

PSC NO: 3 - WATER
COMPANY: BIRCH HILL WATER SUPPLY CORPORATION
INITIAL EFFECTIVE DATE: OCTOBER 1, 2008

STATEMENT TYPE: ESCW2
STATEMENT No. 1

EXTRAORDINARY REPAIRS ESCROW ACCOUNT

The company will establish a replenishable, interest-bearing escrow account with a maximum balance of \$8,160, not including account interest, for the purpose of making extraordinary repairs and/or plant replacements not included in base rates.

The account will be subject to the following conditions:

1. The account will be funded commencing October 1, 2008 by means of a quarterly customer surcharge of \$60.00 for two quarters.

2. The account will 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 taxes associated with the account.

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. The company is required to submit to Staff of the Water Rates Section detailed cost estimates for planned repairs or replacement of plant not included in base rates prior to any disbursements from this escrow account. In addition, the company will notify Staff as soon as possible of any main breaks or other emergency work along with a detailed description and cost for such work that may require disbursements from this account.

6. Once the account has reached the maximum balance, the company will be permitted to resume the customer surcharge to bring the balance in the account back to the approved level only when the balance is reduced below the maximum level by the removal of money from the account for the purposes noted above and any taxes associated with the account. The unit customer surcharge in this case will be determined by dividing the difference between the maximum level and the balance in the account at the end of the previous quarter by the number of customers at that time of billing for that quarter. The company may not charge a unit customer charge greater than \$60.00 quarterly unless approved by the Commission.

7. This account shall bear interest and such interest shall remain in the account and be used to cover expenses or reduce payments by customers needed to replenish the account to its approved level.

8. A customer terminating service will not be entitled to a refund of payments made to the escrow account.

9. Prior to the transfer of Birch Hill Water Supply Corporation to the Dutchess County Water and Wastewater Authority or other entity, all funds in this escrow account will be divided equally and returned to the customers of record at that time. However, such refunds will be based on the actual funds paid by each customer residence.

10. The company must submit copies of all bank statements and a complete accounting of the revenues and expenses (including supporting invoices) for the account by January 30 of each year. Also, the company must submit, 10 days prior to signing transfer closing documents, a complete accounting of the revenues, expenses and plan for returning unused funds to the company's customers. All information should be sent to the Water Rates Section.

Issued in compliance with Order of the Public Service Commission in Case 07-W-1210, Issued September 22, 2008.

Issued By: Joyce Heaton, President, 190 South Road, Millbrook, NY 12545