

STATE OF TEXAS            }  
  }  
COUNTY OF EL PASO        }

**Third Employment Extension Agreement**

This Third Employment Extension Agreement (Third Extension) is made and entered into effective July 1, 2007, and is to amend and extend that Employment Agreement dated October 27, 1999 between El Paso Water Utilities Public Service Board, with its principal office located at 1154 Hawkins, El Paso, Texas 79925 (Employer), and Edmund G. Archuleta, a natural person currently residing at 829 Dulce Tierra Drive, El Paso, Texas 79912 (Employee), extended by that Employment Extension Agreement dated May 14, 2003 and Second Employment Extension Agreement dated effective July 1, 2005 (collectively the Employment Agreement). Except as terms are expressly amended in this Third Extension, all terms of the Employment Agreement shall remain in full force and effect.

WHEREAS, Edmund G. Archuleta has rendered exemplary service to the City of El Paso and the Public Service Board as General Manager of the El Paso Water Utilities (EPWU) for over eighteen years; and

WHEREAS, the work and dedication of Edmund G. Archuleta has lead to a successful completion of the largest inland desalination plant in the world; and

WHEREAS, this desalination plant and other long term water planning that Mr. Archuleta has consistently advocated have made a critical difference in the expansion of Ft. Bliss to the benefit of the entire El Paso community; and

WHEREAS, Mr. Archuleta created the vision of an international water learning center known as TECH2O Water Resources Learning Center for interactive water education, training and national and international symposiums, the construction of which was successfully completed during 2007, among the other accomplishments between July 1, 2006 and July 1, 2007 listed on Exhibit A; and

WHEREAS, for Fiscal Year 2006-2007 Mr. Archuleta has overseen construction projects of over \$111 million with over \$48 million being awarded to small, minority and women owned businesses; and

WHEREAS, after the severe flooding in the summer of 2006, the City of El Paso asked Mr. Archuleta to accept the transfer from the City of the responsibility for the management and operation of the City's entire storm water system through the creation of a new Storm Water Utility, and Mr. Archuleta has agreed to significantly increase his scope of work and financial responsibilities and use his expertise in order to initiate and form this new Utility and begin its operations with all of the related planning, financial analysis, management, maintenance and human resources requirements; and

WHEREAS, the Public Service Board hired Red Oak Consulting, a division of Malcolm Pirnie, Inc., to conduct an executive compensation survey in order to ensure that the compensation of upper management of EPWU was in line with the market, and which study included the recommendation that Mr. Archuleta's title be changed from General Manager to President and Chief Executive Officer and that the salary and benefits for this position be increased;

NOW THEREFORE, in consideration of the mutual covenants and representations contained herein, the parties hereby agree as follows:

**ARTICLE I  
TERM OF EMPLOYMENT**

- 1.01 The Employer employs the Employee, and the Employee accepts employment with the Employer, for a period beginning on July 1, 2007, and ending on June 30, 2011.

**ARTICLE 2  
COMPENSATION**

- 2.01 Beginning on July 1, 2007, Employee shall be paid as compensation for all services rendered under this Third Extension for the period between July 1, 2007 and June 30, 2011, a salary rate of \$225,000 per year. The salary is payable in equal bi-weekly installments during the period of employment. Compensation will be no less than \$225,000 per year, but an additional \$50,000 shall be payable annually on July 1<sup>st</sup> of each year for the time periods ending June 30, 2008, June 30, 2009, June 30, 2010 and June 30, 2011, if the performance objectives of the Performance Plan attached as Exhibit "B" are being progressively met by Employee during the immediately preceding review period. Employer will have the option to review and increase the annual salary for any reason including the results under the Employee's Performance Plan Review. Employer agrees to pay the Employer-percentage of retirement on the combined amount of base salary plus incentive bonus.
- 2.02 Effective July 1, 2007 Employer will make contributions to Employee's 401(a) Defined Contribution Plan in the maximum amount allowed by the terms of the Plan.
- 2.03 Until February 28, 2021, Employer will continue to pay, as additional compensation, the sum of \$50,000 annually, in monthly installments of \$4,166.66 per month.
- 2.04 Effective July 1, 2007, the monthly car allowance of Employee shall be increased to \$500 a month.

**ARTICLE 3  
TITLE AND DUTIES OF EMPLOYEE**

- 3.01 Title and Duties.  
The Employee is employed as President/CEO.
- 3.03 Performance Review  
Attached as Exhibit "B" is the Performance Plan.

**ARTICLE 4  
GENERAL PROVISIONS**

Termination

- 4.01 This Third Extension may be terminated by the Employee in the event of the employee's sickness or physical inability to perform on a full time basis, in which event, health permitting, the parties will revise this Agreement to be a consulting agreement under mutually acceptable terms.




Entirety of Agreement

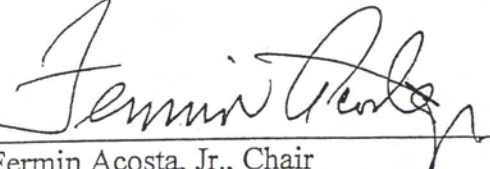
4.09 This Third Extension is supplemental to the letter agreement dated December 9, 1988, first offering employment to Employee, the Employment Agreement dated October 27, 1999, the Employment Extension Agreement dated May 14, 2003, and the Second Employment Extension Agreement, all of which are hereby ratified. These prior agreements and this Third Extension contain the entire understanding of the parties and all of the covenants and agreements between the parties with respect to such employment.

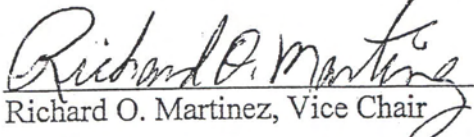
Executed effective as of the 1<sup>st</sup> day of July 2007.

EMPLOYEE:

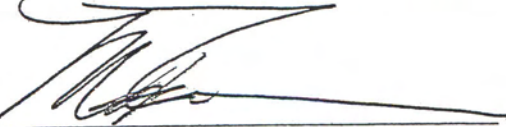
  
Edmund G. Archuleta, P.E.

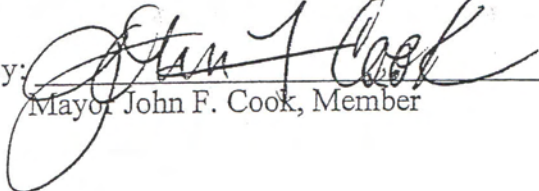
EMPLOYER:  
EL PASO WATER UTILITIES  
PUBLIC SERVICE BOARD

By:   
Fermin Acosta, Jr., Chair

By:   
Richard O. Martinez, Vice Chair

By:   
Ruben E. Guerra, Secretary-Treasurer

By:   
Maria F. Teran, Member

By:   
Mayor John F. Cook, Member

**El Paso Water Utilities Public Services Board  
Executive Compensation Survey  
Survey Results**

	El Paso Water Utility	Denver Water	El Paso Electric	Louisville Water Co.	Albuquerque Bernalillo Co. Water Utility	Miami-Dade Water, Sewer	San Francisco Public Utilities Commission	San Antonio Water System	Greater Cincinnati Water Works
Contact Person	Edmund G. Archuleta, General Manager	Kathy Balu, Human Resources	Esschel Redd, CEO, Kerry Lore, VP over Administration	Kathy Schroeder, Human Resources	Mark Sanchez, Executive Director	Lois McGeachy, Senior Compensation Specialist, HR	Mike De Bellis, Manager of Employee Relations	Jerry Bailey, VP of Human Resources	Darla Meadors, Senior Administrative Specialist
Phone Number	915-594-5501	303-628-6331	915-543-5711	502-569-3694	505-768-2504	305-514-6000	415-554-1656	210-233-3514	513-591-7970
Position Title	General Manager	Manager	President/CEO	President	Executive Director	Water & Sewer Dept. Director	General Manager	President/CEO	Water Works Director
Who They Report To	Board	Board of Directors (5)	Board (12)	Board (7)	Board made up of Mayor, Commissioners	County Manager	Board (5)	Board (7)	City Manager
No. of Employees	800	1,050	1,000	445	550	2,604	2,150	1,662	637
No. of VP, AGM	1 Asst. Gen. Mgr.	7 Directors	3 VPs	11	General Manager	2 Deputy, 7 Asst.	7 Asst. Mgrs.	11 VP's	7 Division Heads
Operating Budget	\$77 M	\$211 M	\$800 M	\$64.3 M	\$140 M	\$425M	\$800 M	\$250 M	\$108.5 M
Capital Budget	\$192 M	\$97.5M	\$150 M	\$88.0 M	\$200 M, average is \$50 M	\$221 M	Not provided	\$198.8 M	\$51.8 M
Who Presents Budget	General Manager	Manager	CFO	President	Executive Director	County Manager	General Manager	CFO	Water Works Director
Who Approves Budget	Board	Board	Board	Board	Board	Board of County Commissioners (13)	Board	Board	City Council
Services Provided	Water, Sewer, Reuse, Stormwater	Water only	Electric	Water only	Water, Sewer, Reuse	Water, Sewer	Water, Sewer, Stormwater, Reuse, Electricity	Water, Sewer, Heating & Cooling, Conservation	Water
No. of Customers	188,000	1,115,000	350,000	810,000	165,000	412,000 Water, 330,000 Sewer	2.4 M	415,000	235,000



**El Paso Water Utilities Public Services Board  
Executive Compensation Survey  
Survey Results**

No. of Plants	Major Laboratory	Job Description	Board Positions	El Paso Water Utility	Denver Water	El Paso Electric	Louisville Water Co.	Albuquerque Bernalillo Co. Water Utility	Miami-Dade Water, Sewer	San Francisco Public Utilities Commission	San Antonio Water System	Greater Cincinnati Water Works
7 (+1)	Yes	Yes	American Water Works Association, Water Environment Federation, Water for People, Water Reuse Foundation, SEE BIO FOR FULL LIST	General Manager directly involved with land acquisition, water rights.	Property Acquisition position, Manager oversight	Yes, involved in negotiations.	No	Yes, he is directly involved	No, under another department	Yes involved	Yes, very much involved, but has VP over it.	Yes, the Water Works Dept. owns and manages certain properties.
4	Yes	Will send	American Water Works Association, Western Urban Water Coalition, Board member for CO									
3	NA	No	Chamber of Commerce, Redevelopment Authority									
2	Yes	Yes	Not provided									
2	Yes	No	Chamber of Commerce, Redevelopment Authority									
11	Yes	No	Secretary to Environmental Quality Board, executive council for the Developmental Impact Fee Committee, advisory council of the University of Miami School of Eng., etc.									
8	Yes	No	Not available									
7	Yes	Yes	Free Trade Alliance, executive committee, SA Chamber of Commerce, South TX Regional Planning Group, Regional Water Alliance									
2	Yes	Yes	Association of Metropolitan Water Agencies, American Water Works Research Foundation, AWWA, AWWA's Manufacturers/Associates Council, AWWA's Water Utility Council, Ohio AWWA, American Society of Public Administrators, Int'l City Mgmt Assoc.									



**El Paso Water Utilities Public Services Board  
Executive Compensation Survey  
Survey Results**

Complex Issues	El Paso Water Utility	Denver Water	El Paso Electric	Louisville Water Co.	Albuquerque Bernalillo Co. Water Utility	Miami-Dade Water, Sewer	San Francisco Public Utilities Commission	San Antonio Water System	Greater Cincinnati Water Works
	Setting up Stormwater Utility, growth, Ft. Bliss expansion, Rio Grande Compact	Construction of new facilities, bringing on line reuse plant.	Handling growth, union contracts	Acquiring water companies in Kentucky, Indiana, Pension costs	Implement stormwater program to replace groundwater, develop new water resources, unions, manage growth	Alternative water supplies, wastewater reuse	Drought issues, water conservation.	Texas Legislation issues, Texas Open Record Act, Sewer systems	Regulatory, Clean Water Act vs. Safe Drinking Water Act, providing regional services as a dept. of the City, infrastructure
Interstate Compacts	Texas, New Mexico, and Colorado through the Rio Grande	None	None	Kentucky, Indiana	Colorado, Texas	None	None	None	Kentucky
Federal Agency Involvement	U.S. Bureau of Reclamation, the U.S. Army Air Defense Artillery Center, and Fort Bliss	EPA	Was not identified	No	EPA, BOR, Fish & Wildlife, Corp. of Engineers, Five Sovereign Nations	EPA	Not provided	Brooks Army Facility, Fort Bliss, Lockland Air Force Base	USEPA, SEC, Homeland Security, FEMA, Army Corps of Engineers
Base Annual Salary	\$200,000	\$225,396	\$500,000	\$216,540, \$185,000 new Pres.	\$134,000, receives cost of living each year. (3.5%) Receives 5% above COL	\$233,932, range of min \$138,049, max of \$244,913	\$251,166 with COLA increase of 2% in 08/2007	\$275,000	\$132,804
Bonus, Incentive Pay	\$25,000	No	Yes based on goals (up to 65% of base)	Yes, up to 10% of annual salary		No	Not at this time	No	No
401K Match	No	3% of salary	6% of salary	\$187.50 a year	Up to 3%	\$1500 a year	Not provided	No	Not provided
457 Match	No	No	No	\$187.50 a year	No	No	Not provided	No	Not provided



**El Paso Water Utilities Public Services Board  
Executive Compensation Survey  
Survey Results**

	El Paso Water Utility	Denver Water	El Paso Electric	Louisville Water Co.	Albuquerque Bernalillo Co. Water Utility	Miami-Dade Water, Sewer	San Francisco Public Utilities Commission	San Antonio Water System	Greater Cincinnati Water Works
Vacation Accrual (Payout Offered)	20 days	25 days, eligible to pay out 80 hours per year	33 days (PTO), eligible to cash up to 15 days annually	28 days, no pay out, use or lose	20 days	10 days up to 5 years of service, then a day added for each year of service up to 10 additional days	Up to 20 days depending on years of service	15 days	Up to 60 days
Sick Leave	15 days	14 days	Part of PTO	5 days, Pay out of any balance over 160 hours	12 days	12 days annually, no limit on balance	13 days	10 days	13 days
Personal Days	4 days (part of sick leave)	1 day	Part of PTO	No	1 day	None	10 days	5 days, can cash out	None
Company-Paid Life Ins.	\$500,000	1.5 X base salary	2.5 X base salary	2 X base salary	\$45,000	Annual base salary	\$50,000	Annual base salary	\$50,000
Company-Paid STD, LTD	No	Employee pd. STD, Employer paid LTD	No STD, Employer paid LTD	Paid by Co.	No	No but programs offered	Not provided	Company paid LTD	Company paid LTD
Car or allowance provided	\$300 per month	\$350 per month	\$250 per month	Provides car and all costs.	Provides car and pays all costs	\$542 per month	City car for business only	\$500 per month	\$500 per month
Medical, Dental Ins. (Company paid portion)	65% employee dependent	90% employee dependent	80% Employee 80% Dependent	100% employee, 85% dependent, no dental, no retiree insurance	83% employee 83% dependent	100% of employee, 60% dependent	75% employee, 75% dependent	80% employee 80% dependent	100% employer
Professional Org. Memberships, Clubs	None	Only professional organizations	No	Jefferson Club	No	Only professional organizations	Employee can purchase memberships	Plaza Club Membership	No

**El Paso Water Utilities Public Services Board  
Executive Compensation Survey  
Survey Results**

	El Paso Water Utility	Denver Water	El Paso Electric	Louisville Water Co.	Albuquerque Bernalillo Co. Water Utility	Miami-Dade Water, Sewer	San Francisco Public Utilities Commission	San Antonio Water System	Greater Cincinnati Water Works
Retirement Contribution	11.65% employer contribution, 7.75% Employee	100% employer contribution		Emp. contb 5%, Co. 16%	Employer contribution 3%	None	Not provided as part of Cafeteria Health plan	Company pays 9%, employee pays 3%	Yes, same as active employees
Other Incentives	None	None provided	Stock shares given each year with pay out every 3 years, Annual physical exam, \$15,000 tax & financial planning assistance. (See employment agreement for more)	Incentive plan is included in documents for Louisville, KY	No	\$10,000/year for ins., def. comp, LTD, Parking pass at \$720/year, annual physical exam	No	At retirement, pays 80% of medical insurance	No