

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

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NEWS RELEASE

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**UTILITIES COMMISSION ASSESSES A RATE OF RETURN PENALTY
AND GRANTS A PARTIAL RATE INCREASE TO
CAROLINA WATER SERVICE, INC. OF NORTH CAROLINA**

The North Carolina Utilities Commission has issued an Order assessing a penalty and authorizing Carolina Water Service (CWS) to charge new rates for water and sewer utility service in all its service areas in North Carolina. These rates will become effective for service rendered on and after the effective date of the Order.

In approving a partial rate increase, the Commission found that the quality of service provided by CWS to its customers is inadequate and unacceptable in many of its service areas as a result of poor water quality and/or serious service problems. Due to such findings, the Commission assessed a penalty in the amount of 1% on the rate of return on common equity which will reduce the Company's allowed rate increase by approximately \$120,000 on an annual basis.

Due to different previously existing rate schedules, some customer bills in certain service areas will increase more than others. The new rates reflect an overall increase of 4.6% for water operations and 9.8% for sewer operations. The Company had requested an increase of 13.9% for water operations and 18.5% for sewer operations.

The Commission reached its decision after considering testimony and evidence presented by the customers, the Company, and the Public Staff at public hearings in Boone, Charlotte, Beaufort, Fayetteville, Sylva, and Raleigh.

NCUC Docket # W-354 Sub III