

**NEW MEXICO WATER SERVICE COMPANY
SANDIA KNOLLS AND JUAN THOMAS WATER SYSTEMS
ORIGINAL RULE NO. 19
CANCELING IUC RULE NO. 19
LINE EXTENSION POLICY**

NEW MEXICO
REGULATION
COMMISSION

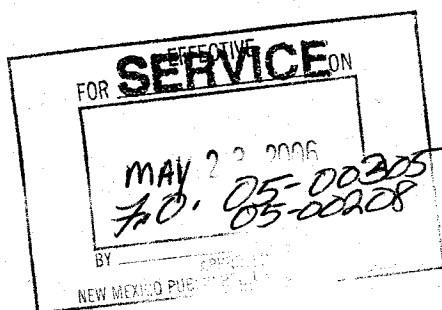
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NEW WATER SERVICE

When an extension of a Company's lines is required to serve an individual applicant or a group of applicants or a commercial enterprise or residential subdivision, with the understanding that reasonably consistent applications will be expected, extension shall be made under the following terms and conditions:

1. All line extensions shall be sized to provide adequate domestic service and, where required, fire protection service including fire hydrants.
2. Investment in the line extension required to serve the applicant may be required to be paid in total by the applicant requesting the extension in the form of an Advance for Construction or a Contribution in aid of Construction.
3. The Company shall not under any condition make an extension that would be unprofitable and thereby cause undue financial burden to existing customers, which means there shall result no increase in rates for service for existing customers, which is unduly discriminatory.
4. All lines shall be installed in existing public roads, alleys or easements. The applicant shall furnish such rights-of-way as required without charge to the Company.
5. When the applicant is an individual single family residence, or an individual residential structure that will house up to four single family residences, the following will apply:
 - a. Advances for Construction may be refunded to the original applicant on the following basis:
 - i. The estimated annual revenue for actual consumption will be determined using rates currently in effect.
 - ii. The refund to the original customer shall be no greater than 3 times the estimated annual revenue determined in paragraph 5.a.i. if no new customers connect to the original extension.
 - iii. For each new customer connected to the original extension, a refund of no greater than 3 times the estimated annual revenue for that new customer will be made if a refund is not provided for under Paragraph B below.
 - iv. In no event may refunds to an applicant total more than the Advance for Construction.



ADVICE NOTICE NO. 2
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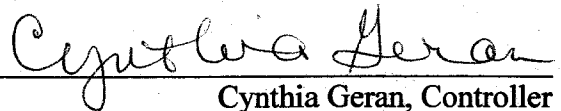
Cynthia Geran
Cynthia Geran, Controller

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- v. Up to 10 years after the original request for extension, the remaining advances shall become Contribution and will be no longer subject to refund.
- b. Advance for Construction may also be refunded on the following basis:
 - i. The pro rata cost of a line extension incurred by reason of its installation along property owned by others who will benefit from such extension may be computed for all such parcels and recorded for future collection when water service is requested to any such parcel. The pro rata cost of facilities installed along each abutting or benefited property may be computed on a front foot basis for individual lots or on an acreage basis for undeveloped tracts, and may be recorded to be charged against that property.
 - ii. The total construction cost for the line extension may be paid as an advance in aid of construction by the applicant, but the advance may be subject to future refunds to that applicant when water service is connected to each abutting or benefited property up to 10 years.
 - iii. When a request for water service to any such abutting property is received by Company, the pro rata cost originally computed and recorded as applicable to that property may be billed to and paid by the party when requested service before water service will be provided to the abutting or benefiting property. This amount may then be refunded to original applicant or customer if it can be determined that such applicant or customer still exists as such and if within 10 years of the date of the original line extension agreement.
 - iv. Refunds made under this provision shall not exceed the original advance less that portion needed to serve the original applicant.
- 6. Parties requesting subsequent connections or extensions to lines already installed by the Company at its expense, may be required to reimburse the Company for a pro rata share of the cost of the lines at the time connection is completed. This will be based on lines and appurtenances sized to serve the new applicant with adequate domestic and fire protection service if required. Total collections by the Company under this provision shall not exceed the total cost of the lines.

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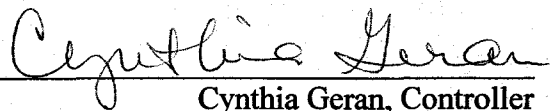
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7. In the instance of residential subdivisions, commercial enterprises, or where special circumstances warrant in the case of residential line extensions otherwise includable under paragraph 5, a line extension may be made under a specific contract provided that all contract terms shall be such that no adverse financial burden will be imposed on existing utility customers. This means that the effect of a specific contract shall not cause an increase in rates for service to existing customers, which is unduly discriminatory.

All such line extension contracts shall be filed with the NMPRC. Any special or unusual conditions which affect the cost of the furnishing of an adequate or required (i.e. fire protection) supply of water for a line extension, such as elevation, terrain, construction conditions, the volume of water available from the existing supply and distribution system, or any other conditions which would result in increased cost to the Company shall be included in the cost of all line extensions. Such special contracts shall be entered into with residential customers otherwise includable under paragraph 5 when the cost of such line extensions include such special or unusual conditions.

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