

PSC NO: 3 WATER
COMPANY: Birch Hill Water Supply Corp.
INITIAL EFFECTIVE DATE: 07/20/06

STATEMENT TYPE: Escrow
STATEMENT NO. 2

ESCROW ACCOUNT
STATEMENT No. 2

The company is authorized to continue its escrow account established in Statement No. 1 with a revised maximum balance of \$22,800, excluding accrued interest, to cover the cost of a new well or redevelopment of existing wells, and as limited below. This account shall be subject to the following conditions:

1. The account shall be funded by a customer bill surcharge of \$55.00 per quarter, commencing on or about July 20, 2006 and for one billing period, October 2006, thereafter.
2. This account shall be established in a bank, in a separate 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 revenue taxes.
4. No funds from this escrow account shall be used to pay compensation of any sort to the officers or employees of the company, or to cover any unrelated or unreasonable costs.
5. Any interest earned by the account shall remain in the account to cover costs for wells or redevelopment of existing wells.
6. Customers terminating service will not be entitled to a refund of payments made to the escrow account.
7. The company shall submit copies of all bank statements and a complete accounting of the revenues and disbursements for the account by January 30th of each year. All information shall be sent to the Secretary's Office. In addition, the company may be required to submit, at Staff's request, prioritized plans for work on well(s) and use of funds as well as additional account information.

Issued By: Joyce Heaton, President, 190 South Road, Millbrook, NY 12545
(Name of Officer, Title, Address)