

..DID: 15958  
..TXT: PSC NO: 3 WATER STATEMENT TYPE: ESCW  
COMPANY: KNOLLS WATER CO., INC. STATEMENT NO: 1  
INITIAL EFFECTIVE DATE: 09/01/01  
STAMPS:  
Cancelled by Statement ESCW Number 2 Effective 01/01/2002  
Effective date postponed to 11/01/01. See Supplement No. 2, 1  
RECEIVED: 06/22/01 STATUS: Cancelled EFFECTIVE: 11/01/01

**ESCROW ACCOUNT**  
**STATEMENT NO. 1**

An escrow account of \$2,500 (\$17.36 per quarter for 2 quarters –total \$34.72) was established to cover the cost of unexpected expenditures. An additional account of \$2,000 (a one time billing of \$27.78 per customers) was established for VOC testing. These accounts have been combined into one account totalling \$4,500. The new account is subject to the following conditions:

1. This account should be kept in a local bank and will be under the control of the company.
2. The water company will have access to the funds in this account solely for the purposes noted above and any associated taxes.
3. After expending monies from this account the company will be permitted to bill all customers to bring the balance in the account to the approved level. The amount each customer is billed is determined by dividing the difference between the approved level and the balance in the account by the number of customers at that time. Whenever the company replenishes the account, it will also collect any associated revenue taxes.
4. This account shall bear interest which shall remain in the account and be used to cover expenses or reduce payments the customers will have to make to replenish the account to its approved level.
5. If a customer terminates water service, he or she will be entitled to a refund equal to the balance in the account divided by the number of customers as of the date of termination. A new customer would be required to pay an amount equal to the balance in the account divided by the number of customers as of the date of service.
6. The company must submit, within 30 days after the end of each calendar year, copies of all bank statements and a complete accounting of the revenues and expenses for the account.

Issued By: Andrew Sferra, President, 70 Memorial Plaza, Pleasantville, NY 10570  
(Name of Officer, Title, Address)