

PSC NO.: 2 WATER

COMPANY: RURAL ATLANTIC WATER COMPANY

STAT: ESCW

EFFECTIVE DATE: 5/15/04

Issued in compliance with Order dated May 14, 2004 in C. 03-W-1499.

**ESCROW ACCOUNT**

## STATEMENT No. 2

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 advances totaling \$16,574 plus interest made by its owners for past expenditures and if necessary the cost, including interest, of a replacement hydropneumatic tank. The escrow account will accrue a maximum balance of \$10,000 plus accrued interest. This account will be subject to the following conditions:

1. This account will be funded commencing with the billing of May 15, 2004 and thereafter on July 1, October 1, January 1 and April 1 as needed. Each customer will be billed \$89 per quarter which would produce \$8,188 per year. Of this amount \$3,880 per year for 5 years would go to repay the funds, including interest, advanced by the company's owners and the balance would go to fund the escrow account and if necessary replace the company's hydropneumatic tank. If the tank does not have to be replaced the escrow payment will be reduced, once the escrow account is fully funded, to the level necessary for the company to recover its past expenses, including interest over a 5 year period.
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 any associated revenue taxes 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 payments by customers needed to replenish the account to its approved level.
6. A customers 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<sup>th</sup> of each 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)