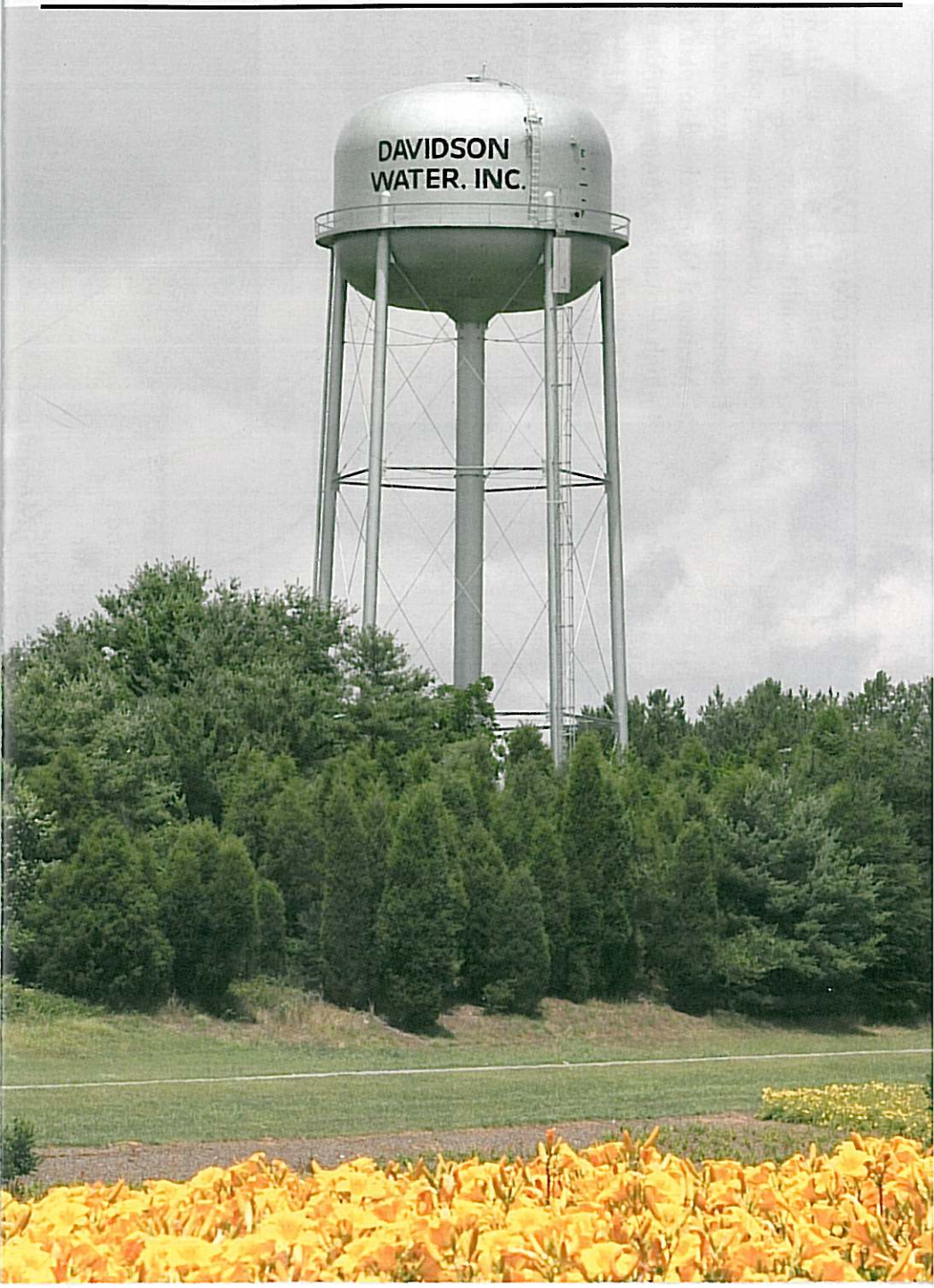


Davidson Water, Inc.

Lexington, NC 2006

NEWSLETTER



Tap Fee Increase Effective January 1, 2007

Davidson Water, Inc. is increasing the cost of their new tap fee due to increasing material cost and labor cost. Copper pipe has increased in cost from \$1.54 to over \$4.00 a foot. Brass goods have also increased substantially. Connection fees not only pay for materials and installation cost in making new taps, but also helps to pay for needed improvements to our water system, so we can continue to grow and provide needed services to our members.

CURRENT TAP FEE		NEW TAP FEE	
5/8" X 3/4"	\$1,000	5/8" X 3/4"	\$1,100
1"	\$2,000	1"	\$2,500
1 1/2"	\$3,000	1 1/2"	\$4,000
2"	\$4,000	2"	\$5,000

Convenient Payment Options

In order to better assist our customers we now provide several convenient options for paying your water bill.

<u>Auto Draft</u>	With the auto draft your payment will automatically be deducted from your checking account each month. You may contact our office for a draft form to set up the auto draft or access the form on our website at www.davidsonwater.com .
<u>View/Pay Bill</u>	You can access and pay your water bill online on our website at www.davidsonwater.com . (If your account has not yet been set up to pay online, please contact our office and speak with a customer service representative)
<u>Ebill</u>	You now have the option of receiving your bills by email
<u>By Mail</u>	Our mailing address is: PO Box 969, Welcome, NC 27374-0969

<u>Pay Stations</u>	Office Welcome on Old Hwy 52 N Midway Mobile Mart Thomasville on National Hwy LSB Offices located at
Arcadia	3500 Old Salisbury Rd, Lexington
South Lexington	1926 Cotton Grove Rd, Lexington
Midway	11492 Old US Hwy 52, Winston Salem
Tyro	4481 Hwy 150 S, Lexington
Wallburg	10335 N NC Hwy 109, Winston Salem
Thomasville	724 National Hwy, Thomasville 941 Randolph Street, Thomasville 1340 National Hwy, Thomasville

Pay Stations are provided for the convenience of our customer, the employees of the Pay Stations are not employed by Davidson Water, Inc. and all questions regarding your account should be directed to our office.

Current Service Charges	
Same Day Service (Before 4:00pm on a Business Day)	25.00
Same Day Service (From 4:00-5:00pm on a Business Day)	50.00
Reconnection Fee (Before 4:00pm on a Business Day)	25.00
Reconnection Fee (From 4:00-7:00pm on a Business Day)	50.00
Reconnection Fee (From 7:00-9:00pm on a Business Day)	75.00
Reconnection Fee (Before 9:00pm on a Non-Business Day)	75.00
Meter Tampering (Add Normal Service Charge)	50.00

Water Rate Increase Effective January 1, 2007

Davidson Water, Inc. is increasing its water rates due to increasing operating expenses. Transportation cost, chemical cost, electrical cost, residual handling at the plant, testing costs, increased testing requirements and labor cost are the main culprits. As our system's infrastructure is getting older, maintenance cost will continue to rise along with the need for replacement and refurbishment. Tank maintenance has increased dramatically with new safety regulations in place. With the need for additional tank storage as our system grows, we will look at composite tanks that may cost a little more initially, but with less maintenance needs will save over the life of the tanks. Our AMR (automatic meter read) pilot when put into full use will reduce future cost of reading meters and provide better customer service by reading meters more accurately, more timely and safer. Newer models of AMR meters should be able to recognize leak problems on customer's side of meter and possibly be used to detect leaks on Davidson Water, Inc.'s service lines and mains that may not be surfacing to the top of the ground. We will continue to look for new ways to provide better service to you our members and keep our costs down.

GALLONS USED PER MONTH		Current Rates	New Rates
0	2,000	9.00	9.40
2,001	50,000	3.25	3.35
OVER	50,000	2.60	2.80

Automatic Meter Reading

Davidson Water, Inc began a pilot program installing AMR (automatic meter reading) meters in some areas. AMR allows us to read your meter without having to stop and raise the meter lid. A radio transmitter located on the meter sends out a special radio signal to a receiver unit located in our truck. This technology enables us to read more meters in less time. This also makes reading meters on busy highways safer by not having to stop our vehicles on the side of the road. New AMR technology may allow us in the future to be able to notify our customers of potential leaks they may have and possibly let us know when we have a leak that is not surfacing on our water mains or services.

Backflow Preventer Testing

In keeping with the our cross connections program Davidson Water Inc. is compiling a list of approved backflow preventer testers if you are certified to test backflow preventers and would like to be placed on this list to be available to our customers please contact Dale Draughn at Davidson Water, Inc. with your certification number.

Davidson Water, Inc. Scholarship Winners 2006

Each year Davidson Water, Inc. awards four \$1,000.00 scholarships in memory of past board members to high school seniors who will be attending a four year degree program. Scholarships applications are available by March 1st of each year. You can obtain an application on our website at www.davidsonwater.com, our office in Welcome or from your high school guidance counselor.

The following are this year's recipients.

Amanda Akers – Graduated from East Davidson will be attending Appalachian State University

Catherine Smith – Graduated from Central Davidson will be attending North Carolina State University

Jennifer McDonald – Graduated from North Davidson will be attending Peace College

Shaun Brinkle – Graduated from West Davidson will be attending University of North Carolina Wilmington

Water Outage

In September we had a large number of our customer's with low pressure and many without water for several hours due to a leak we were unable to locate. As a precaution, because of the potential of back siphonage from a customer's line, we issued a "boil water advisory", until the following day when we had the results of all the tests on the water. All of the tests came back good and the advisory was lifted the following morning.



Discolored Water

We would like to apologize for the problem many of our customers experienced with discolored water this summer. Beginning Memorial Day weekend in part due to the high demand in our system, the problem continued in some areas for several weeks. Because the problem was caused by the high demand we were unable to correct the situation as quickly as we would have liked. We have taken steps to scour out the large transmission lines to help alleviate the problem and which we hope will help avoid the same situation in the future. We appreciate your patience with this situation.

Phone System

Due to increased volume in phone calls to our office you may have experienced problems or delays in reaching someone. We are aware that this has been causing problems and inconvenience and are taking steps to upgrade the phone system to better serve our members. We hope to add additional lines and to also make the system easier for the customers to reach the correct department.



New EPA Regulations

The EPA (Environmental Protection Agency) has issued new regulations concerning disinfection byproducts and the "Surface Water Treatment Rule." The cost for this additional testing of water and completing the required initial distribution system evaluation IDSE is significant. Because we have already developed a hydraulic and water quality model of our system we will be able to complete the IDSE requirements on time and with some savings. We have switched coagulant and point of disinfection which should help us meet or exceed the new proposed standards for disinfection by-products. The model shows that we may need to loop some lines and drop the level in our tanks more to create more turn over and thus reduce the age of water in the system and the chance of producing disinfection by-products.

Master Plan Update

Davidson Water, Inc. hired Hazen and Sawyer, an engineering firm, to update our Master Plan outlining capital improvement needs through 2015 and 2025. They will also help us update our hydraulic and water quality model. They along with staff use these updated models to perform our distribution system evaluation required by the EPA. Hazen and Sawyer looked at population growth and projections, storage requirements, pump test, hydrant test, hydraulic test, average day, max day and max hour usage to develop our capital improvements needs. Some pumps will need to be updated and others added. New transmission lines along with additional storage requirements will be needed to provide for future growth. Projected population growth shows that we will need additional water capacity by 2015 to meet summer demands.