

**WATER SHORTAGE RESPONSE PLAN (WSRP)
FOR UTILITIES, INC.
including
Carolina Water Service, Inc. of NC
CWS Systems, Inc.
Carolina Trace Utilities, Inc.
Transylvania Utilities Co.**

As an investor owned public utility, Utilities, Inc. and its affiliates are regulated by the NC Utilities Commission (NCUC). In addition to abiding by the provisions and orders established and issued by the NCUC regarding restrictions for nonessential water usage, Utilities, Inc. will promote a year round water conservation strategy to manage drinking water supply and demand.

A. Responsibilities: Upon issuance of orders concerning restrictions for nonessential water usage by the NCUC, the Regional Director will be the primary authority responsible for implementing all water shortage response protocols. In his/her absence, either the Regional Manager (Eastern and/or Western NC, depending upon the area(s) of the state affected), or his/her designee, will assume this role.

Authority	Title	Name	Telephone	E-mail
Primary	Regional Director	Martin Lashua	704-525-7990 x 216 704-319-0517	mjlashua@uiwater.com
Alternate (Eastern NC)	Regional Manager	Danny Lassiter	252-727-1979 252-240-1398	dwllassiter@uiwater.com
Alternate (Western NC)	Regional Manager	Tony Konsul	704-525-7990 x 218 704-319-0523	tjkonsul@uiwater.com

B. Notification Procedures: The following methods will be utilized by the Regional Director (or his designee) to inform water users and system employees when water shortage response protocols are implemented and of the required response measures:

1. A copy of the NCUC order and a detailed letter of explanation will be mailed to all customers. See Attachment 1, "June 3, 2008 Customer letter for NCUC Drought order."
2. All employees will be notified by company-wide e-mail. E-mail(s) will include, at a minimum, a copy of the NCUC order, a copy of the customer letter, and detailed instructions of the protocol established for implementing the order.

C. Determination of Severity, Implementation Criteria, and Levels of Response: On October 24, 2007, the NCUC issued Docket No. W-100, Sub 46 and WR-100, Sub 6, "Order Requiring Curtailment of Nonessential Water Usage" (Attachment 2). On May 23, 2008, an "Order Modifying Restrictions Concerning Nonessential Water Usage..." (Attachment 3) was issued which eased the previous restrictions and established water conservation levels of response based upon the drought severity classification as determined by the NC Drought Management

Advisory Council (DMAC). Drought conditions are classified as Normal Conditions, Abnormally Dry (D0), Moderate Drought (D1), Severe Drought (D2), and Extreme Drought (D3). (See Attachment 3, Pages 4, 5 & 6 for response protocols applicable to each classification.) Utilities, Inc. has adopted the levels of response as established by the NCUC order, and we will revise our plan in accordance with any subsequent revisions to the order.

EXCEPTIONS & CLARIFICATIONS

1. **Purchased Water Systems:** In accordance with the May 23, 2008 Order, where Utilities, Inc. purchases water from a municipality and resells the water to our customers, these systems "...will be subject to the same water restrictions that are imposed by their local municipality that supplies their utility provider with water." (See Attachment 3, Page 2, Item 1). For a list of these systems, see Attachment 4, "Table A, NC Purchased Water From Municipalities as of 5-08".

2. **Bi-County Systems:** In accordance with the June 13, 2008 Order of Clarification (Attachment 5), where a water system is "... located in two counties with differing drought designations, the drought designation for such a subdivision would be the higher of the two designations..." This order was in response to Utilities, Inc's request regarding Cabarrus Woods (NC0113106) water system which is located in both Cabarrus and Mecklenburg Counties and, as such, was subject to different drought severity classifications prior to issuance of the order.

3. **Special/Emergency Conditions:** For those systems with a history of water shortages due to high irrigation use during dry periods, we will continue our efforts to curtail these shortages by monitoring pump run times, elevated storage tank levels, and the time it takes for the system to recover from demand events. These same triggers shall be used to identify potential emergency outage situations (e.g., line breaks, equipment failure, etc.) that are not observed through routine maintenance operations.

Water Conservation Protocol	Primary Trigger Condition: Pump Run Time	Secondary Trigger Condition: Elevated Storage Tank Capacity
Year round wise water use	<12 hours/day for a period of one week	> 90 %
Voluntary Conservation	>12 hours/day for a period of two weeks or more	70 %
Mandatory Conservation	>18 hours/day for a period of two weeks or more	50 %
Emergency Conservation	> 22 hours/day for a period of two weeks or more	20%

- D. Enforcement Provisions: In accordance with Item 4 of the May 23, 2008 Order (See Attachment 3, Page 6, Item 4), "...a regulated water company should be allowed to disconnect a water customer if he or she violates the restrictions set out in this Order. However, a customer must be provided a 24-hour notice prior to disconnection (for this purpose a door hanger type notice will be sufficient). The customer will have a full business day...after the date of notification to show cause why his or her service should not be disconnected...(and) should contact the Operations Division of the Commission by telephone at (919) 733-3979. If the customer does not successfully show cause, the utility may disconnect service at the end of the next business day. The utility shall immediately notify the Commission when it disconnects a customer's service for violation of these nonessential water usage restrictions." Carolina Water Services Inc of NC (CWSNC) will be responsible for enforcing water restrictions in accordance with the North Carolina Utilities Commission (NCUC) orders as provided in the WSRP.
- E. Customer Review & Comment: On May 1, 2008, the NCUC issued an "Order Requesting Comments" which gave water users and water suppliers the opportunity to provide comments for the modification of the October 24, 2007 water usage restrictions. According to the NCUC, these comments were taken into consideration and incorporated into the May 23, 2008 revision to the Order.
- F. Variance Considerations: The NCUC will consider exceptions to the restrictions on an individual basis in accordance with Item 5 of the October 24, 2007 order (See Attachment 2, Page 3, Item 5). "Those desiring an exception shall send a written statement to the Commission outlining the reason(s) that they should be excluded from this restriction." The NCUC has the authority to grant variances, not CWSNC. As specified in the Order (Docket W-100, Sub 46/Docket WR-100, Sub 6), the requests for exceptions will be submitted to the NCUC in writing and will be reviewed on an individual basis.
- G. Measurement of Success: Effectiveness of the water shortage response protocols will be evaluated on a statewide basis by the DMAC. Utilities, Inc. will continue to closely monitor the water usage in our systems (e.g. well production, pump run times, groundwater levels and elevated storage tank levels).
- H. Revisions to Protocol: In accordance with the May 23, 2008 NCUC Order, revisions to drought response actions are dependent upon the DMAC drought severity classification for a particular area. "The level of restrictions applicable to a particular county will vary as the DMAC drought severity map classifications change from week to week every Thursday. For this purpose, the official drought severity classification for each county will be designated in accordance with DMAC's placement of each county in its listing for "Counties Under Current Advisory. The entire county is designated under a single classification which is based upon the highest level of drought severity applicable to any portion of the county in questions (See Attachment 3, Page 3, Item 3). The WSPR will be reviewed at a minimum of every five years, or more often if conditions dictate. The Vice President of Operations will be responsible for initiating any revision to the Plan.
- I. Water Impoundment Owned by Others: In those systems where the water supply and storage facilities are not owned or controlled by Utilities, Inc. (i.e., Purchased Water Systems), the

Water Shortage Response procedures shall be in accordance with the protocol established by the municipal water supplier. Our customers in these systems will be provided with contact information for the water supplier. See Item C.1., above and Attachment 3, Page 2, Item 1 for NCUC clarification. A list of Purchased Water Systems is provided in Attachment 4.



June 3, 2008

IMPORTANT NOTICE – PLEASE DO NOT DISCARD

Dear North Carolina Water Utility Customers,

Utilities, Inc. and our family of companies owns and operates over one hundred water utility systems in the state of North Carolina. As an investor owned public utility, we are regulated by the NC Utilities Commission ("NCUC"). On October 24, 2007, in response to concern over water supplies and seriousness of the drought conditions throughout the state, the NCUC placed all water systems under their jurisdiction on mandatory water restrictions and eliminated all non-essential water use. A copy of this NCUC order was previously mailed to all customers.

Fortunately, the state has received some rainfall this year and drought restrictions in some areas have relaxed. However, Governor Easley has been very vocal about being conservative in relaxing these restrictions prematurely and being cautious of our water use throughout the state.

The NCUC has recently reviewed the drought situation and has issued a new order dated May 23, 2008 and of which a full copy of that order is enclosed for your use. We encourage you to read it carefully. Most importantly this new order establishes a state wide uniform mechanism to impose, strengthen or relax restrictions for those systems regulated by the NCUC. It also provides a more uniform mechanism for utility enforcement for those that violate these restrictions.

You will note in the Order that purchase water systems that utilize municipal water (purchased from other municipal controlled utilities) will be governed by the restrictions of the municipal provider. A list of the systems and subdivisions that are affected as "purchase" water systems are enclosed in Table A. All other systems not listed on this table will be affected by the restrictions shown in the NCUC Order.

As the Order states, the NCUC has constructed a web page link titled "Non-Essential Water Usage Restrictions" from their main web page at <http://www.ncuc.commerce.state.nc.us/> that will be devoted to updating the restrictions information. These classes of restrictions and drought severity will change as the drought changes in the specific area. **Please understand that Customers are responsible for staying informed of the changing status for their respective water system and for complying with the applicable water restrictions.**

While our lakes and streams seem full with recent and seemingly abundant rainfall, there are still 28 (out of 100) counties in the next to worst "Extreme" drought status. That number of counties has actually increased in the last week as drought conditions are already beginning to worsen. We encourage everyone to use water conservatively and support the NCUC and Governor's efforts to protect North Carolina's water supplies. Your attention, assistance and cooperation in these efforts are sincerely appreciated.

Sincerely,

A handwritten signature in blue ink that reads "Martin Lashua".

Martin Lashua
Atlantic Regional Director

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-100, SUB 46

DOCKET NO. WR-100, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Year 2007 Drought Response -
Water Conservation Measures

ORDER REQUIRING CURTAILMENT OF
NONESSENTIAL WATER USAGE

BY THE COMMISSION: On September 13, 2007, Governor Mike Easley called on all public water systems and other water users throughout North Carolina to reduce their water use as much as practicable and to conserve water. At that time the Governor directed state agencies in all 100 counties to stop nonessential water use and asked all citizens to cut back their water consumption by 20%.

The drought has continued to worsen to the point that, as of October 16, 2007, all 100 counties have been declared to be under drought conditions (71 counties are in exceptional drought, 18 counties are in extreme drought, and 11 counties are in severe drought) by the North Carolina Drought Management Advisory Council.

On October 15, 2007, while addressing the North Carolina League of Municipalities, Governor Easley called on the state's municipal leaders to take the lead in directing citizens to stop using water for any purpose that is not essential to public health and safety so communities can save dwindling water supplies and avoid more stringent restrictions. The drought across much of the state is the worst in recorded history. With a winter forecast of drier than normal conditions, the Governor said that every citizen must save water in every way possible to avoid a water crisis that could lead to rationing.

Governor Easley stated that

Several communities have as little as three month's water supply remaining. If we do not get significant rain, some areas face the once unthinkable possibility of water rationing and potentially running out of water entirely. A bit of mud on the car or patches of brown on the lawn must be a badge of honor. It means you are doing the right thing for your community and our state.

Governor Easley asked top officials of the state's cities and towns to lead their communities in taking the following actions:

- Stop watering lawns and shrubbery at homes and businesses. Period.
- Do not wash down houses, driveways or sidewalks.
- Do not wash your car.
- Restaurants should **ONLY** serve water when patrons ask.

Many municipalities have recently initiated total bans on all outside watering. Prior to the Governor's October 15, 2007 Message, Charlotte-Mecklenburg Utilities banned outside watering on September 24th. After the Governor's Message, the City of Raleigh

banned outside watering on October 16th and the Town of Cary banned outside watering on October 1st.

As indicated in its September 18, 2007 Memorandum to all Commission-certificated water and water resale companies, the North Carolina Utilities Commission supports the Governor's call for water conservation and curtailment of water usage for any purpose that is not essential to public health and safety.

Based upon the foregoing, the Commission is of the opinion that an Order should be issued requiring all citizens served by water and water resale companies regulated by the Commission to curtail water usage for any purpose that is not essential to public health and safety.

IT IS, THEREFORE, ORDERED as follows:

1. That a copy of this Order shall be mailed with sufficient postage or be hand delivered by all Commission-regulated water and water resale companies to all customers within five days following the date of this Order. Further, each water and water resale company shall submit to the Commission the attached Certificate of Service, properly signed and notarized, within seven days of completing such requirement.

2. That water use by the customers of all Commission-regulated water and water resale companies shall be restricted to essential household or business use only. Nonessential water use includes, but is not limited to, the following:

- Watering lawns and shrubbery at homes and businesses.
- Washing down houses, driveways, or sidewalks.
- Washing cars.
- Restaurants serving water to patrons who have not directly requested water.

3. That this restriction shall begin on November 1, 2007, and shall continue until revised by further order of the Commission.

4. That customers violating the provisions of this Order may have their water service discontinued **only upon their water/water resale company seeking and receiving authorization from the Commission to do so.** Upon a violation of the provisions of this Order, the water/water resale company shall immediately furnish to the Commission the name(s) and address(es) of the customer(s) and a written explanation of each alleged violation of this Order. The Commission will consider receipt of such information as a request for permission to terminate utility service, will consider the circumstances, and will authorize further action as then deemed appropriate.

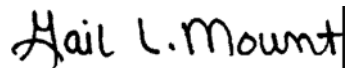
5. That exceptions to this restriction (either by individual customers or by a Commission-regulated water/water resale utility) shall be reviewed by the Commission on an individual basis. Those desiring an exception shall send a written statement to the Commission outlining the reason(s) that they should be excluded from this restriction. However, due to the unprecedented drought conditions noted above, exceptions to allow for the watering of lawns and shrubbery will not be allowed.

6. That, if the customer notification requirement contained herein causes financial hardship to any Commission-regulated water or water resale company, said company may apply to the Commission for consideration of appropriate relief.

ISSUED BY ORDER OF THE COMMISSION.

This the 24th day of October, 2007.

NORTH CAROLINA UTILITIES COMMISSION



Gail L. Mount, Deputy Clerk

rb102307.01

Commissioner James Y. Kerr, II, did not participate.

CERTIFICATE OF SERVICE

I, _____, mailed with sufficient postage or hand delivered to all affected customers a copy of the Order issued by the North Carolina Utilities Commission in Docket No. W-100, Sub 46 and WR-100, Sub 6 and such Order was mailed or hand delivered by the date specified in the Order.

This the ___ day of _____ 2007.

By: _____
Signature

Name of Utility Company

The above named Applicant, _____, personally appeared before me this day and, being first duly sworn, says that the required copy of the Commission Order was mailed or hand delivered to all affected customers, as required by the Commission Order dated _____, Docket No. W-100, Sub 46 and WR-100, Sub 6.

Witness my hand and notarial seal, this the ___ day of _____ 2007.

Notary Public

Address

(SEAL) My Commission Expires: _____

Date

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-100, SUB 46
DOCKET NO. WR-100, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Year 2007 Drought
Response - Water
Conservation Measures

ORDER MODIFYING RESTRICTIONS
CONCERNING NONESSENTIAL WATER USAGE
AND REQUIRING NOTICE

BY THE COMMISSION: On October 24, 2007, the Commission issued an Order Requiring Curtailment of Nonessential Water Usage in the above-captioned dockets. Following issuance of said Order, the drought continued to worsen until the end of December. Since that time, the State has been receiving beneficial precipitation. While the drought is certainly not over, conditions have improved to the point that it seems to be appropriate to relax the Commission-mandated restrictions in certain areas in certain respects.

In October 2007, the statewide nature of this exceptional drought warranted the drastic action taken by the Commission which required the curtailment of all nonessential water usage. As the drought eased somewhat and as some anomalies in the effects of the nonessential water use restrictions previously adopted by the Commission have been detected, the Commission identified several areas within the State in which it considered releasing or relaxing some of the presently imposed restrictions on water usage that have been in place since October 24, 2007. Therefore, on May 1, 2008, the Commission issued an Order Requesting Comments regarding its proposals to modify the October 24, 2007, Order. Such comments were required to be filed by the Public Staff and any other interested parties by May 14, 2008. The Commission received comments from the Public Staff, Aqua North Carolina, Inc., Carolina Water Service, Inc. of North Carolina, and several interested customers. The Commission has carefully considered these comments in determining that the water usage restrictions imposed in the October 24, 2007, Order should be modified in the following respects.

The Commission's proposals relating to Purchased-Water Systems and Cumberland County Type Circumstance were not controversial. Instead, all parties recommended the adoption of those proposals. As a result, the Commission concludes that they should be adopted as follows.

1. Purchased-Water Systems

While a majority of the water systems throughout North Carolina regulated by the Utilities Commission acquire their water from utility-owned wells, many systems purchase their water from other sources and resell the water to their customers.

All of the companies classified as water resellers (identified by docket numbers that begin with "WR") purchase their water from municipal sources that are not regulated by the Commission. The Commission is of the opinion that it is inconsistent for customers of water resellers to be subject to different nonessential water usage restrictions than the municipal customers who receive water from the same source. Therefore, the Commission will allow "WR" customers to be subject to the same water restrictions regarding nonessential water usage that have been imposed by the local municipality from which the water that they consume is being purchased.

Furthermore, a number of traditional water utilities (those with docket numbers beginning with "W") operate certain systems that, for various reasons, purchase water from a municipality for resale to their customers. It is, likewise, inconsistent for customers served by these purchased-water systems to be subject to restrictions regarding nonessential water usage that are different from those to which municipal customers utilizing the same source of water are subject. Therefore, the Commission will require the water utility companies to identify all of their specific systems utilizing purchased water and to notify the customers on those systems that they will be subject to the same water restrictions that are imposed by their local municipality that supplies their utility provider with water. The water utility is hereby required to provide the Commission with a listing (including subdivision name, county name, name of supplier, and number of customers) of all service areas so identified within twenty days of this Order.

2. Cumberland County-Type Circumstance

The Commission is aware of a large service area franchised to Aqua North Carolina in the Cumberland County area that uses well water to serve a portion of the service area and that also uses water purchased from the Fayetteville Public Works Commission (PWC) to provide service in another portion of the service area.

As discussed above, the Commission believes it is incongruous for customers whose source of water is water purchased from an entity like the PWC to be subject to restrictions regarding nonessential water usage that are different from those applicable to customers served by entities like the PWC. The Commission is of the opinion that these customers should be subject to the restrictions for nonessential water usage adopted by the PWC or a similar entity. However, it would be very confusing for customers within the same service area to be subject to two different sets of water usage restrictions. Therefore, the Commission believes that it would be appropriate to require the utility in such a situation to identify the systems utilizing both purchased water and well water and notify the customers served by these systems that they will be subject to the same water restrictions imposed by their local municipality from which a portion of their water supply is purchased. The utility is required to provide the Commission with a listing (including subdivision name, county name, name of supplier, and number of customers with well water and the number of customers with municipal-supplied water) of all service areas so classified within twenty days of this Order. This approach is not applicable solely to the Cumberland County situation described above, but may be implemented anywhere a similar situation exists which has been properly identified for the benefit of the Commission.

3. **Remainder of the Proposals**

The remainder of the proposals (Coastal Counties, Metrolina Counties, and Remainder of the State) set out in the Commission's May 1, 2008, Order were the subject of many comments, remarks, and observations. As noted earlier, the beneficial rains of late winter have caused the effects of the drought to lessen. As soon as reservoirs filled up, many municipalities relaxed their water restriction guidelines relating to nonessential water usage. This rush to relax existing water usage restrictions was followed by a press release from Governor Easley in which he noted that he had written a letter to local officials asking them to continue their aggressive water conservation efforts because the drought is not over. The Commission has not joined in the premature rush to relaxation of restrictions.

The North Carolina Drought Management Advisory Council (DMAC) maintains a website on which the North Carolina portion of the United States Drought Monitor's drought severity map is displayed. This map showing the location and the severity of the drought is updated weekly. The DMAC urges implementation of drought response actions for all users located in or dependent on water resources derived from areas experiencing exceptional, extreme, severe, or moderate drought or abnormally dry conditions.

Based upon the DMAC's reclassification of the severity of the drought across the State, the recommended drought response actions, and the comments submitted by the parties, the Commission finds and concludes that it is appropriate to relax some of its existing restrictions depending upon the drought severity classification applicable to specific areas (the Commission-regulated water systems located within a particular area composed of specific counties will be subject to the water restrictions as defined by the Commission below). The Commission will maintain a webpage entitled *Non-Essential Water Usage Restrictions*, on its website, www.ncuc.net, whereupon the varying restrictions will be listed by drought severity classifications. The webpage will contain a hyperlink to the DMAC drought severity map. The level of restrictions applicable to a particular county will vary as the DMAC drought severity map classifications change from week to week every Thursday. For this purpose, the official drought severity classification for each county will be designated in accordance with DMAC's placement of each county in its listing for "Counties Under Current Advisory." The entire county is designated under a single classification which is based upon the highest level of drought severity applicable to any portion of the county in question.

Normal Conditions

(No drought classification - counties that are completely white on DMAC's map)

Voluntary odd-even spray irrigation three days per week:

Odd addresses: Tuesday 10 p.m. to Wednesday 4 a.m.
Thursday 10 p.m. to Friday 4 a.m.
Saturday 10 p.m. to Sunday 4 a.m.
Even addresses: Wednesday 10 p.m. to Thursday 4 a.m.
Friday 10 p.m. to Saturday 4 a.m.
Sunday 10 p.m. to Monday 4 a.m.

Handheld use of a container or hose to water flowers, shrubs, trees, and vegetable gardens is allowable at anytime.

Car washing is allowable at anytime.

Filling of swimming pools or topping-off pools is allowable at anytime.

DO Abnormally Dry
(Yellow on DMAC map)

Mandatory odd-even spray irrigation three days per week:

Odd addresses: Tuesday 10 p.m. to Wednesday 4 a.m.
Thursday 10 p.m. to Friday 4 a.m.
Saturday 10 p.m. to Sunday 4 a.m.
Even addresses: Wednesday 10 p.m. to Thursday 4 a.m.
Friday 10 p.m. to Saturday 4 a.m.
Sunday 10 p.m. to Monday 4 a.m.

Handheld use of a container or hose to water flowers, shrubs, trees, and vegetable gardens is allowable at anytime.

Car washing is allowable at anytime.

Filling of swimming pools or topping-off pools is allowable at anytime.

D1 Moderate Drought
(Beige on DMAC map)

Mandatory odd-even spray irrigation two days per week:

Odd addresses:	Tuesday 10 p.m. to Wednesday 4 a.m. Thursday 10 p.m. to Friday 4 a.m.
Even addresses:	Wednesday 10 p.m. to Thursday 4 a.m. Friday 10 p.m. to Saturday 4 a.m.

Handheld use of a container or hose to water flowers, shrubs, trees, and vegetable gardens is allowable at anytime.

Car washing is allowable at anytime.

Filling of swimming pools or topping-off pools is allowable at anytime.

D2 Severe Drought
(Light Orange on DMAC map)

Mandatory odd-even spray irrigation two days per week:

Odd addresses:	Tuesday 10 p.m. to Wednesday 1 a.m. Thursday 10 p.m. to Friday 1 a.m.
Even addresses:	Wednesday 10 p.m. to Thursday 1 a.m. Friday 10 p.m. to Saturday 1 a.m.

Handheld use of a container or hose to water flowers, shrubs, trees, and vegetable gardens is allowable on any day (8 p.m. to 8 a.m.).

Car washing - odd addresses on Saturday/even addresses on Sunday.

No filling of swimming pools - Topping-off pools only 12 inches per week.

D3 Extreme Drought
(Red on DMAC map)

Mandatory odd-even spray irrigation one day per week:

Odd addresses:	Tuesday 10 p.m. to Wednesday 1 a.m.
Even addresses:	Wednesday 10 p.m. to Thursday 1 a.m.

Handheld use of a container or hose to water flowers, shrubs, trees, and vegetable gardens is allowable on any day (8 p.m. to 8 a.m.).

Car washing - odd addresses on Saturday/even addresses on Sunday.

No filling of swimming pools - No topping-off pools.

D4 Exceptional Drought
(Burgundy on DMAC map)

No spray irrigation.

Handheld use of a container or hose to water flowers, shrubs, trees, and vegetable gardens is allowable on any day (8 p.m. to 8 a.m.).

No car washing.

No filling of swimming pools - No topping-off pools.

4. Other Considerations

A concern expressed by certain customers was that some neighboring customers are violating the current water restrictions without consequence. The companies have commented on the cumbersome nature of the existing procedures that require catching a violator in the act, documenting the violation, warning the violator, asking the Commission for authority to disconnect the violator upon the next violation, receiving permission from the Commission to disconnect the customer, serving the Order granting permission to disconnect on the customer, and witnessing a subsequent violation before a violator may be disconnected. Based upon the foregoing, the Commission is of the opinion that the existing enforcement procedures should be streamlined and that a regulated water company should be allowed to disconnect a water customer if he or she violates the restrictions set out in this Order. However, a customer must be provided a 24-hour notice prior to disconnection (for this purpose a door hanger type notice will be sufficient). The customer will have a full business day¹ after the date of notification to show cause why his or her service should not be disconnected. A customer seeking to show cause why his or her service should not be disconnected should contact the Operations Division of the Commission by telephone at (919) 733-3979. If the customer does not successfully show cause, the utility may disconnect service at the end of the next business day. The utility shall immediately notify the Commission when it disconnects a customer's service for violation of these nonessential water usage restrictions. Except as modified in this Order, the other enforcement procedures specified in the Commission's October 24, 2007, Order remain in full force and effect.

The Commission is also of the opinion that the water companies should be required to provide periodic nonessential water usage restriction updates to their customers by bill inserts and inform customers that they may call their local water utility provider to check on the current water usage restrictions for their county.

Several other suggestions (such as monetary penalties for violations, penalties based on excessive usage as determined by meter readings instead of witnessing a violation, and inclining block rates (tiered rates), etc.) were advanced by various commenters. While not adopting these

¹ A "business" day does not include weekends or holidays. As a result, a Commission-regulated water utility may not disconnect a customer for violating these restrictions on nonessential water usage until after one business day has elapsed after the notice of disconnection has been provided to the affected (e.g., if the notice is provided on Tuesday, service may be discontinued on Thursday, or if notice is provided on Saturday, service may be discontinued on Tuesday).

ideas at this time, the Commission will take these and other suggestions under advisement and reserves the right to implement additional restrictions or enforcement measures in the event that the Commission has the authority to implement such measures and believes that their implementation would be appropriate. The Commission does, however, note that it has significant concerns about the extent of its authority to authorize utilities to impose monetary penalties on customers violating water usage restrictions.

Based upon the foregoing, the Commission is of the opinion that it should modify the restrictions which were put in place by the Order issued on October 24, 2007, as noted above, and it should require that a copy of this Order be mailed with sufficient postage or be hand delivered by all Commission-regulated water and water resale companies to all customers no later than 10 days after the date of this Order.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 23rd day of M^y , 2008.

NORTH CAROLINA UTILITIES COMMISSION

rb052008.01

Gail L. Mount, Deputy Clerk

Commissioners Robert V. Owens, Jr., and James Y. Kerr, II, did not participate.

TABLE A - UTILITIES, INC. SYSTEMS THAT PURCHASE WATER FROM MUNICIPAL SOURCES

NAME OF WATER SYSTEM	Names of Subdivisions, sections	PWS ID #	COUNTY	Wholesale / Purchase Water Supplier	Municipal web link for current drought status or restrictions
NORTH CAROLINA					
Carolina Forest	Carolina Forest	03-62-106	Montgomery	Montgomery County	http://www.montgomerycountync.com/
Carolina Trace	Carolina Trace	03-53-101	Lee	City of Sanford	http://www.sanfordnc.net/
Corolla Light	Corolla Light	04-27-117	Currituck	Currituck County	http://www.co.currituck.nc.us/
Eastgate	Eastgate / Vander	03-26-280	Cumberland	Fayetteville PWC	http://www.faypwc.com/
High Vista Estates	High Vista Estates / High Vista / Mills River	01-45-140	Henderson	City of Hendersonville	http://www.cityofhendersonville.org/
Kings Grant	Kings Grant / Willow Run	01-36-211	Gaston	Town of Cramerton	http://www.cramerton.org/
Lamplighter East	Lamplighter Village East mobile home park	01-60-223	Mecklenburg	Charlotte Mecklenburg Utilities Depart. [Emergency temp]	http://www.charmeck.org/Departments/Utilities/Home.htm
Lamplighter South/Danby	Danby / Lamplighter Village South / Oakland Hills / Woodside Falls / Woodside Village / Winghamurst / Bridlestone / Glen Finnan / Strathmoor	01-60-156	Mecklenburg	Lancaster County Water and Sewer District, SC	http://www.lcwasd.org
Monteray Shores	Monteray Shores	04-27-120	Currituck	Currituck County	http://www.co.currituck.nc.us/
RiverPointe	Riverpointe	01-60-253	Mecklenburg	Charlotte Mecklenburg Utilities Depart. [Emergency temp]	http://www.charmeck.org/Departments/Utilities/Home.htm
Tanglewood South	Tanglewood South / Vander	03-26-367	Cumberland	Fayetteville PWC	http://www.faypwc.com/
Whispering Pines	Whispering Pines	03-63-112	Moore	Town of Southern Pines	http://www.southernpines.net/
White Oak Plantation	White Oak Plantation / Lee Forest	03-51-160	Johnston	Johnston County	http://www.co.johnston.nc.us/
Winston Plantation	Winston Plantation	40-51-002	Johnston	Johnston County	http://www.co.johnston.nc.us/
Winston Pointe	Winston Pointe	40-51-012	Johnston	Johnston County	http://www.co.johnston.nc.us/
Woodrun	Woodrun	03-62-107	Montgomery	Montgomery County	http://www.montgomerycountync.com/
Yorktown	Yorktown	02-34-165	Forsyth	City of Winston Salem	http://www.ci.winston-salem.nc.us
Zemosa Acres	Zemosa Acres	01-13-188	Cabarrus	City of Concord	http://www.ci.concord.nc.us

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. W-100, SUB 46
DOCKET NO. WR-100, SUB 6

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Year 2007 Drought Response - Water)
Conservation Measures) ORDER OF CLARIFICATION

BY THE COMMISSION: On May 23, 2008, the Commission issued an Order Modifying Restrictions Concerning Nonessential Water Usage and Requiring Notice in the above-captioned matter. On May 28, 2008, Utilities, Inc. (UI), filed a Motion for Clarification in the matter.

UI noted that several of their subsidiaries own and operate several water systems that extend into more than one county. As a result of the geographic location of these systems, situations may arise where a system extends into two counties with different drought classifications. Based on the May 20, 2008, DMAC drought severity map (the map in existence at the time the Order Modifying Restrictions was issued), Cabarrus County was classified as a severe drought category and Mecklenburg County was classified as an extreme drought category. The service area of Cabarrus Woods Subdivision (owned by Carolina Water Service, Inc., of North Carolina) lies in both counties. In the example given above by UI, customers in one end of the subdivision could irrigate twice a week, while customers in the other end could only irrigate once a week. UI noted that this could be very confusing to the customers and could hamper enforcement efforts by the utility.

UI requested that the Commission issue an Order clarifying what level of water restrictions should be applied to a water system in multiple counties with different drought designations.

Based upon the foregoing, the Commission is of the opinion that an Order should be issued clarifying that, in the case of water system located in two counties with differing drought designations, the drought designation for such a subdivision would be the higher of the two designations (In the example above, extreme drought is D3 and severe drought is D2, therefore Cabarrus Woods would come under the restrictions for extreme drought).

IT IS, THEREFORE, SO ORDERED. ISSUED

BY ORDER OF THE COMMISSION.

This the 13th day of June, 2008.

NORTH CAROLINA UTILITIES COMMISSION



Patricia Swenson, Deputy Clerk