

**EPCOR WATER NEW MEXICO INC.  
EDGEWOOD DISTRICT**

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Advice Notice Number: 39



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General Manager, New Mexico

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SECOND REVISED RULE NO. 1  
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RULES AND REGULATIONS

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1. PREAMBLE

These Rules and Regulations shall cover domestic water distribution service furnished by the EPCOR Water New Mexico Inc. The properties to be serviced are more particularly described in the filings submitted to the New Mexico Public Regulation Commission pursuant to its General Order 2. These rules are intended to promote safe and adequate water service to the public and to provide standards for uniform and reasonable practice.

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Conformed copies of these rules and regulations are available for inspection at the Company's branch offices, or at the New Mexico Public Regulation Commission's offices in Santa Fe.

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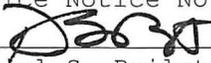
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2. DEFINITIONS AND EXPLANATIONS

- A. Company: EPCOR Water New Mexico Inc., a New Mexico corporation formerly known as New Mexico-American Water Company, Inc. X  
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- B. Customer: Any person, firm, association, corporation, or any agency of the federal, state, or local government, being supplied with, and/or responsible for payment for, water services by Company.
- C. Commission: The New Mexico Public Regulation Commission. X
- D. Water Service: The general term for furnishing the customer with water; also, the pipe connection from a distribution water main to a customer's water meter. X
- E. Point of Delivery: The point of delivery shall be the point where the facilities of the Company connect to the facilities furnished by the customer as provided herein. X
- F. Yard Line or Customer's Water Line: The piping owned and installed by the customer side of the meter to customer's point of service. X
- G. Reconnect Charge: A charge made by the Company at the time application is made for reconnection of water service at a place where water service has been previously disconnected. X
- H. Pressure: Under normal condition, including expected peak, water pressure at the customer's meter connection shall not be less than 30 p.s.i. nor more than 125 p.s.i., in accordance with Section 5A of the Commission's minimum design standards.
- I. Chronically Delinquent: The status of a utility customer who during the prior twelve months has been disconnected by the Company for non-payment, or who during the prior twelve months has not paid a bill by the date a subsequent bill is rendered on three or more occasions.
- J. Delinquent: The status of a bill rendered to a utility customer for utility service which remains unpaid after the due date of the bill.

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2. DEFINITIONS AND EXPLANATIONS (Cont.)

K. Discontinuance of Service: An intentional cessation of service by the Company not voluntarily requested by a utility customer.

L. Estimated Bill: A bill for utility service which is not based on an actual reading of the utility customer's meter, or other measuring device, for the period billed.

M. Rendition of a Bill: The date of mailing or personal delivery of a bill by the Company.

N. Residential Service or Use: The provision of or use of water for household or domestic purposes.

O. Special Service: A service provided to a utility customer by the Company which is not subject to a tariff schedule.

P. Utility Charges: The billing or charges for the provision of utility service and other charges authorized by the Commission pursuant to approved tariffs.

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3. CHARACTER OF SERVICE

A. Water service for domestic use will be furnished under conditions as stated in these Rules and Regulations and the applicable provisions of the Company's Rate Schedules.

B. Water service will be furnished under the rate specified in the rate schedule based upon the size of the meter required by the Company to meet the needs of the expected use.

C. Each separate service or meter location will be metered and billed separately.

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5. RENDERING AND PAYMENT OF BILLS

A. The Company shall render a bill to every utility customer for each billing period in accordance with applicable tariffs.

B. When billing for concurrent service at a residence, the usage and charge attributable to each such service shall be clearly set forth on the bill. Utility service to multiple locations billed to a single utility customer shall be separately stated for each location.

C. A utility customer shall be given at least twenty (20) calendar days from the date of rendition of a bill for payment in full before the bill is deemed delinquent.

D. A utility customer shall be given at least fifteen (15) calendar days from the date the bill is deemed delinquent before the Company may disconnect utility service, pursuant to the requirements of Rule No. 9.

E. If the last day for payment of a bill falls on a Sunday, legal holiday, or any other day when the offices of the Company regularly used for the payment of utility customer bills are not open to the general public, the final payment date shall be extended through the next business day.

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6. SECURITY DEPOSITS - GUARANTEES OF PAYMENTS

A. Residential Security Deposits or Guarantees: A utility may not require a security deposit or other guarantee of payment as a condition of new or continued service to a residential customer, except in the case of service 1) to a residential customer who has not previously had utility service with that utility and who has not established an acceptable credit rating, 2) to a chronically delinquent residential customer of that utility, 3) as a condition for reconnection of service following discontinuance of service by the utility, and 4) to a residential customer who, in an unauthorized manner has interfered with or diverted the service of the utility situated on or about or delivered to the residential customer's premises.

B. Methods to Establish Acceptable Credit Rating for Residential Customers.

1. A residential customer or guarantor may establish an acceptable credit rating in any reasonable manner, such as the following:
  - a. Owns or is purchasing a home;
  - b. Is and has been regularly employed on a full-time basis for at least one year;
  - c. Has an adequate regular source of income;
  - d. Can provide adequate credit references from a commercial credit source or utility where the residential customer had prior utility service.
2. If a residential customer or prospective residential customer cannot establish an acceptable credit rating but can demonstrate to the utility that the residential customer does not have adequate financial resources to pay the security deposit because the residential customer has a low income and is elderly, disabled or subject to other special considerations, the utility shall give special consideration to such a residential customer in determining whether and what amount a security deposit will be charged.

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6. SECURITY DEPOSITS - GUARANTEES OF PAYMENTS (Cont.)

3. If a prospective residential customer cannot establish an acceptable credit rating but previously received utility service under the name of a spouse, the utility may consider prior utility service to that spouse in determining whether and in what amount a security deposit will be charged.

C. Refund of Deposits, Termination of Guarantees for Residential Customers.

1. Any residential customer who has not been chronically delinquent for the twelve (12) month period from the date of deposit or guarantee shall promptly receive a credit or refund in the amount of the deposit together with accrued interest due or shall be permitted to terminate any guarantee. If the amount of the deposit exceeds the amount of the current bill, the residential customer may request a refund in the amount of the excess if such excess exceeds ten dollars (\$10). If the residential customer fails to qualify for a refund of the deposit, the amount of the deposit shall be credited if the residential customer has not been chronically delinquent in the preceeding twelve months. A residential customer may request a refund at any time after twelve months, which refund shall be promptly paid if the residential customer has not been chronically delinquent during the prior twelve month period, or a utility may pay such refund in the absence of a request within a reasonable period of time.
2. Unclaimed deposits shall be handled as provided by law.

D. Security Deposits or Guarantees for Non-Residential Customers.

If a utility requires a deposit of Non-Residential customers it shall have on file with the Commission an approved rule setting forth the terms and conditions under which that deposit will be collected and refunded.

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6. SECURITY DEPOSITS - GUARANTEES OF PAYMENTS (Cont.)

E. Amounts of and Accounting for Security Deposits. Any deposit policy shall be as set forth in the utility's tariff on file with the Commission, pursuant to General Order No. 2, but shall conform to the following:

1. A deposit for a customer shall not exceed an amount equivalent to one-sixth (1/6) of that customer's estimated annual billings or not more than one and one-half times that customer's estimated maximum monthly bill.
2. Simple interest on deposits at the rate not less than the rate required by law shall accrue annually to the customer's credit for the time it is held by the utility. The deposit shall cease to draw interest on the date it is returned, on the date service is terminated, or on the date the refund is sent to the customer's last known address.
3. Each customer posting a security deposit shall receive in writing at the time of tender of deposit, or with the first bill, a receipt as evidence thereof. The receipt shall contain the following minimum of information:
  - a. Name of Customer.
  - b. Date of payment.
  - c. Amount of payment.
  - d. Statement of the terms and conditions governing the payment, retention, interest and return of deposits.
4. A utility shall provide means whereby a customer entitled to a return of deposit is not deprived of the deposit refund even though the customer may be unable to produce the original receipt for the deposit, provided the customer can produce adequate identification to insure that the customer is entitled to refund of the deposit.

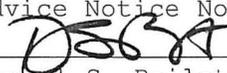
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6. SECURITY DEPOSITS - GUARANTEES OF PAYMENTS (Cont.)

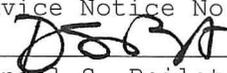
F. Record of Deposits. A utility shall keep records of deposits and issue receipts of deposits in accordance with the requirements of Subsections c., d., f., and g. of Section 19 of General Orders No. 5 and 6.

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7. DISPUTED BILLS

A. The Company agrees to promptly investigate any question as to the accuracy of metering (if applicable) of bills for service rendered, and if the bill is in error, the Company shall submit a corrected bill to the customer as promptly as circumstances permit or give credit on the bill rendered to the customer. X

B. In the event the customer disputes the amount of the bill for services rendered, the Company shall promptly make a complete investigation of the matter and, if the bill is correct, use its best efforts to explain the questionable points to the customer.

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EPCOR WATER NEW MEXICO INC.  
EDGEWOOD DISTRICT  
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8. SERVICE CONNECTION

A. The Company shall determine the point of service to any premises. The Company shall be called upon for exact information regarding the service entrance before any piping in the interior of the building has been started. If such information is not secured, expensive changes in piping installation may result for which the Company shall not be held liable in any way and will not assume any responsibility.

B. Not more than one service line shall be installed on the premises for any one customer unless agreed to by the Company where special circumstances exist.

C. No more than one single family residential unit shall be served through any single domestic water service connection. In the case of multiple dwelling units or condominiums, service can be rendered by a single connection or by individual meters for each dwelling unit at the option of the owner.

D. Company's service laterals shall terminate at the property line and it shall be the owner's responsibility and at the owner's expense to install a stop and waste valve and to make the necessary connection from the Company's service lateral to the building or buildings to be served. For those systems providing fire protection the customer shall install a pressure regulating device.

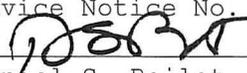
E. Company will endeavor to install meters as close as possible to the property line provided there is public access to the meter location.

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9. DISCONTINUANCE AND DENYING RESTORATION OF SERVICE

A. Customers who intend to move from the premises or discontinue the use of water or in any way terminate their liability hereunder shall give the Company reasonable notice of such intentions and the customer will be liable for all water that may be used upon the premises until such notice is given and the Company has made the final meter reading. Upon receipt of such notice, the Company will read the meter within a reasonable period of time.

B. Any customer desiring service disconnected shall give notice in writing to the Company at its office. The Company will endeavor to the best of its ability to act upon telephone or verbal orders to discontinue service, but in the event of a dispute, only a written order will be considered proof of notice.

C. The Company reserves the right to interrupt service for a reasonable period for repairs to its property or equipment.

D. The Company may discontinue utility service to a residential customer with prior notice:

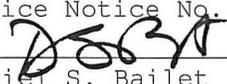
1. In the event of a condition determined by the Company to be hazardous.
2. In the event of residential customer's use of equipment in such a manner as to adversely affect the Company's equipment or the Company's service to others.
3. In the event of residential customer's tampering with, damaging, or deliberately destroying the equipment furnished and owned by the Company.
4. In the event of unauthorized use of service provided by the Company.

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9. DISCONTINUANCE AND DENYING RESTORATION OF SERVICE (Cont.)

E. The Company may discontinue utility service to a residential customer for:

1. Nonpayment of a delinquent account.
2. Failure to comply with the terms and conditions of a settlement agreement.
3. Discontinuance of utility service under this sub-paragraph shall be governed by sub-paragraph L, M, N, O and P of this rule.

F. After three days prior written notice, the Company may discontinue utility service to a residential customer for:

1. Refusal to grant access at reasonable times to equipment installed on the premises of the residential customer for the purpose of inspection, meter reading, maintenance or replacement.
2. Failure to furnish such service, equipment, permits, certificates, and/or rights of way, as shall have been specified by the Company as a condition to obtaining service, or in the event such equipment or permission is withdrawn or terminated.
3. Violation of and/or noncompliance with the Company's rules on file with and approved by the Commission.
4. Failure of the residential customer to fulfill contractual obligations for utility service and/or facilities other than settlement agreements.

G. The three-day notice required by paragraph F of this rule shall be in English and Spanish, as may be applicable, and shall include the following:

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9. DISCONTINUANCE AND DENYING RESTORATION OF SERVICE (Cont.)

1. A statement of the reason(s) why the Company has issued notice to discontinue utility service.
  2. The title(s), address, telephone number(s) and working hours of the personnel at the Company responsible for carrying out the rights herein prescribed.
  3. A statement that the residential customer can obtain a review by personnel of the Company of the reasons for the proposed discontinuance of service, which shall stay the discontinuance during the review, and a statement that a complaint may be filed with the Commission if the residential customer disagrees with the Company's determination of the facts on which the proposed discontinuance is based.
- H. The Company shall not discontinue service for:
1. The failure of a residential customer to pay for special services.
  2. The failure of a residential customer to pay for service received at a separate metering point, residence or location. However, in the event of discontinuance or termination of service at a separate residential metering point, residence or location, the Company may transfer any unpaid balance due to any other residential service account of the residential customer and proceed in accordance with Paragraph E.
  3. The failure of a residential customer to pay for a different class of service received at the same of different location. However, the placing of more than one meter at the same location for the purposes of billing the usage of specific devices under optional rate tariffs or provisions is not construed as a different class of service.

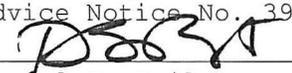
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9. DISCONTINUANCE AND DENYING RESTORATION OF SERVICE (Cont.)

4. Nonpayment of the disputed amount of a bill.
5. Delinquency in payment for service to a previous occupant of the same premises unless a court has found the new customer legally liable for the debt of the previous occupant, or the previous occupant continues to reside at the premises.
6. Failure of a residential customer to pay the bill of another customer as guarantor thereof.
7. Failure of a residential customer to pay an estimated bill rendered in violation of Rule No. 21.

I. Use of the Company's curb or meter shut-off valve by customer or customer's agent is prohibited. This practice by unauthorized persons may be reason for discontinuance of service.

J. If during a shortage of supply the Company finds evidence of excessive waste of water by a customer, or if it becomes necessary to ration water, the Company will advise the customer of such condition. If within 24 hours of receiving notice from the Company the customer has failed to either correct the condition causing excessive use, complied with rationing orders or demonstrated to the Company's satisfaction why he cannot comply with this time period the Company may proceed with discontinuance of service.

K. Any customer whose service is involuntarily disconnected may be required to pay a reconnection fee in addition to all other fees and charges before being reconnected to any system operated by the Company.

L. At least fifteen (15) days before the Company proposes to discontinue service to a residential customer, the Company shall provide that residential customer with notice of each of the rights such

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General Manager, New Mexico

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9. DISCONTINUANCE AND DENYING RESTORATION OF SERVICE (Cont.)

residential customer may have relating to discontinuance of service and settlement agreements. Such notice shall be in writing, in English and Spanish, and in simple language. Such notice shall be delivered to the affected residential customer in person or by depositing a copy of the notice in the U.S. Mail, postage prepaid, addressed to the residential customer at the address for the affected residential customer known to the Company. Such notice shall contain:

1. The title(s), address, telephone number(s) and working hours of the personnel at the Company responsible for carrying out the rights.
2. The amount owed and the date by which the residential customer must either pay the amount due or make other arrangements with the Company concerning payment of the charges, including arrangements for a settlement agreement. The consumption period over which said amount was incurred and the date the amount of the last payment shall be available on request.
3. A statement that if the residential customer pays that portion of the bill which is not a bona fide dispute, the residential customer can obtain a review by personnel of the Company of the portion of the bill which the residential customer does dispute.
4. A statement that a residential customer may file a complaint with the New Mexico Public Regulation Commission in accordance with Second Revised General Order No. 1 if the residential customer disagrees with the Company's determination concerning discontinuance of service.
5. A statement that the Company will not discontinue service to any residence where a seriously ill person resides or person whose life may be endangered by discontinuance of service, if at least two (2) days prior to the proposed discontinuance date

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9. DISCONTINUANCE AND DENYING RESTORATION OF SERVICE (Cont.)

indicated in the notice, the designated Company personnel receives a certificate or copy thereof from a practitioner of the healing arts, on forms provided by the Company or other suitable forms, stating that discontinuance of service might endanger the person's life and the residential customer demonstrates to the designated Company personnel in writing, on forms provided by the Company or other suitable forms, that such residential customer does not have adequate financial resources to pay the utility charges when due, whether or not the accuracy of such charges are the subject of a bona fide dispute; and that if service has been discontinued, the Company shall reestablish service within twelve (12) hours of receipt of said certificate.

6. A blank medical certificate, which shall permit the practitioner to indicate the expected duration of the residential customer's serious illness or life endangering situation and a form for notifying the Company of a residential customer's having inadequate financial resources to pay utility charges when due. Such forms properly executed shall be adequate to delay discontinuance for at least thirty (30) days and at the Company's option, the Company may delay discontinuance for up to one hundred twenty (120) days or for a longer period of time. The Company shall promptly notify the residential customer in writing as to how long it deems the certificate to be valid; provided however, that should the circumstances on which the certificate is based appear to have changed, the Company may require additional certification.
7. A statement of the cost of reconnection.
8. A statement that "If you are a recipient of public assistance, contact your caseworker immediately."

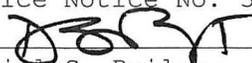
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9. DISCONTINUANCE AND DENYING RESTORATION OF SERVICE (Cont.)

M. The Company shall take reasonable steps to communicate with a residential customer, by telephone or personal contact, at least two (2) days prior to the actual date of discontinuance of service, in order to obtain payment of delinquent accounts. The Company employee personnel contacting a residential delinquent customer two (2) days prior to discontinuance, and the utility employee sent to discontinue utility services shall note any information which is made known to the employee by the residential customer regarding any resident's seriously ill or life endangering health condition, such as whether a resident is physically disabled, frail or elderly. Such information shall be immediately reported in writing to a Company employee authorized to prevent discontinuance. That employee shall either delay the discontinuance order if it is apparent the forms provided for in Paragraph No. 5 will be received, or shall state in writing why such delay is not effected. The Company and Company employee's noting of the information made known by the residential customer, acting upon such information or failing to act on such information in good faith, shall cause the Company and Company employee to be held harmless for error made. The Company employee sent to discontinue utility service shall be empowered to receive payment of delinquent bills and upon receipt of the payment, said employee shall be empowered to cancel the discontinuance order.

N. The Company shall offer its residential customers a third party notification program and develop adequate procedures for notification to its residential customers of the availability of the program. The third party notification program shall only be extended to residential customers who notify the Company in writing of their desire to participate in the program and designate the specific person, organization, or governmental agency who is ready, willing and able to assist the residential customer in the payment of utility bills. Upon receipt of such notice from a residential customer, the Company shall not discontinue service to the residential customer for nonpayment of past due charges without (1) contacting the designated person, organization or governmental agency by

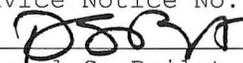
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9. DISCONTINUANCE AND DENYING RESTORATION OF SERVICE (Cont.)

phone or in writing at least fifteen (15) days prior to the proposed discontinuance of service and (2) determining that the designated person, organization or governmental agency has not made a commitment to assist payment of the past due charge of that residential customer within a reasonable period of time.

O. When a residential customer has indicated to the Company an inability to pay utility charges and has not been chronically delinquent, the Company shall attempt to arrange an installment payment plan for the payment of past due utility charges. While an installment payment plan is being negotiated, the Company shall not discontinue service to such residence. In the event that either negotiation of the installment plan is discontinued or progress in its negotiation is stalled, the Company may proceed with discontinuation of service.

P. The Company shall provide a procedure for reviewing residential customer allegations that a proposed installment payment plan is unreasonable; that a utility charge is not due and owing; or that it has not violated an existing installment payment plan. Such procedure shall provide due notice to residential customers, and the reviewing employee shall have authority to order appropriate corrective action. Such review shall stay the discontinuance of utility service until the review is completed.

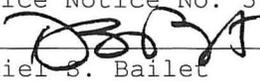
Q. Utility service to a residential customer may be discontinued only during the hours from 8:00 a.m. to 3:00 p.m. on Monday through Thursday and may not be discontinued less than twenty-four (24) hours prior to a holiday or weekend unless the Company's business office is open for receipt of payment of past due charges and Company personnel are available to restore such service upon payment during said holiday or weekend.

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10. RESPONSIBILITY FOR WATER SERVICE EQUIPMENT

A. Company's Responsibility. The Company does not assume any responsibility for the yard line or customer's water line.

B. Customer's Responsibility. The Customer shall use due diligence to protect the property of the Company, installed on the premises of the customer or on premises under his control, and the representative of the Company shall have the right of access to the premises at all reasonable hours for the purpose of inspecting, testing, repairing, installing or removing the property of the Company.

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11. INTERRUPTION OF SERVICE

A. The Company agrees to use reasonable diligence rendering continuous service and in furnishing a regular and uninterrupted supply of water, but the Company does not guarantee uninterrupted of such service and supply and shall not be liable for damages in the case such supply should be interrupted or fail by reason of an act of God, the public enemy, accidents, strikes, legal process, state, county or municipal interferences, breakdowns or damage to the machinery or supply, processing and distribution or any cause beyond the control of the Company.

B. The Company reserves the right to discontinue water distribution service for the purpose of making connections or extensions, repairs, raising or lowering of its pipe, or for any alterations, improvements, repairs, emergencies, or in connection with its business and will not be liable for damages occasioned by interruption of, or reduction in, service when such interruptions or reductions are necessary to make repairs or changes in the Company's transmission or distribution facilities. The Company will endeavor to give reasonable notice in advance of any planned shut-off.

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12. RATES AND OPTIONAL RATES

A. The rates to be charged by and paid to the Company for domestic water service will be the rates legally in effect, approved by and on file with the New Mexico Public Regulation Commission. Complete schedules of all rates legally in effect will be kept at all times at the Company's branch offices and at the office of the Commission in Santa Fe.

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B. Any and all changes duly made in the filed rate, or on terms and conditions of service under which the contract between the Company and the customer is made, shall apply to the contract on and after the date such changes have been approved by the Commission and said changes become effective.

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13. ACCEPTABLE STANDARDS

A. The Company will adhere to the applicable Commission minimum design and construction standards.

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14. COMPANY'S RIGHT TO INGRESS TO AND EGRESS FROM CUSTOMER'S PROPERTY

Duly authorized agents or employees of the Company, carrying proper credentials and identification, shall have free access at all reasonable hours to all parts of the premises of the customer for the purpose of inspection and testing or for reading, changing or removing its water meters. If such duly authorized agents or employees, after showing proper credentials and identification, are refused admittance or hindered or prevented from making such inspections the service may be discontinued until free access is given in accordance with Rule 9, Section F, 1.

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15. UNAUTHORIZED CONNECTIONS

Domestic water service furnished by the Company to any customer shall be used only in connection with such customer's residence to which the service is piped. No additional facilities or supplies shall be connected to the existing service nor shall service be piped from one residence, dwelling, or building to another residence, dwelling, or building without first obtaining a written permit, authorization and/or statement of requirements from the Company.

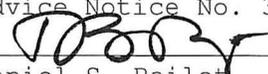
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16. STOPPAGE OR OBSTRUCTION OF SERVICE

The Company shall not be responsible for the stoppage or obstruction of breaks in facilities or lines of the customer.

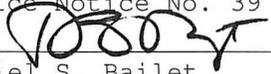
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17. TEMPORARY AND SPECIAL SERVICES

A. Where service connections are available, temporary domestic water service will be furnished under the Company's established rules, regulations and rates for the type of service required; provided, however, that the customer shall pay, in addition to the cost of service rendered under its applicable rate, the cost of installing and removing, of connecting and disconnecting the necessary facilities required to provide such services.

B. Temporary and special service connections are primarily available to furnish and supply domestic water during states of building construction prior usage shall be considered as a special case when not covered by a specific rate or schedule filed for the specialized usage.

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18. METERING

A. Ownership of Meters: All meters used in connection with metered service shall be installed, maintained and owned by the Company.

B. Meter Testing: Each meter, whether new or repaired, or removed from service for any cause, shall be tested and in good order before being installed. All tests to determine the accuracy of registration shall be made with standard meter testing equipment.

C. Upon request by a customer, the Company shall make a test of the meter serving him and shall advise the customer that he may be present. If the meter has been tested within the last twelve months, the Company may charge the customer a meter test charge, as approved by and on file with the Commission, for making such a test and such charge will be refunded to the customer whenever the meter proves to be in excess of two percent (2%) fast.

D. The customer or his representative, may be present, if he desires, when his meter is tested. If the customer wishes to be present, he should so notify the Company at the time of his request for the meter test. The Company shall give the customer reasonable advance notification as to the day, time and place of said meter test.

E. A report of the results of the test shall be made to the customer within a reasonable time after the completion of test, and a record of the report, together with a complete record of each test shall be kept on file at the office of the Company with compliance to such retentions as authorized by the New Mexico Public Regulation Commission under General Order No. 3. X

F. Fast Meters: When a meter is found to be in fact in excess of two percent (2%) error against the customer in tests made at any time, the Company shall refund to the customer an amount equal to the excess charged for the water incorrectly metered. The period which the correction is to be made shall be the time of apparent failure; provided, however, the period shall not exceed six (6) months. No part of the minimum service charge shall be refunded.

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18. METERING (Cont.)

G. Slow Meters: If, upon testing, the meter is determined to be more than two percent (2%) slow, the amount of the under-charge resulting from the error will be billed to the customer, but the period employed in calculating the under-charge shall not exceed six (6) months. The customer will not be billed for the period between his advice to the Company that he doubts the meter's accuracy and the test of the meter by the Company if the interval exceeds a time reasonable under the circumstances.

H. Failure to Register: In the event of stoppage or failure of the meter to register the full amount of water consumed, the customer will be billed for such period from the time elapsed since the last previous test or the time of apparent failure on an estimated consumption based upon his use of water in a similar period of like use. Provided, however, the period shall not exceed six months.

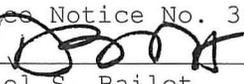
I. The Company reserves the right to test any meter at any time during business hours and to enter the premises of a customer if necessary for that purpose.

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19. LINE EXTENSION POLICY

NEW WATER SERVICE

When an extension of the 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:

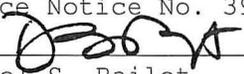
1. All line extensions shall be sized to provide adequate domestic service and, where required, fire protection service including fire hydrants. Minimum sizing of mains shall be 8-inch.
2. Investment in the line extension required to serve the applicant may be required to be paid in total by the applicant requesting the extension in the form of an Advance for Construction or a Contribution in Aid of Construction. A cash deposit for the cost of the materials will be required and upon receipt of that deposit all materials will be promptly ordered. Upon receipt of the materials the applicant will be advised of a construction date, provided the applicant has provided the Company with all reasonable information concerning the project; and that all work will be completed within 30 days after receipt of the balance of the deposit. However, additional time may be required if circumstances beyond the control of the Company so dictate.
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.

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19. LINE EXTENSION POLICY (Cont.)

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. At the option of the applicant, revenues will be determined based on one (1) of the following two (2) methods:

- a) Estimated annual revenue may be obtained from the Annual Report, as filed with the NMPRC, for the prior year and shall be based on the revenues and customers as shown for each representative classification.
- b) Actual revenues as recorded by the Company for the permanent customer over a 12-month period.
- c) The Company does not guarantee the revenues calculated in method (a) would be equal to the revenue calculated in method (b).

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II. The refund to the original customer shall be equal to 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 equal to 3 times the estimated annual revenue for that new customer will be made if a refund is not provided for under paragraph B below.

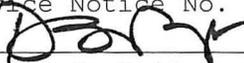
IV. In no event may refunds to an applicant total more than the Advance for Construction.

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19. LINE EXTENSION POLICY (Cont.)

- 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.
- VI. Refunds will be made annually on or about the anniversary date of the Water Line Extension Agreement.
- 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 lots, 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

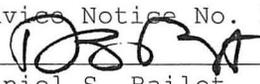
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19. LINE EXTENSION POLICY (Cont.)

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 conditions 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 the 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.

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.

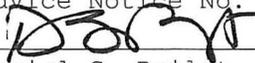
All such line extension contracts shall be filed with the Commission. Any special or unusual conditions which affect the cost of furnishing of an adequate or required (i.e. fire protection) supply of water for a line extension, such as elevation, terrain, construction conditions, the volume of water available from the existing supply and distribution system,

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19. LINE EXTENSION POLICY (Cont.)

or any other conditions which would result in increased cost to the Company should 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 includes such special or unusual conditions.

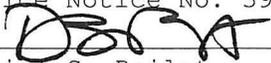
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20. LIMITATIONS AND RESTRICTIONS OF USE OF WATER

A. Before undertaking anything which will use unusually large quantities of water, the Company shall be consulted for its approval of such additional service and for the terms and advice as to conditions under which the water will be supplied to the premises of the customer.

B. The Company reserves the right to limit the size of service connections or openings through which its service is furnished and to prohibit the customer's waste or excessive quantities of water which exceed or strain the capacity of the Company for supply in water to all customers. Noncompliance of this rule by any customer shall constitute grounds for discontinuing service in accordance with Rule 9.

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21. SETTLEMENT AGREEMENTS

A. Settlement Agreements to be in Writing.

When a Company and a residential customer settle a dispute or when a residential 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 residential customer shall enter into a settlement agreement to pay the amount of the bill. 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 residential customer. The Company is not required to enter into a settlement agreement with a chronically delinquent residential customer. However, if a chronically delinquent residential customer can demonstrate to the Company that the residential customer does not have adequate financial resources to pay the outstanding bill without participation in the settlement agreement and because the residential customer has a low income and is elderly, disabled or subject to other special considerations, the Company shall give special consideration to such a residential customer in determining whether to extend a settlement agreement to that residential customer.

B. Installment Payments

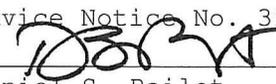
1. Every settlement agreement involving an inability to pay an outstanding bill in full when due shall provide that service will not be discontinued if the residential customer pays a reasonable portion of the outstanding bill upon signing the settlement agreement and agrees to pay the remaining outstanding 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 residential customer's ability to pay; (3) the residential 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 residential customer's service. A settlement agreement to pay an outstanding past due balance on a bill does not relieve a residential customer from the obligation to pay future bills on a current basis.

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21. SETTLEMENT AGREEMENTS (Cont.)

2. If the residential customer has entered into an installment plan pursuant to a settlement agreement, the residential 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 acknowledgement of previous installment payments.

C. Failure to Comply with Settlement Agreements

1. If a residential customer fails to comply with a settlement agreement, the Company may discontinue service after notifying the residential customer by personal delivery of written notice, or by first class mail, that the residential 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 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 residential customer from renegotiating the terms of a settlement agreement.

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Daniel S. Bailet  
General Manager, New Mexico

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EPCOR WATER NEW MEXICO INC.  
EDGEWOOD DISTRICT  
SECOND REVISED RULE NO. 22  
CANCELLING NEW MEXICO-AMERICAN FIRST REVISED RULE NO. 22

NEW MEXICO  
PUBLIC REGULATION  
COMMISSION  
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RULES AND REGULATIONS

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22. COMMISSION COMPLAINT PROCEDURES

A. Pursuit of Remedies with the Company as a Condition to Filing a Complaint with the Commission. The Commission shall not accept a formal or informal complaint from a residential customer until the residential customer has made a good faith effort to resolve the complaint directly with the Company. The Commission specifically reserves the right to waive this requirement when in equity and good conscience circumstances so require.

B. Informal Complaints. Informal complaints should be in writing but may be initiated by telephone or in person at the offices of the Commission. If in writing, the complaint need not be in affidavit form. An informal complaint shall state the name and address of the residential customer, the name of the Company, the nature of the original complaint in a clear and concise manner, the relief requested, whether the residential customer has pursued all remedies with the Company which are available, and such other information as is required under General Order No. 1, Rule 9 of Rules of Practice and Procedure of the Commission. If the informal complaint does not initially contain this information a member of the Commission staff will contact the complainant to attempt to obtain the missing data.

C. Commission Investigation of Complaint. Upon receipt of an informal complaint, the Commission shall, when appropriate, advise the Company within a reasonable period of time, that a complaint has been filed against it; the Commission staff shall review and investigate the complaint and shall advise the complainant and the Company, within a reasonable time of the results of the investigation.

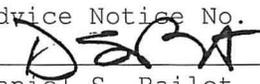
D. Informal Staff Conferences. If the staff of the Commission is unable to resolve the complaint to the satisfaction of the parties, either party may, within five (5) days after receipt of the results of the investigation, request an informal conference with staff or file a formal complaint in accordance with the Rules of Practice and Procedure of the Commission. The Commission must find probable cause for the complaint prior to setting the matter down for hearing.

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RULES AND REGULATIONS

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22. COMMISSION COMPLAINT PROCEDURES (CONT.)

E. Formal Complaints. If the parties are unable to reach a settlement of their dispute, a formal complaint may be filed with the Commission pursuant to the provisions of the Rules of Practice and Procedure of the Commission.

F. An Appeal of the Commission Prevents Discontinuance. The Company shall not discontinue utility service to a residential customer or issue a notice of discontinuance relative to the matter in dispute once a formal complaint has been filed with the Commission. The Commission shall immediately notify the Company that a formal complaint has been filed against it.

G. In Forma Pauperis. The Commission shall authorize the commencement, prosecution, defense, and investigation of any complaint filed under these rules without payment of fees and costs or security, by a residential customer who makes an affidavit that the residential customer is unable to pay such costs or security, as may be provided by law.

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23. ESTIMATED BILLS

A. The Company may not render a bill based on estimated usage to a residential customer, other than a seasonably billed customer unless: (1) the utility is unable to obtain access to the residential customer's premises through no fault of its own for the purpose of reading the meter or in situations where the residential customer makes reading the meter unnecessarily difficult; (2) a meter is defective or has been evidently tampered with or bypassed; or (3) weather conditions prohibit meter readings or where other force majeure conditions exist. If the utility is unable to obtain an actual meter reading for these reasons, it shall attempt to contact the residential customer and attempt to obtain access to the premises or it shall undertake reasonably practical alternatives to obtain a meter reading. The Company must, for no less than twelve (12) months, maintain accurate records of the reasons for each estimate and of the efforts made to secure an actual reading.

B. The Company may not render a bill based on estimated usage for more than two consecutive billing periods with prior notification to the Commission, nor for an initial reading or final bill for service, unless otherwise agreed to by the residential customer and the Company.

C. If the Company underestimates a residential customer's usage, and subsequently seeks to correct the bill, the residential customer shall be given an opportunity to participate in an installment payment plan, with regard to the underestimated amount.

D. Meter reading: Meters will be read as nearly as possible at regular monthly intervals provided, however if one month's meter reading is missed, the Company may bill the customer on an estimated consumption and the difference adjusted when the meter is again read. The basis for this estimate shall be the normal consumption for corresponding periods in the preceding year and/or normal consumption of preceding months. At the first reading, subsequent to the nonreading the rate structure shall be taken into account when adjusting the bill.

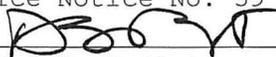
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