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**PUBLIC SERVICE
COMMISSION**

Commonwealth of Kentucky
Before the Public Service Commission

In the Matter of:

APPLICATION OF FRANCIS WATER)
COMPANY FOR APPROVAL OF AN) Case No. 2004-00338
ADJUSTMENT IN RATES, FINANCING,)
AND AN INCREASE IN NON-)
RECURRING CHARGES)

ATTORNEY GENERAL'S
WRITTEN COMMENTS

The Attorney General provides his Written Comments to the Report of Commission Staff for the application of the Francis Water Company for an adjustment in rates. The Attorney General, without waiving any right to participate in further proceedings, notes that he does not request a hearing or an informal conference.

With regard to Materials and Supplies Expense, the \$1,140 for replacing meters (and arguably some of the other pipe and materials inventory) appears to relate to capital expenditures that should be amortized rather than expensed. To this extent, it appears that the amount(s) should be removed from the pro forma expense for Materials and Supplies and amortized over the life of the meters (and various projects) with the annual amortization amount(s) added to Amortization Expense.

The Staff Report notes an overall revenue increase of \$94,919 for a customer base of 310 customers. Given the utility's small customer base and the recurring nature of most of the expenses, this Office submits that the Company may wish to give due

consideration to the question of whether consolidation or another type of arrangement could help to reduce or contain these costs. The proposed rate for a typical residential customer using 5,000 gallons a month is \$52.89, an increase of 178.4%. This will be a rather large water bill. Ultimately, the duty to explain this increase falls upon the utility, and it may wish to communicate its views on the issue of "going it alone" to its customers in explaining this rate increase.

WHEREFORE, the Office of the Attorney General submits its Written Comments.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL

David Edward Spenard

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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the Attorney General's Written Comments were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct of the same, first class postage prepaid, to Sterling Francis, Francis Water Company, P. O. Box 38, Garrett, Kentucky 41630, all on this 29th day of November 2004.

David Edward S. Howard
Assistant Attorney General