

PSC NO: 2 WATER
COMPANY: RURAL ATLANTIC WATER COMPANY
INITIAL EFFECTIVE DATE: 12/1/03

STAT: ESCW

ESCROW ACCOUNT
STATEMENT No. 1

The Company is authorized to establish an escrow account to cover the cost of extraordinary repairs, emergency maintenance, and major improvements, which are not covered in base rates, and to repay the loans and advances totaling \$25,754 with interest made by its owners including the cost of a replacement pressure. The account will accrue a maximum balance of \$20,000. This account will be subject to the following conditions:

1. This account will be funded commencing with the billing of January 2004 and thereafter on January 1, April 1, July 1, and October 1 as needed. Each customer will be billed \$100 per quarter.
2. This account will be established in a bank, as 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 to pay any associated revenue and actual income taxes paid.
4. Once the account has reached the maximum balance and money must be removed for appropriate purposes, the Company will be permitted to bill all customers to bring the balance in the account to the approved level. The unit customer charge will be determined by dividing the difference between the maximum level and the balance in the account by the number of customers at that time. The Company may not charge a unit customer charge greater than the initial funding level stated above unless approved by the Commission. Whenever the Company replenishes the account, it will also collect any associated revenue taxes.
5. Any interest earned by the account shall remain in the account to cover expenses or reduce the payments needed to replenish the account to its approved level.
6. A customer terminating service will not be entitled to a refund of payments made to the escrow account.
7. The Company must submit copies of all bank statements and a complete accounting of the revenues and expenses for the account by January 30 of the immediately following year. All information should be sent to the Secretary's Office. In addition, the Company may be required to submit, at Staff's request, prioritized plans for repairs and use of funds as well as additional account information.

Issued By: Benjamin Ostrer, President, Box 172, Bellvale, NY 10912
(Name of Officer, Title, Address)