

EXHIBIT C - LINE EXTENSION POLICY
TO AUGMENT THE AGREEMENT ON THE SALE OF
ASSETS TO THE TIMBERON WATER COMPANY

The Timberon Water and Sanitation District was established in 1990 with the purpose and power under New Mexico law to serve a public use which promotes the health, safety, prosperity, security and general welfare of all inhabitants within the boundaries of the District.

Principal among the reasons for organizing the Timberon Water and Sanitation District was the commitment to supply safe, clean water to all citizens of the District and to promote conservation of the water resource.

The Timberon Water and Sanitation District is responsible for providing an adequate supply of safe, clean water, at acceptable pressure to serve the needs of all Timberon. Timberon Water and Sanitation District will be responsible for the cost of modifications to the existing system, where feasible, to satisfy pressure and supply requirements.

The District will support the growth and development of Timberon through improvements to the water source and distribution system as funds for capital improvement become available. These funds will come from grants, low cost loans, and special assessments.

Water rates, installation charges, and other fees or charges will be uniform throughout the District. Timberon Water and Sanitation District will publish a list of rates and other charges, and make all such information available to all citizens of the District.

When an extension of a Timberon Water and Sanitation District waterline 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 to platted property shall be made under the following terms and conditions:

1. All waterline extensions shall be sized to provide adequate domestic service and, where required, fire protection service including fire hydrants. All such installations must be in compliance with specifications provided by the District. Timberon Water and Sanitation District will have the right to inspect such new construction to insure compliance at all stages of construction.

2. Individuals or developers who desire water service are responsible for all costs of waterlines and other facilities required to connect with the existing water system.

3. The Timberon Water and Sanitation District shall not under any condition make an extension that would be unprofitable and thereby cause undue financial burden to existing customers as the extension should not cause an increase in rates for service for existing customers which is unduly discriminatory.

4. All waterlines shall be installed in existing public roads, alleys or easements. The applicant shall furnish such rights-of-way as required without charge to the Timberon Water and Sanitation District. When the extension is completed and approved by Timberon Water and Sanitation District, title to all extended lines and easements for all facilities shall be transferred to Timberon Water and Sanitation District. Timberon Water and Sanitation District will then connect the extension to the existing system. Thereafter, Timberon Water and Sanitation District shall be solely responsible for maintenance of the extension and for future service. Any interest in water rights which the developer holds shall be transferred to Timberon Water and Sanitation District upon connection of the extension to the existing water distribution system.

5. Parties requesting subsequent connections or extensions to waterlines already installed by the Timberon Water and Sanitation District at its expense, may be required to reimburse the Timberon Water and Sanitation District for a pro rata share of the cost of the waterlines at the time connection is completed. This will be based on waterlines and appurtenances sized to serve the new applicant with adequate domestic and fire protection service if required. Total collections by the Timberon Water and Sanitation District under this provision shall not exceed the total cost of the waterlines.

6. In the instance of residential subdivisions, commercial enterprises, or were special circumstances warrant in the case of residential waterline extensions otherwise includable under paragraph 5, a waterline 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.

7. 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 waterline 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 Timberon Water and Sanitation District shall be included in the cost of all waterline extensions. Such special contracts shall be entered into with residential customers otherwise includable under paragraph 5 when the cost of such waterline extensions includes such special or unusual conditions.

STATE OF NEW MEXICO } S.S.
OTERO COUNTY }
FILED FOR RECORD IN MY OFFICE
This 16th day of September 1993
At 4:25 o'clock P. M and duly recorded
in Book No. 758 Page 272-296
the records of Otero County, New Mexico
Mary D. Oert
County Clerk, Otero County, New Mexico
By Michael Wagner Deputy

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