

PSC NO: 3 WATER
COMPANY: ARBOR HILLS WATERWORKS, INC.
INITIAL EFFECTIVE DATE: 01/01/06

STAT: SURC

ESCROW ACCOUNT FOR CAPITAL IMPROVEMENTS
STATEMENT No. 1

The company is authorized to establish an escrow account to fund a capital improvement program estimated to cost about \$238,000. These funds will be used for 2 additional wells, additional storage, booster pumping capacity and all necessary controls. The work will be done in stages as funds become available in the escrow account. This account will be subject to the following conditions:

1. The account will be funded commencing with the billing of January 1, 2006 at \$296 per customer per quarter for a three year period. The surcharge will be reduced in the final billing periods if the cost of the improvements are less than \$238,000. The company cannot charge its customers more unless it is authorized to do so by the Commission.
2. This 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 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 30th of each year. 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)