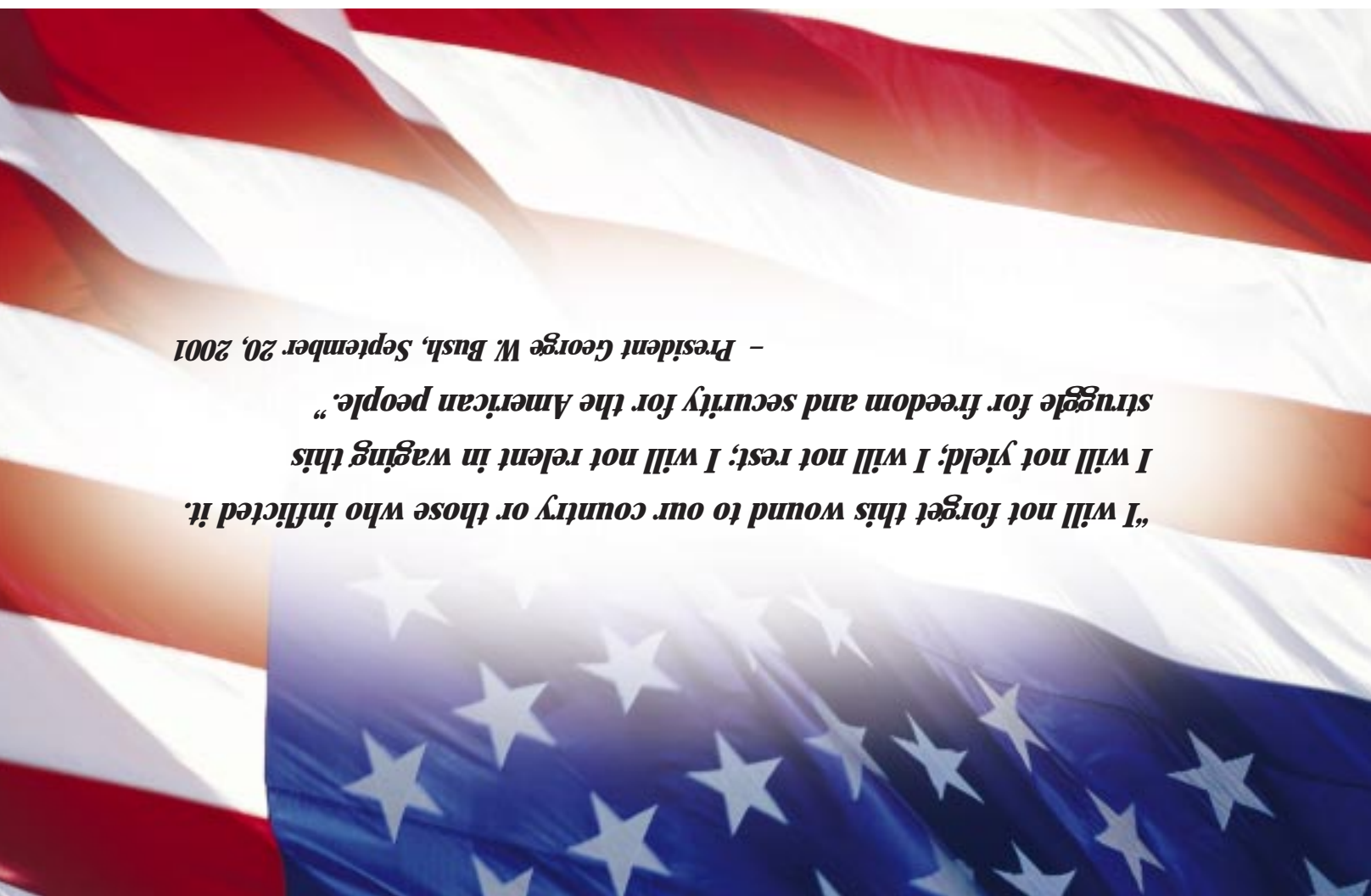


Davidson Water, Inc.
P.O. Box 969
Welcome, NC 27374-0969

This is an Equal Opportunity facility. Federal law prohibits discrimination. To file a complaint of discrimination, write: USDA Director of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410.



“I will not forget this wound to our country or those who inflicted it. I will not yield; I will not rest; I will not relent in waging this struggle for freedom and security for the American people.”
— President George W. Bush, September 20, 2001

Davidson Water, Inc.

SOURCE WATER PROTECTION UPDATE

On September 11, 2001, a tragic event occurred that made all Americans aware of the need for heightened security. The water industry is no exception.

During the Y2K assessment, Davidson Water, Inc., made improvements to our computer system software security, and the system that controls pumps and tank levels; installed generators for backup power; and made overall improvements to our water plant and office facilities.

Since September 11, we've made our water plant even more secure. The total plant area is fenced, additional lighting has been installed, all gates are locked, and a sliding electric gate will be used for entry. Raw water is sampled every four hours, and finished water every hour, with continuous monitoring for chlorine, turbidity, and other checks. To continue using chlorine as a disinfectant, we went through an extensive risk management process required by the U.S. Environmental Protection Agency, the state, and the FBI. Chlorine is one of the most effective disinfectants used to fight possible contaminants injected into our water. Many other systems had to switch disinfectants, and are now in the process of trying to switch back to chlorine. As a precautionary measure, we will keep chlorine levels higher than usual. We have also added additional chlorine contact points to ensure continual chlorination. Water lines will be flushed more often, and more testing will be done out in the distribution system. Water levels in water tanks may be lowered and raised more often to better maintain chlorine levels—this could cause more pressure differential than usual.

All chemicals that are added and used for purification purposes must strictly adhere to our policies, such as requiring notification from the chemical plant before the chemicals leave the plant, the driver's name, identification from the driver, and sealed chemical containers, along with other security measures.

All of our employees who work outside the plant are required to have the Davidson Water, Inc., emblem and name tag. Picture IDs will be implemented shortly for all employees. All vehicles have our emblems on them. All employees have received instructions about and have a better awareness of potential hazards.

All water tanks are fenced or slated to be fenced. In addition, we have ladder guards, to prevent someone from climbing up a tank, and other security.

The Davidson County Sheriff's Office is providing additional security at our plant and throughout our system. We have set up contacts with other utilities along the Yadkin River, so anything out of the ordinary will be immediately passed on to the other utilities from Kerr Scott Dam to Salisbury. The FBI also has direct contact with us for immediate notification of any terrorism act involving water systems and any other pertinent information that we should be aware of.

Davidson Water, Inc., is a member of the North Carolina Rural Water Association, the National Rural Water Association, and the American Water Works Association—all of which keep us informed of the latest technology for testing and preventing contamination to a water system.

Davidson Water, Inc. will do everything humanly possible to assure a safe water supply.

Please report any suspicious activities associated with the water system to our office, at 731-2341, 764-2534, or 475-8229; the water plant, at 787-5800; the Sheriff's Office, at 242-2100; or call 911.

With your help, we'll keep our water system safe and secure for all users: residential, commercial, industrial, churches, and schools.

May God bless and keep us all.

“Davidson Water, Inc. will do everything humanly possible to assure a safe water supply.”



RIVER KEEPERS

To ensure that we have a safe supply of water, watershed management is becoming more important. The Yadkin River and its tributaries must be protected. We at Davidson Water, Inc., hope to take a more active role in improving the water quality of our watershed. Our representatives in Washington, D.C., recently approved an amendment to HR2646, the "Farm Bill." Section 213 of the bill contains the key features of interest to drinking water suppliers. It would create a new "Watershed Quality Incentive

Program" aimed at improving water quality in watersheds. Proposed funding for this program would start at \$450 million and increase to \$700 million by 2006. Through this bill, the U.S. Department of Agriculture would implement nutrient management, pest management, soil erosion practices, and other conservation activities to protect water quality and human health.

North Carolina has a Clean Water Management Trust Fund set up to help monitor the health of the state's rivers and streams, and to provide funds for projects that help improve or maintain water quality in our streams. The North Carolina Watershed Coalition recently met at Catawba College's new facility, the Center for the Environment. Attendees heard many stories from throughout the state, including that of a successful project to reduce soil erosion on the Mitchell River, which is a tributary of the Yadkin. Speakers emphasized the need for monitoring the health of our rivers and streams.

We at Davidson Water, Inc., hope to help monitor the health of our river basin and, hopefully, through extensive training, become Riverkeepers.

Last fall, we started a journey down the Yadkin, beginning at its source in Blowing Rock at the Greenway Inn, where a small spring starts in the middle of a parking lot. We traced the

river along Highway 321 and then along State Road 268 until the water was deep enough to launch our canoes. The water was shallow—we often had to get out and drag our canoes through the sandy bottom until the water became navigable again. We came alongside livestock drinking and cooling off in the Yadkin. Several farmers had fences crossing the river, which we had problems getting by. Old cars and tires had been pushed or washed into the river during floods.

After several miles and hours, the Yadkin became deeper and swifter as other tributaries added their water to it. We surprised a big blue heron at a bend of the river. The heron flew ahead of us to the next bend and waited until we approached—before again flying off to the next bend. We saw a few turtles sunning on a sand bank and many other birds taking a cool drink. Even with the water moving faster, we knew we would have to paddle continuously if we were going to reach our destination—Warrior Creek on the W. Kerr Scott Dam Reservoir—before nightfall.

W. Kerr Scott is an earthen dam built in 1960 by the Army Corps of Engineers for flood control and as a water reservoir for Winston-Salem. It has 125 miles of shoreline and holds up to 112,000 acre feet of water or 36.5 billion gallons. (An acre-foot is one acre of water one foot deep, or 325,800 gallons.) A minimum flow must be released through the dam to keep a constant supply of water flowing down the Yadkin.

We pulled into Warrior Creek as the sun was setting, tired, sore, blisters on our hands, and ready for a sound night's sleep before starting the next leg of our Yadkin River exploration. The next Davidson Water newsletter will cover two more segments of our journey.

We want to thank Confluence Industries in Glenola, N.C., for furnishing us with Mad River canoes, paddles, life jackets, and other necessary equipment for our learning adventure. Mad River canoes can take a beating and keep on going—just ask us at Davidson Water. We christened every rock and sunken tree to be found. We'll do better on the next phase of our journey.



"North Carolina has a Clean Water Management Trust Fund set up to help monitor the health of the state's rivers and streams."

RATE INCREASE

Effective with the water bills that you receive as of January 1, 2002, Davidson Water, Inc.'s rates will increase as outlined below. Our last increase was January 2000. The overall increase will be approximately 4.16%.

We are continually upgrading the system to insure that you have an adequate safe water supply. Inflation and new regulations also create added expenses. Please call our offices if you have any questions concerning the water rate increases.

We at Davidson Water, Inc., work around the clock to provide top quality water to every tap. We ask that all our customers help us protect our water sources, which are the heart of our community, our way of life, and our children's future.



Rate Schedule Effective January 1, 2002

Gallons Used Per Month	Current Rates		New Rates
0-2,000	\$8.25	Minimum	\$8.50
2,001-20,000	\$3.00	Per Thousand Gals	\$3.10
20,001-50,000	\$2.50	Per Thousand Gals	\$2.75
OVER-50,000	\$2.00	Per Thousand Gals	\$2.20

Minimum Bill for Size of Meter

3/4" Meter	0 - 2,000 Gallons	\$8.50
1" Meter	0 - 5,000 Gallons	\$17.80
1 1/2" Meter	0 - 10,000 Gallons	\$33.30
2" Meter	0 - 20,000 Gallons	\$64.30
3" Meter	0 - 50,000 Gallons	\$146.80
4" Meter	0 - 75,000 Gallons	\$201.80
6" Meter	0 - 150,000 Gallons	\$366.80
8" Meter	0 - 250,000 Gallons	\$586.80

Winter Freeze Tips

With the winter season approaching, here are some tips for taking care of your water pipes.

- To help prevent pipes under your home from freezing, use heat tape and insulated wrap.
- Make sure the meter lid is properly in place at all times. If your meter lid is missing, please contact Davidson Water for a replacement.
- To prevent freezing of your water lines, make sure the area around the meter box is filled with dirt and that the line from the meter box to the house is sufficiently covered and compacted with dirt.
- If you see the service line from the main water line to the meter is exposed, please contact Davidson Water so that the line can be lowered and properly covered to prevent freezing.
- If you suspect the water meter has frozen, do not attempt to build a fire in the meter box. This can result in damage to the meter itself and to your water line. You are responsible for any damage that could occur.
- In cold temperatures, mobile homes that are not properly underpinned may have a problem with the pipes freezing. In addition, houses with vents under them that are not closed or covered in the winter months may also experience a problem with frozen pipes.

"We ask that all our customers help us protect our water sources, which are the heart of our community, our way of life, and our children's future."