

## Schedule of Rates for Inside- and Outside-City of North Little Rock Customers

Central Arkansas Water's new rate schedule represents the transition from a Declining Block Rate Structure to a Flat Rate Structure. With the former, the more water a customer used the lower the per unit rate. Overall, most customers will see a slight decrease; however, some higher use customers within certain classes may experience an increase due to the elimination of the declining block. The new schedule of rates is based on the cost-of-service rate-setting method, which takes into account how much it actually costs the utility to serve a particular type of customer class and assigns costs, accordingly.

Under the Flat Rate Structure, customers are grouped by class – Domestic (residential), Commercial, Industrial, Sprinkling, Master-metered, and Raw Water – and by whether the customers are inside or outside the city limits.

The new rate structure keeps the two components of your water bill: A Minimum Monthly Charge that covers service availability, free inspection services, meter reading, billing, customer services, emergency response, and 200 cubic feet of water; and an Additional Monthly Charge for usage in excess of 200 cubic feet per month. Usage above 200 cubic feet is charged at the appropriate flat rate for the respective customer class.

For 2004 and 2005, the rates for Master-metered Customers, Raw Water Customers, and private fire services will remain at the 2003 levels.

The following schedule of rates are established by Central Arkansas Water for Domestic, Commercial, Industrial, and Sprinkler customers classes inside or outside of the corporate limits of the City of North Little Rock, and whose water service meters are located north of the Arkansas River.

### Effective Dates

The Board of Commissioners, Central Arkansas Water, adopted the 2004 and 2005 schedule of rates as Resolution 2003-08 on September 4, 2003. This schedule shall become effective for water billed on or after January 1, 2004, and January 1, 2005, as hereinafter set forth.



### Minimum Monthly Charge

The Minimum Monthly Charge includes payment for the first 200 cubic feet (cf) of water used.

METER SIZE (diameter)	2004 — NORTH LITTLE ROCK MINIMUM MONTHLY CHARGE		2005 — NORTH LITTLE ROCK MINIMUM MONTHLY CHARGE	
	EFFECTIVE JANUARY 1, 2004		EFFECTIVE JANUARY 1, 2005	
	INSIDE	OUTSIDE	INSIDE	OUTSIDE
5/8"	\$ 4.77	\$ 6.39	\$ 4.77	\$ 6.39
3/4"	\$ 6.15	\$ 8.24	\$ 6.15	\$ 8.24
1"	\$ 8.75	\$ 11.72	\$ 8.75	\$ 11.72
1 1/2"	\$ 14.79	\$ 19.81	\$ 14.79	\$ 19.81
2"	\$ 23.98	\$ 32.14	\$ 23.98	\$ 32.14
3"	\$ 44.36	\$ 59.44	\$ 44.36	\$ 59.44
4"	\$ 72.15	\$ 96.68	\$ 72.15	\$ 96.68
6"	\$142.70	\$191.22	\$142.70	\$191.22
8"	\$241.36	\$323.42	\$241.36	\$323.42
10"	\$347.50	\$465.65	\$347.50	\$465.65
12"	\$632.88	\$848.06	\$632.88	\$848.06

### Meter Measurement

Except for public and private fire services, all water used shall be measured through meters. The size of each meter shall be determined by Central Arkansas Water commensurate with its estimate of the amount of water to be used for the premises. One cubic foot of water is equal to 7.48 gallons weighing 62.5 pounds avoirdupois.

### Understanding Your UBS Customer Billing Statement

Your monthly charges for water service account for approximately one-third of your monthly bill. All charges for water service are indicated in the WATER column of your billing statement. The other charges are for sewer and, if applicable, solid waste (garbage) collection services.

METER NUMBER(S)		BILLING PERIOD		DAYS		METER READINGS			CONSUMPTION	DESCRIPTION
FROM	TO	PREVIOUS	PRESENT	PREVIOUS	PRESENT	PREVIOUS	PRESENT	100 CUBIC FEET		
<p><b>Utility Billing Services</b>                      P.O. Box 8100                      Little Rock, AR 72203-8100                      CUSTOMER SERVICE 501-372-5161                      FOR CUSTOMER SERVICE INFORMATION PLEASE SEE WEBSITE WWW.CAW.ORG</p>										
ACCT NO: 000-0000-300		SERV. ADDRESS: 0000 JFK BOULEVARD		CITY: NORTH LITTLE ROCK		CLASS: RESIDENTIAL		NAME ON ACCOUNT: CUSTOMER DOF.		
BILLING DATE: 3/01/04		DUE DATE: 1/23/04		YOUR AVERAGE MONTHLY CONSUMPTION FOR SEWER IS: 4				8 WATER		
PREVIOUS ACTIVITY		PREVIOUS BILLING		FAMILY: 2/14/04 - THANK YOU						
BALANCE FORWARD		\$0.00		\$0.00		\$0.00		\$0.00		
CURRENT ACTIVITY		MONTHLY CHARGES		\$15.39		\$15.39		\$15.39		
		EXCLUDED FEE		.91		.91		.91		
		SALES TAX		.05		.05		.05		
		WATER RATE DRINKING WATER ANT		.25		.25		.25		
TOTAL CURRENT CHARGES		\$16.50		\$16.50		\$16.50		\$16.50		
TOTAL AMOUNT DUE		\$16.50		\$16.50		\$16.50		\$16.50		

### Additional Monthly Charge

In addition to the Minimum Monthly Charge, the following rates shall apply to the amount of water used in excess of 200 cubic feet (cf) per month:

CUSTOMER CLASS	RATES		RATES	
	EFFECTIVE JANUARY 1, 2004		EFFECTIVE JANUARY 1, 2005	
	INSIDE NLR CHARGES \$ PER 100 CF	OUTSIDE NLR CHARGES \$ PER 100 CF	INSIDE NLR CHARGES \$ PER 100 CF	OUTSIDE NLR CHARGES \$ PER 100 CF
DOMESTIC	\$1.41	\$1.92	\$1.39	\$1.90
COMMERCIAL	\$1.37	\$1.87	\$1.35	\$1.84
INDUSTRIAL	\$0.80	\$0.96	\$0.78	\$0.96
SPRINKLER	\$1.41	\$1.92	\$1.39	\$1.90

### Private Fire Service

Private fire service connections for private premises shall pay the following annual fire service charges:

	RATES		RATES	
	EFFECTIVE JANUARY 1, 2004		EFFECTIVE JANUARY 1, 2005	
	INSIDE NLR	OUTSIDE NLR	INSIDE NLR	OUTSIDE NLR
FIRE HYDRANTS	\$61.70	\$82.68	\$61.70	\$82.68
FIRE CONNECTION MINIMUM CHARGE	\$71.55	\$95.88	\$71.55	\$95.88
AUTOMATIC SPRINKLER SYSTEM MINIMUM CHARGE (1,000 HEADS)	\$71.55	\$95.88	\$71.55	\$95.88
ADDITIONAL HEADS, EACH AT	\$ 0.07	\$ 0.09	\$ 0.07	\$ 0.09
STANDPIPE 1 1/4" (OR SMALLER) DIAMETER, EACH	\$14.00	\$18.76	\$14.00	\$18.76
1 1/2" DIAMETER, EACH	\$21.78	\$29.19	\$21.78	\$29.19
2" DIAMETER, EACH	\$35.78	\$47.95	\$35.78	\$47.95
2 1/2" DIAMETER, EACH	\$71.55	\$95.88	\$71.55	\$95.88

### Nonresident Consumers

The term "outside-city" used in the foregoing rates refers to any consumer except the City of North Little Rock and Master-metered Customers receiving service outside the municipal boundaries and to nonresident consumers and Master-metered Customers who purchase water within the municipal boundaries, which water then is transported to a point outside the municipal boundaries for use or resale.

### Actual Calculation of Water Bill, based on 8 ccf consumption

Calculation of Average Monthly Household Water Bill – North Little Rock  
5/8" diameter Meter with Consumption of 8 ccf

	Inside-city	Outside-city
Minimum Monthly Charge	\$ 4.77 (includes 2 ccf)	\$ 6.39 (includes 2 ccf)
Consumption Charges	\$ 8.46 (6 ccf x \$1.41)	\$ 11.52 (6 ccf x \$1.92)
Taxes, Fees, and Other Charges	\$ 2.16	\$ 1.35
<b>TOTAL Month's Bill</b>	<b>\$15.39</b>	<b>\$19.26</b>

This year's rate decrease is the second for you in our efforts to achieve equalization of rates within customer classes. The first was in January 2003. We will complete the equalization process over a period of years but no later than the year 2011.

The adoption of the new rates follows an outside rate consultant's review of our costs for operations, maintenance, and capital improvements, as well as anticipated revenues that the utility will bring in through monthly water consumption charges and fees for special services.

We held a public hearing for customer comments on September 2, 2003, then submitted the rates for consideration by the North Little Rock City Council and Little Rock Board of Directors. The Board of Water Commissioners approved the new rates on September 4, 2003.

CAW puts service to you at the top of our priorities. Our charge is to make sure that you have quality and dependable water service now and in the future. We are committed to ensuring that your water service continually meets all federal and state standards for health and safety, keeping the facilities that serve you in good repair, planning ahead for the future, and continuing to offer the personable and convenient service that you expect from a hometown utility.

You can depend on us – today and tomorrow.

Sincerely,

*Jim Harvey*

Jim Harvey  
Chief Executive Officer

### Household Water Bill Comparison \*

City	6,244 Gallons
Memphis, TN	\$ 7.52
Dallas, TX	\$ 10.72
Shreveport, LA	\$ 13.38
St. Louis, MO	\$ 13.49
<b>CAW - North Little Rock, AR</b>	<b>\$ 13.72</b>
Oklahoma City, OK	\$ 15.19
Louisville, KY	\$ 15.22
Nashville, TN	\$ 15.46
Tulsa, OK	\$ 16.21
Springfield, MO	\$ 18.43
Jackson, MS	\$ 19.03

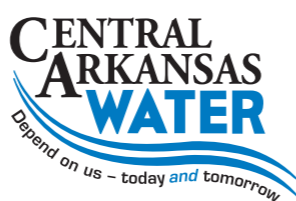
\* Based on 2004 Schedule of Rates for Central Arkansas Water Customers. Source: Black & Veatch Corporation of Kansas City, Missouri.

### Exceptional Customer Service from Central Arkansas Water

- ✓ Personable and convenient service five days a week through a local Customer Service Center
- ✓ 24-hour water quality monitoring
- ✓ Emergency turn-on service
- ✓ Bill adjustments for leaks
- ✓ Payment arrangements
- ✓ Network of 24 payment agents that puts the bill payment process closer to your home or business
- ✓ Seven options on how to pay the monthly bill (on-line, automatic debit, traditional mail, credit/debit card, payment agent, in-person, and night deposit)
- ✓ Free inspection services for leaks, pressure, and other problems
- ✓ 24-hour telephone access to your basic account information
- ✓ Dependable service from people who treat you like family

#### Mission Statement

"Providing you with the best water service possible at a fair price"



221 East Capitol Avenue • P.O. Box 1789  
Little Rock, AR 72203 • 501-372-5161 • carkw.com



Quality.  
Dependability.  
Affordability.  
Value.

*Our commitment to you.*

Customer Notification on Rates for 2004 and 2005  
Inside- and Outside-City of North Little Rock Customers

Dear Customer:

Drinking and cooking. Heating and cooling. Bathing and cleaning. Medical care. Food processing and manufacturing. Waste disposal. Recreation. Irrigation. Fire protection.

Central Arkansas Water's (CAW) commitment to you and other customers is to provide the best water service possible at a fair price. And, the many uses of water easily remind us of just how important having safe, dependable, and affordable water service is to our everyday quality of life.

In the Little Rock-North Little Rock metropolitan area, we are fortunate to enjoy water quality that is among the best in the United States and water service at rates among the lowest in the nation for residential, commercial, and industrial customers.

I am very pleased to announce that effective January 1, 2004, and January 1, 2005, CAW will decrease rates for the average customer north of the Arkansas River. Your enclosed billing statement reflects the first month of charges at the 2004 rates.

The average customer will pay slightly less for water each month and all customers will enjoy an even higher level of service. We have \$5 million of system improvements under way in North Little Rock, Sherwood, and our service area in unincorporated North Pulaski County. Plus, we are continuing to expand customer services for you and making progress on securing additional water supply to meet future demand.

CAW operates solely on revenues that the utility receives from customers for water usage and special services. We do not receive tax revenues or federal dollars to support operations thus the rate decreases and system improvements are especially good news.

On July 1, 2001, the cities of Little Rock and North Little Rock merged their municipal water systems into Central Arkansas Water. Your reduction in rates is a direct benefit of the water utilities' consolidation.

An important provision of the consolidation agreement is for customers within the same class to pay the same rates for water. Right now, customers north of the river pay more than customers south of the river pay for the same volume of water.

