Construct ("AOC") for the main extension to Combs School, which is the requirement of FOF 159. Exhibits B and C are the ATC's for Pecan Creek South, Units 1 thru 6, and the production plant to serve Parcel 15 per FOF 161. Attached as Exhibit D are the ATC's and ADWR's Certificates of Assured Water Supply (the "CAWS") for the Parks Subdivision, Units A, B, and D, and other evidence of development within Parcel 22.

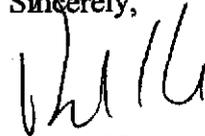
Item 5 is the requirement of FOF 158, the CAWS. The Developers of the Parcels are working diligently to obtain all entitlements for Section 13 and Parcels 14, 16, 17, and 18. As you are aware, the Certificates of Assured Water Supply (which are only required for residential subdivisions), can only be obtained when the lot densities for these parcels have been established by Pinal County. Exhibit E provides a summary of the status of the other Parcels.

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These are substantial parcels requiring numerous agencies approvals to proceed. By definition, that takes time. Many of those approvals require that the parcel be within a Certificated area. There has been substantial progress on each Parcel, but all requirements have not yet been met. We believe these are all typical delays in obtaining the required entitlements for these major projects, which obviously delay the Company's ability to file the require compliance items. The Company is of the opinion that the requirements of the Decision for Parcels 15 and 22 have been met. Based on the above the Company hereby requests an extension in the filing date for the Approvals to Construct, the Approvals of Construction and the Certificates of Assured Water Supply for Parcels 14, 16, 17, 18, and Section 13 until December 31, 2007.

If you have any questions, please do not hesitate to call.

Sincerely,



Richard L. Sallquist
For the Firm

Enclosure

Cc: Docket control (15 copies without attachments)
Don Schnepf