

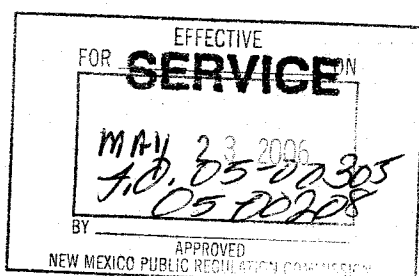
**NEW MEXICO WATER SERVICE COMPANY
SANDIA KNOLLS AND JUAN THOMAS WATER SYSTEMS
ORIGINAL RULE NO. 21
CANCELING IUC RULE NO. 21
SETTLEMENT AGREEMENTS**

NEW MEXICO
PUBLIC
REGULATION
COMMISSION

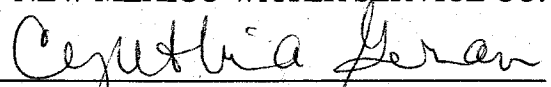
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- A. Settlement Agreements to be in Writing. When the Company and a customer settle a dispute or when a customer does not dispute liability for an outstanding bill or bills but demonstrates an inability to pay the outstanding bill or bills then due, the Company and customer shall enter into a settlement agreement to pay the amount of the bill or bills. The terms of a settlement agreement reached by telephone which extends beyond 45 days shall be confirmed by the Company in writing and mailed or delivered to the customer. The Company is not required to enter into a settlement agreement with a chronically delinquent customer. However, if a chronically delinquent customer can demonstrate to the Company that the customer does not have adequate financial resources to pay the outstanding bill without participation in a settlement agreement because the customer has a low income and is elderly, disabled or subject to other special considerations, the Company shall give special consideration to such customer in determining whether to extend a settlement agreement to that customer.
- B. Installment Payments.
1. Every settlement agreement involving an inability to pay an outstanding bill in full when due shall provide that service will not be discontinued if the customer pays a reasonable portion of the outstanding bill upon signing the settlement agreement and agrees to pay the remaining outstanding balance in reasonable installments until the bill is paid. For purposes of determining reasonableness, the parties shall consider (a) the size of the outstanding balance; (b) the customer's ability to pay; (c) the customer's payment history; (d) the time that the balance has been outstanding; (e) the reasons why the balance has been outstanding; and (f) any other relevant factors to the customer's service. A settlement agreement to pay an outstanding past due balance does not relieve a customer from the obligation to pay future bills on a current basis.
 2. If the customer has entered into an installment plan pursuant to a settlement agreement, the customer shall receive a statement of (1) the actual service charges incurred for the current billing period; (2) the amount of the installment payment due; (3) the total amount due [sum of (1) and (2)]; and (4) an acknowledgment of previous installment payments.



ADVICE NOTICE NO. 2
NEW MEXICO WATER SERVICE CO.


Cynthia Geran, Controller

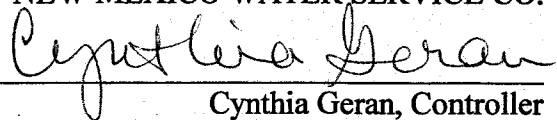
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C. Failure to Comply with Settlement Agreements.

1. If a customer fails to comply with a settlement agreement, the Company may discontinue service after notifying the customer by personal delivery of written notice, or by first class mail, that the customer is in default of the settlement agreement; stating the nature of the default; and stating that unless a payment which brings the settlement agreement current is made within seven (7) days from the date of the notice, the Company will discontinue service on a certain date.
2. Nothing in this section shall preclude the Company and a customer from re-negotiating the terms of a settlement agreement.

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Cynthia Geran, Controller