

PSC NO: 3 WATER  
COMPANY: ARBOR HILLS WATERWORKS, INC.  
INITIAL EFFECTIVE DATE: 3/1 /07

STAT: CIS

ESCROW ACCOUNT FOR CAPITAL IMPROVEMENTS  
STATEMENT No. 2

By Commission order in Case 05-W-1143 the company was authorized to establish an escrow account to fund a capital improvement program originally estimated to cost about \$238,000. This was to be funded by a surcharge, effective April 1, 2006, over a three year period and as of January 1, 2007 the company will have billed about \$79,000. It was expected that work would be done as funds became available and that it would take about three years to complete the needed upgrades. In that same order it was mentioned that a further estimate of \$528,000 was received to upgrade the system. The funds will be used for additional wells, additional storage, booster pumping capacity and all necessary buildings and controls. The company is now requesting a revision in the surcharge to recover the balance (about \$450,000) of the higher amount and to be able to complete the upgrades to the system in about a one year period. The company is exploring a possible financing so two different surcharges are being proposed. This account will be subject to the following conditions:

1. The account will be funded by either a one time billing on March 1, 2007 of \$6,697 per customer or a surcharge of \$670 per quarter for a three year period, also beginning March 1, 2007, if the financing can be obtained. The surcharges will be reduced if additional billings are made under the existing surcharge contained on Escrow Account for Capital Improvements Statement No. 2 (\$296 per customer per quarter). Should the final cost of the work be less than \$528,000, each customer will get a prorated refund from the escrow account. Should the estimated costs are expected to exceed \$528,000 the company must request further approval of the Commission.
2. This account will be established in a bank, in a separate interest bearing account, and will be under the control of the company.
3. The water company will have access to the funds in this account solely for the purposes noted above and any associated taxes.
4. Any interest earned by the account shall remain in the account to cover the cost of the improvements.
5. Customers terminating service will not be entitled to a refund of payments made to the escrow account.
6. The company must submit copies of all bank statements and a complete accounting of the revenues and expenses for the account by January 30<sup>th</sup> of each year until the account is depleted. All information should be sent to the Water Rates Section. In addition, the company may be required to submit, at Staff's request, prioritized plans for the improvements and use of funds as well as additional account information.

Issued By: Andrew Sferra, President, PO Box 424, Pleasantville, NY 10570

(Name of Officer, Title, Address)