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June 17, 1997

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Little Sumter Utility Company; Docket No. 960305-WS
Application for Original Water and Wastewater Certificates
Escrow Agreement
Our File No. 30059.01

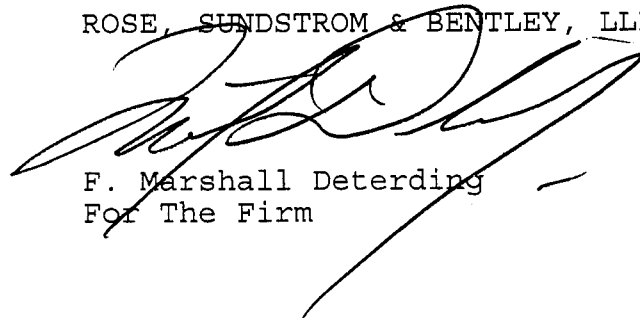
Dear Ms. Bayo:

Attached is a copy of the fully executed Escrow Agreement to be utilized in conformance with Commission Order No. PSC-96-1132-FOF-WS. This is the Commission's original Escrow Agreement. The Bank and the Utility have also retained an original of this document and the Utility will immediately begin depositing money into this account under the terms of the agreement.

Should you have any questions in this regard, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

- CK _____
- FA _____
- PP _____
- AF _____
- MU _____
- TR _____
- EAG _____
- LEG _____
- LIN _____
- OPC _____
- RCH _____
- SEC _____
- WAS _____
- OTH _____

FMD/lts
Enclosure
cc: Mr. John Wise

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

ESCROW AGREEMENT

THIS ESCROW AGREEMENT is made by and between First Bank of the Villages (the "Bank"), the Florida Public Service Commission ("FPSC"), and Little Sumter Utility Company (the "Utility"), a Florida corporation, upon the following terms, conditions and considerations:

W I T N E S S E T H:

WHEREAS, by Order No. PSC-96-1132-FOF-WS, issued September 10, 1996, the FPSC authorized the Utility to charge rates pursuant to a conservation program approved by the water management district, and;

WHEREAS, by Order No. PSC-96-1132-FOF-WS, the Utility is required to escrow the difference between the first and second tier rates for all consumption over 10,000 gallons per month, with such money to be used for conservation programs targeted to make customers reduce their usage, and;

WHEREAS, the Bank has agreed to hold such funds in an interest bearing account, the parties agree as follows:

1. The foregoing representations are true and correct.
2. The Utility shall open and deposit therein the amount of revenue, in excess of the gallonage revenue requirement, from the second tier rate within seven days of receipt.
3. The escrow account shall bear interest at a variable rate.
4. Bank shall disburse the funds only upon written instruction of the FPSC Director of the Division of Records and Reporting.
5. The Bank shall forward regular monthly statements to the Utility.
6. The Bank may, without reason, withdraw from this Agreement upon thirty (30) days written notice to the FPSC and to the Utility.
7. The Utility shall indemnify and hold the Bank harmless from any claim, demand or loss suffered by the Bank, and the cost thereof (including court costs and attorney fees for negotiation, trial and appeal).
8. Information concerning the escrow account shall be available from the Bank to the FPSC and its representatives at all times.

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FPSC-RECORDS/REPORTING

9. This escrow account is established by the direction of the Florida Public Service Commission for the purpose set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So.2d 253 (Fla. 3rd DCA 1972), escrow accounts are not subject to garnishment.

THIS AGREEMENT shall become effective and binding upon all parties upon the date that it becomes executed by all parties.

LITTLE SUMTER UTILITY COMPANY

ATTEST: John F. Muse
(Corporate Seal)

BY: [Signature]
President

FIRST BANK OF THE VILLAGES

ATTEST: Janice B Crocker
(Corporate Seal)

BY: [Signature]
Its:

FLORIDA PUBLIC SERVICE COMMISSION

BY: [Signature]
Director, Records & Reporting

(Corporate Seal)

lsu\escrow.agr
10/21/96