



Francis Water Co.

P.O. Box 38
Garrett, Ky 41630
(606)874-1111

August 30, 2004

RECEIVED

AUG 31 2004

PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell
Commissioner's Director
211 Sower Blvd.
Frankfort, Ky 40602

Case 2004-00338

Dear Ms. O'Donnell

Francis Water Co. Inc. would like to file a rate case application and also an increase in nonrecurring charges with the Commission. Francis Water Co. is a small water system of 311 customers and has not asked for a rate increase since 1989. Our total revenue for 2003 was only 58,000.

A copy of this application has been sent to the office of the attorney General, Greg Stumbo on August 30, 2004. Francis water Co. will publish a notice to customers of a rate increase on September 1st, 8th, and 15th, in the Floyd Co. Times Newspaper.

We have also included over 300 letters from customers stating Francis Water Co. has excellent service and water quality for 67 years. Thank you for your time and assistance in this case.

Sincerely,

Sterling Francis
Francis Water Co.

RECEIVED

AUG 31 2004

**PUBLIC SERVICE
COMMISSION**

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

Case 2004-00338

Francis Water Company
Name of Utility

P.O. Box 38

Garrett , Kentucky 41630
Business Mailing Address

Telephone Number (606) 874-1111
Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: Tammy Francis & Larry Laferty

Address: P.O. Box 38

Garrett, KY 41630

Telephone Number: (606) 874-1111

- | | | | |
|----|---|--------------------------------------|----|
| 1) | Do you have 500 customers or fewer? | <input checked="" type="radio"/> Yes | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | <input checked="" type="radio"/> Yes | No |
| 3) | Has the Utility filed an annual report with this Commission for the past year and the two previous years? | <input checked="" type="radio"/> Yes | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | <input checked="" type="radio"/> Yes | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

- (1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2003.
- a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

Employee Wages and Salaries will increase because Francis Water Company will be required by the Kentucky Division of Water to staff its water treatment plant around the clock to comply with DOW regulations. Depreciation Expense and Amortization Expense will increase because of the need to buy several capital and nonrecurring items. Financing charges will increase because of the need to finance several expenditures. Francis has secured a line of credit of up to \$75,000 to pay for these expenditures (see the attached letter from Citizens National Bank), and is hereby requesting PSC approval to borrow this money, and a deviation from any informational requirements posed by the Commission's financing and other regulations. The grounds for this request to deviate are that Francis is a very small water utility, that all of the facts pertinent to the financing are contained herein, that the additional requirements posed by the Commission's regulations are burdensome for Francis to produce, and that they are unnecessary in this instance.

Francis has not yet made these expenditures, but commits to doing so at such time as the PSC approves this financing and rate increase.

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Please see the notes to Attachment A for these descriptions.

- i. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

See attachments

III. Other Information

a. Please complete the following questions:

1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

2) Total number of Customers as of the date of filing: 310

3) Total amount of increased revenue requested: \$94,919

4) Please circle Yes or No:

a) Does the utility have any outstanding indebtedness? Yes No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

b) Were all revenues and expenses listed in the Annual Report for 2003 incurred and collected from January 1 to December 31 of that year? Yes No

If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2003 and the amount shown on this schedule. – **Depreciation schedule attached. Please note that an audit of the 1997 calendar year by PSC Audit staff determined that depreciation expense for that year was \$1,480.96, based on the attached schedule. Since then, Francis has made no capital additions to plant, and depreciation expense has decreased to \$1,382 per year.**

6) If utility is a sewer utility:

III. Other Information

a. Please complete the following questions:

1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

2) Total number of Customers as of the date of filing: 310

3) Total amount of increased revenue requested: \$183,803

4) Please circle Yes or No:

a) Does the utility have any outstanding indebtedness? Yes No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

b) Were all revenues and expenses listed in the Annual Report for 2003 incurred and collected from January 1 to December 31 of that year? Yes No

If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2003 and the amount shown on this schedule. – **Depreciation schedule attached. Please note that an audit of the 1997 calendar year by PSC Audit staff determined that depreciation expense for that year was \$1,480.96, based on the attached schedule. Since then, Francis has made no capital additions to plant, and depreciation expense has decreased to \$1,382 per year.**

6) If utility is a sewer utility:

- a) Attach a copy of the latest State and Federal Income Tax Returns. **Attached**
- b) How much of the utility plant was recovered through the sale of lots or other contributions? (If unknown, state the reason).

Not applicable

- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Francis is a small water company which has not had a rate increase in more than 14 years. During that time, costs have increased. In addition, Francis's water plant is aging, and a number of major plant items will require replacement in the coming years. Most importantly, Francis is being required by the Division of Water to staff its water treatment plant around the clock to meet DOW requirements, to make additional expenditures to meet other regulatory requirements, and to borrow money to pay for the above-mentioned items.

IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using declining block rate design. This billing analysis is not intended for companies using a flat rate design.

- a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
432 Bills
518,400 gallons used
All bills use 2,000 gallons or less, therefore, all usage is recorded in Column 4.

Step2: Next 3,000 gallons rate level
1,735 Bills
4,858,000 gallons used
1st 2,000 minimum x 1,735 bills = 3,470,000 gallons – record in Column 4.
Next 3,000 gallons – remainder of water over 2,000 = 1,388,000 gallons – record in Column 5.

Step3: Next 10,000 gallons rate level
1,830 Bills
16,268,700 gallons used
1st 2,000 minimum x 1,830 bills = 3,660,000 gallons – record in Column 4.
Next 3,000 gallons x 1,830 bills = 5,490,000 gallons – record in Column 5.
Next 10,000 gallons – remainder of water over 3,000 = 7,118,700 gallons – record in Column 6.

Step4: Next 25,000 gallons rate level
650 Bills
15,275,000 gallons used
1st 2,000 minimum x 650 bills = 1,300,000 gallons – record in Column 4.
Next 3,000 gallons x 650 bills = 1,950,000 gallons – record in Column 5.
Next 10,000 gallons x 650 bills = 6,500,000 gallons – record in Column 6.
Next 25,000 gallons – remainder of water over 10,000 = 5,525,000 gallons – record in Column 7.

Step5: Over 40,000 gallons rate level

153 Bills
9,975,600 gallons used
1st 2,000 minimum x 153 bills = 306,000 gallons –
record in Column 4.
Next 3,000 gallons x 153 bills = 459,000 gallons –
record in Column 5.
Next 10,000 gallons x 153 bills = 1,530,000 gallons –
record in Column 6.
Next 25,000 gallons x 153 bills = 3,825,000 gallons –
record in Column 7.
Over 40,000 gallons – remainder of water over 25,000
= 3,855,600 gallons – record in Column 8.

Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue produced.

SAMPLE

Revenue from Present/Proposed Rates
 Test Period from 01-01-XX to 12-31-XX

USAGE TABLE

Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
Totals	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE

Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
Totals	4,800	46,895,700		\$ 92,094.10 Total Revenue

Instructions for Completing Revenue Table:

- (1) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (2) Complete Column No. 4 using rates either present or proposed.
- (3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
- (4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Telephone: 502 / 564 – 3940

c. One Copy of the completed application should also be sent at the same time to:

Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 – 3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed

Sterling Francis
Officer of the Company

Title

President

Date

8/23/04

Francis Water Company List of Attachments

- A. Proforma Income Statement**
- B. Present and Proposed Rate Schedule**
- C. Cost of Service Study**
- D. Financing Letter from Citizens National Bank**
- E. Depreciation Schedule**
- F. Federal and State Income Tax Returns**
- G. Salary Schedule**
- H. Documentation Supporting Capital and Equipment Additions**
- I. Documentation Supporting Increased Pro Forma Expenses**
- J. Customer Notice Form**

Francis WC Recom. Proforma Attachment A	2003	Francis's Proposed Adjustmts.	Proposed Adjusted	Staff Recom. Adjustmts.	Ref.	Staff Adjusted
Revenues	\$54,697	\$3,634	\$58,331	\$94,919	(1)	\$153,250
Employee Salaries	\$15,224	\$138,800	\$154,024	(\$93,724)	(2)	\$60,300
Officer Salaries	\$11,024	0	\$11,024	(\$8,024)	(3)	\$3,000
Employee Benefits	0	\$6,500	\$6,500	(\$1,700)	(4)	\$4,800
Purchased Power	\$4,540	0	\$4,540	0		\$4,540
Materials/Supplies	\$5,306	\$4,720	\$10,026	0	(5)	\$10,026
Contractual Services	\$515	\$4,212	\$4,727	0	(6)	\$4,727
Transportation Exp.	\$2,616	0	\$2,616	0		\$2,616
Insurance	\$2,657	\$963	\$3,620	0	(7)	\$3,620
Misc. Exp	\$3,919	\$2,374	\$6,293	0	(8)	\$6,293
<i>Tot. Utility Exp.</i>	<i>\$45,801</i>	<i>\$157,569</i>	<i>\$203,370</i>	<i>(\$103,448)</i>		<i>\$99,922</i>
Depreciation Exp.	\$1,382	\$1,642	\$3,024	0	(9)	\$3,024
Taxes OTI	\$3,849	\$10,618	\$14,467	(\$131) (\$7,784)	(10)	\$6,552
Income Taxes	\$828	0	\$828	\$2,922	(11)	\$3,750
Amortization Exp.	0	\$10,294	\$10,294	(\$4,435)	(12)	\$5,859
Total Op. Expense	\$51,860	\$180,406	\$231,983	(\$112,876)		\$119,107
Net Income Before Interest Charges	\$2,837	(\$176,772)	(\$173,652)	\$207,795		\$34,143

Calculation of Recommended Increase:

\$ 115,357 - Proforma Operating Expenses Before Income Taxes

88% - Operating Ratio

\$ 131,087

\$ 18,413 - Interest payment on \$75,000 loan.

\$ 149,500 - Revenue Requirement Before Tax

(\$133,770) - Proforma Operating and Interest Expenses

\$ 15,730 - After Tax net Income

x 1.23839 Tax Factor

\$ 19,480 - Net Income Before Income Tax (Tax is \$3,750)

\$ 153,250 - Revenue Requirement Including Tax

(\$58,331) - Normalized Revenues

\$ 94,919 - Recommended Revenue Increase

\$153,250/12 = \$12,771/310 = \$41.20 Average Monthly Revenue Per Customer

(\$75,000, 9% for 60 months, repay \$1,556.88 per mo. or \$18,683 per yr., Interest is \$18,412.80 per phone call of 7/9/04.)

Explanatory Notes:

1. Revenues - Recommended increase based upon Staff-adjusted operations.
2. Employee Salaries - Recommended salary levels for ratemaking purposes based upon 2004 survey by Kentucky Rural Water Association.
3. Officer Salaries - Recommended salary for Sterling Francis based upon 2003.
4. Employee Benefits – Estimated cost of health benefits for employee based upon Anthem Health middle bid of \$400 per month, not including additional coverages.
5. Materials and Supplies Expense – Per bid estimates dated 8/10/04, estimated cost of various materials needed totals \$4,720, including \$1,140 to replace 30 meters per year; various pipe and other materials inventory of \$1,930 per year; and \$1,650 for annual cost of chlorine (not purchased during 2003) based on purchasing 10 drums per year.
6. Contractual Services Expense – Estimated cost (per bid of 8/4/04) of \$4,212 for additional water testing that must be done annually.
7. Insurance Expense – Estimated cost of flood insurance is \$963 per bid of 8/6/04.
8. Miscellaneous Expense – Estimated cost of monthly phone service at the water plant is \$874, and estimated annual cost of postage that was not included in the test year is \$1,500.
9. Depreciation Expense - Recommended expense based upon the needed plant additions:

Depreciation Exp.	Amount	Life	Expense
Baptist Bottom Dist. Line	\$17,790	50 yrs.	\$356
2 New Pumps	\$4,000	20 yrs.	\$200
New Tank (Blue) Top	\$21,728	20 yrs.	\$1,086
Total	\$43,518		\$1,642

10. Taxes Other Than Income - Non-FICA Taxes were \$1,841 in 2003, adjusted to remove sales tax remittance of \$131, and allow FICA tax of 7.65% on proposed salaries of \$63,300, or \$4,842.
11. Income Taxes - Federal and State Income Taxes based on a tax factor of 1.23839.
12. Amortization Expense - Recommended Amortization Expense based upon amortizing the following nonrecurring items over 5 years for ratemaking purposes:

Amortization Exp.	Amount	Period	Expense
New billing system	\$3,595	5	\$719
Security system	\$5,702	5	\$1,140
USA Blue Book Items	\$21,586	5	\$4,317
Total	\$29,297	5	\$5,859

**FRANCIS WATER COMPANY
PROPOSED REVENUE
REQUIREMENT**

ACROSS THE BOARD INCREASE

FOR Garrett, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

Francis Water Company
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

A. MONTHLY RATES:

5/8" x 3/4" Meter

First 1,000 Gallons	\$9.00	16.33	Minimum Bill
Next 4,000 Gallons	2.50	9.14	Per 1,000 Gallons
Next 10,000 Gallons	2.00	6.65	Per 1,000 Gallons
Over 15,000 Gallons	1.50	5.40	Per 1,000 Gallons

2" Meter

First 60,000 Gallons	\$106.50	362.39	Minimum Bill
Over 60,000 Gallons	4.50	5.40	Per 1,000 Gallons

All other meter sizes have been deleted.

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

FOR Garrett, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

Francis Water Company
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

METER CONNECTION/TAP-ON CHARGES:

5/8 Inch X 3/4 Inch	\$ 312.00 612.00
All Larger Meters	Actual Cost

SPECIAL NON-RECURRING CHARGES:

Connection/Turn-on Charge	25.00 35.00
Late Payment Penalty	10%
Returned Check Charge	10.00 25.00

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

FOR Garrett, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

Francis Water Company
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

A. MONTHLY RATES:

5/8" x 3/4" Meter

First 1,000 Gallons	\$16.33	Minimum Bill
Next 4,000 Gallons	9.14	Per 1,000 Gallons
Next 10,000 Gallons	6.65	Per 1,000 Gallons
Over 15,000 Gallons	5.40	Per 1,000 Gallons

2" Meter

First 60,000 Gallons	\$365.39	Minimum Bill
Over 60,000 Gallons	5.40	Per 1,000 Gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

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(Signature of Officer)

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FOR Garrett, Kentucky
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Francis Water Company
(Name of Utility)

RATES AND CHARGES

METER CONNECTION/TAP-ON CHARGES:

5/8 Inch X 3/4 Inch	\$612.00
All Larger Meters	Actual Cost

SPECIAL NON-RECURRING CHARGES:

Connection/Turn-on Charge	35.00
Late Payment Penalty	10%
Returned Check Charge	25.00

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

COST OF SERVICE STUDY

NORMALIZED BILLING ANALYSIS SUMMARY FOR: FRANCIS WATER COMPANY
TEST PERIOD FROM 01/01/2003 to 12/31/2003

	<u>Bills</u>	<u>Gallons</u>	<u>Revenue</u>
5/8 x 3/4 Inch	3,550	13,236,900	55,526
2 Inch	12	1,737,900	2,805
Free Water	24	64,500	
TOTAL	3,586	15,039,300	58,331

Allocation of Plant Value				
Francis Water Company				
	Total	Commodity	Demand	Customer
Organization	\$220			\$220
Land & Land Rights	750		\$750	
Structures and Improvements	10,446		10,446	
Pumping Equipment	4,440		4,440	
Water Treatment Equipment	3,517		3,517	
Distribution Standpipes & Reservoirs	50,134		50,134	
Hydrants	505			505
Meters & Meter Installations	3,397			3,397
Subtotal	\$73,409		\$69,287	\$4,122
Other Plant & Misc. Equipment	\$1,134		\$1,070	\$64
Subtotal	\$1,134		\$1,070	\$64
Total	\$74,543		\$70,357	\$4,186
Allocation Percentages	100%		94.4%	5.6%

Source: PSC Annual Report 2003

Allocation of Depreciation				
Francis Water Company				
	Total	Commodity	Demand	Customer
Pumping Equipment	\$56,713		\$56,713	
Subtotal	\$56,713		\$56,713	\$0
Allocation Percentages	100%		100.0%	0.0%
Total	\$56,713		\$56,713	\$0
Allocation Percentages	100%		100.0%	0.0%

Source: PSC Annual Report 2003

Allocation of Operation & Maintenance Expense				
Francis Water Company				
	Total	Commodity	Demand	Customer
Purchase Power	\$4,540	\$4,540		
Materials & Supplies - Chlorine	1,650	1,650		
Postage	1,500			1,500
Salaries - Chris & Shawn (75%)	30,334		30,334	
Salaries - Larry	19,855		19,855	
FICA - Chris & Shawn (75%)	2,321		2,321	
Salaries - Chris & Shawn (25%)	10,111			10,111
FICA - Chris & Shawn (25%)	774			774
FICA - Larry	1,519		1,519	
Employee Benefits	4,800		4,800	
Taxes other than Income	1,939		1,939	
Income Taxes	3,750			3,750
Subtotal	\$83,093	\$6,190	\$60,768	\$16,135
Less Commodity	(\$6,190)			
Total	\$76,903		\$60,768	\$16,135
Allocation Percentages	100%		79%	21%
Amortization Expense	\$5,859		\$4,629	\$1,230
Transportation	2,616		2,067	549
Materials & Supplies	8,376		6,617	1,759
Contractual Services	4,727		3,734	993
Misc. Expense	4,793		3,786	1,007
Insurance	3,620		2,860	760
Officer Salaries	3,000		2,370	630
Subtotal	\$32,991		\$26,063	\$6,928
Total Operating Expenses	\$116,084	\$6,190	\$86,831	\$23,063

Source: Field Review 2004

Allocation of Cost of Service				
Francis Water Company				
	Total	Commodity	Demand	Customer
Operation & Maintenance	\$116,084	\$6,190	\$86,831	\$23,063
Available for Debt Service ¹	34,143		32,231	1,912
Depreciation ²	3,024		3,024	0
General Water Service Cost	153,251	\$6,190	122,086	24,975
Revenue Required from Rates	\$153,251	\$6,190	\$122,086	\$24,975

NOTES:

¹Debt Service has been allocated on a percentage of Plant Value from Sheet 1.

²Depreciation has been allocated on a percentage of Depreciation from Sheet 2.

Calculation of Water Rates Francis Water Company						
	Total	First 1,000 gallons	Next 4,000 gallons	Next 10,000 gallons	Over 15,000 gallons	
Actual Water Sales:						
Thousand Gallons	15,039,300	3,238,000	7,457,100	2,468,200	1,876,000	
Percent	100%	21.5%	49.6%	16.4%	57.9%	
Weighted Sales for Demand:		2	1.75	1.25	1	
Thousand Gallons	24,487,175	6,476,000	13,049,925	3,085,250	1,876,000	
Percent	100%	26.4%	53.3%	12.6%	29.0%	
Allocation of Volumetric Costs:						
Commodity	\$6,190	\$1,331	\$3,070	\$1,015	\$771	
Demand	122,086	32,231	65,072	15,383	9,347	
Customer	24,975	24,975				
Total	\$ 153,251	\$58,537	\$68,142	\$16,398	\$10,118	
Number of Bills	3,586					
Proposed Rates		\$16.33	\$9.14	\$6.65	\$5.40	

\$0.01 was added to the minimum bill and the last two steps to meet the revenue requirement.

Verification of Rates				
Francis Water Company				
	Bills	Gallons	Rate	Revenue
5/8 x 3/4 Inch Meter				
First 1,000 gallons	3,574	3,226,000	\$ 16.33	\$ 58,363
Next 4,000 gallons		7,409,100	9.14	67,719
Next 10,000 gallons		2,348,200	6.65	15,616
Over 15,000 gallons		318,100	5.40	1,718
2 Inch Meter				
First 60,000 gallons	12	720,000	\$ 362.39	\$ 4,349
Over 60,000 gallons		1,017,900	5.40	5,497
Total Revenue from Rates				\$ 153,262
Total Operating Revenue	3,586	15,039,300		\$ 153,262

Francis Water Company			
Proposed Cost of Service Rates Monthly Water Rates			
5/8 x 3/4 Inch Meter			
First 1,000 gallons	\$ 16.33	Minimum bill	
Next 4,000 gallons	9.14	per 1,000 gallons	
Next 10,000 gallons	6.65	per 1,000 gallons	
Over 15,000 gallons	5.40	per 1,000 gallons	
2 Inch Meter			
First 60,000 gallons	\$ 362.39	Minimum bill	
Over 60,000 gallons	5.40	per 1,000 gallons	

Comparison of Rates - 5/8 x 3/4 Inch Meter				
Francis Water Company				
Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
1,000	9.00	16.33	7.33	81.4%
2,000	11.50	25.47	13.97	121.5%
3,000	14.00	34.61	20.61	147.2%
4,000	16.50	43.75	27.25	165.2%
5,000	19.00	52.89	33.89	178.4%
6,000	21.00	59.54	38.54	183.5%
7,000	22.00	63.69	41.69	189.5%
8,000	25.00	72.84	47.84	191.4%
9,000	27.00	79.49	52.49	194.4%
10,000	29.00	86.14	57.14	197.0%
15,000	36.50	119.39	82.89	227.1%
20,000	36.50	146.39	109.89	301.1%
25,000	44.00	173.39	129.39	294.1%
30,000	51.50	200.39	148.89	289.1%
35,000	59.00	227.39	168.39	285.4%
40,000	66.50	254.39	187.89	282.5%
50,000	81.50	308.39	226.89	278.4%
60,000	96.50	362.39	265.89	275.5%
75,000	119.00	443.39	324.39	272.6%
100,000	156.50	578.39	421.89	269.6%
150,000	231.50	848.39	616.89	266.5%

Comparison of Rates		
Block Usage	Current Rates	Cost of Service Rates
First 1,000 gallons	\$ 9.00	\$ 16.33
Next 4,000 gallons	2.50	9.14
Next 10,000 gallons	2.00	6.65
Over 15,000 gallons	1.50	5.40

Effect on Customer Average Bill - 5,000 Gallons Usage			
Current Rates	Proposed Rates	Amount Increase	% Increase
\$19.00	\$52.89	\$33.89	178.40%

Comparison of Rates - 2 Inch Meter				
Francis Water Company				
		Cost of Service Rates		
Gallon Usage	Current Rates		Increase	Percentage
20,000	106.50	362.39	255.89	240.3%
25,000	106.50	362.39	255.89	240.3%
30,000	106.50	362.39	255.89	240.3%
35,000	106.50	362.39	255.89	240.3%
40,000	106.50	362.39	255.89	240.3%
50,000	106.50	362.39	255.89	240.3%
60,000	106.50	362.39	255.89	240.3%
75,000	129.00	443.39	314.39	243.7%
100,000	166.50	578.39	411.89	247.4%
150,000	241.50	848.39	606.89	251.3%

Comparison of Rates		
Block Usage	Current Rates	Cost of Service Rates
First 60,000 gallons	\$ 106.50	\$ 362.39
Over 60,000 gallons	1.50	5.40



June 1, 2004

TO WHOM IT MAY CONCERN:

Francis Water Company of P.O. Box 38 Garrett, Kentucky has the borrowing ability up to 75,000.00. The interest rate would be 9% for 60 months with a payment of \$1556.88.

If you have further questions please call Citizens National Bank at 606-886-4000 ext. 522.

Sincerely,

Earlene Nelson

Earlene Nelson
Loan Officer

FRANCIS WATER COMPANY, INC.
PLANT AND DEPRECIATION SCHEDULE
12/31/87

CURRENT ACCT NO/ PRIOR TO 89 ACCT NO	DATE USED AUDIT	USEFUL LIFE AUDIT	ASSETS		PER ADJUSTMENTS		ACCUM DEPR & DEPRECIATION EXP.	
			BALANCE 12/31/86	ADDITIONS/ RETIREMENTS	BALANCE 12/31/87	ADJUSTMEN NO	BALANCE 12/31/87	EXPENSE 12/31/87
301/001 ORGANIZATION EXPENSE								
1984 ANNUAL REPORT	06/30/87	30	143.30		143.30		143.30	143.30
1985 ANNUAL REPORT	06/30/87	30	32.63		32.63		32.63	32.63
1986 ANNUAL REPORT	06/30/87	30	17.81		17.81		17.81	17.81
1987 ANNUAL REPORT	06/30/87	30	25.98		25.98		25.98	25.98
301 SUBTOTAL			219.72	0.00	219.72		219.31	219.72
303/210 LAND AND LAND RIGHTS								
1984 ANNUAL REPORT	1937/1987		750.00		750.00		750.00	750.00
Land for easement	1981			4,000.00	4,000.00		4,000.00	4,000.00
303 SUBTOTAL			750.00	4,000.00	4,750.00		4,750.00	4,750.00
304/011 STRUCTURES AND IMPROVEMENTS								
1984 ANNUAL REPORT - water plant bldg	09/30/87	40	2,417.41		2,417.41		2,417.41	2,417.41
1984 ANNUAL REPORT - concrete settling tank	09/30/80	40	3,643.01		3,643.01		3,326.62	3,417.89
1980 ANNUAL REPORT	06/30/80	40	4,385.63		4,385.63		1,810.42	1,820.06
304 SUBTOTAL			10,446.05	0.00	10,446.05		7,554.45	7,755.17
311/225 & 328 PUMPING EQUIPMENT								
1984 ANNUAL REPORT	06/30/87	10	1,980.00		1,980.00		1,980.00	1,980.00
1984 ANNUAL REPORT	06/30/84	10	442.50		442.50		442.50	442.50
1989 ANNUAL REPORT	06/30/89	10	784.43		784.43		784.43	784.43
1979 ANNUAL REPORT	06/30/79	10	1,252.63		1,252.63		1,252.63	1,252.63
Sump pump	09/15/87	10	0.00		0.00	625.40	0.00	18.33
3 phase circuit electrical box for pump	09/18/87	10	0.00		0.00	614.50	0.00	17.51
Damming pump	10/09/87	10	0.00		0.00	1,543.84	0.00	35.11
311 SUBTOTAL			4,439.56	0.00	4,439.56	2,783.74	4,438.50	4,510.51
320/032 WATER TREATMENT EQUIPMENT								
1984 ANNUAL REPORT - purification eq. & filter	09/30/81	20	2,180.00		2,180.00		2,180.00	2,180.00
1987 ANNUAL REPORT	06/30/87	20	1,337.00		1,337.00		635.72	702.57
320 SUBTOTAL			3,517.00	0.00	3,517.00		2,815.72	2,882.57
330/042 DISTRIBUTION RESERV & STPIPES								
1984 ANNUAL REPORT - distribution tank	06/30/80	40	4,285.92		4,285.92		3,913.68	4,020.84
330 SUBTOTAL			4,285.92	0.00	4,285.92		3,913.68	4,020.84
331/043 & 342 TRANSMISSION AND DISTRIBUTION MAINS								
1984 ANNUAL REPORT	06/30/87	40	2,111.47		2,111.47		2,086.60	2,111.47
1985 ANNUAL REPORT	06/30/85	40	2,518.56		2,518.56		1,984.83	2,047.80
1987 ANNUAL REPORT	06/30/87	40	1,692.17		1,692.17		1,248.86	1,291.26
1970 ANNUAL REPORT	06/30/70	40	1,345.11		1,345.11		891.83	925.45
1973 ANNUAL REPORT	06/30/73	40	8,899.72		8,899.72		5,232.55	5,465.04
1974 ANNUAL REPORT	06/30/74	40	5,318.17		5,318.17		2,893.84	3,126.78
1975 ANNUAL REPORT	06/30/75	40	4,948.00		4,948.00		2,661.75	2,785.48
1981 ANNUAL REPORT	06/30/81	40	12,230.95		12,230.95		4,743.26	5,049.04
331 SUBTOTAL			39,064.15	0.00	39,064.15		21,843.62	22,792.31

U.S. Corporation Income Tax Return
For calendar year 2003 or tax year beginning _____, 2003, ending _____, _____
▶ Instructions are separate. See instructions for Paperwork Reduction Act Notice.

A Check if a: 1 Consolidated return (attach Form 951) <input type="checkbox"/> 2 Personal holding company (attach Schedule PH) <input type="checkbox"/> 3 Personal service corp (as defined in Regs. section 1.441-3(e) — see instructions) <input type="checkbox"/>	Use IRS label. Otherwise, print or type.	FRANCIS WATER COMPANY, INC. P.O. BOX 38 GARRETT, KY 41630	B Employer identification number 61-1180760 C Date incorporated 4/24/1989 D Total assets (see instructions) \$ 16,797.
--	--	---	--

E Check applicable boxes:		(1) Initial return	(2) Final return	(3) Name change	(4) Address change	\$	16,797.
INCOME	1 a Gross receipts or sales	54,697.	b Less returns & allowances		c Balance	1c	54,697.
	2 Cost of goods sold (Schedule A, line 8)					2	
	3 Gross profit. Subtract line 2 from line 1c					3	54,697.
	4 Dividends (Schedule C, line 19)					4	
	5 Interest					5	
	6 Gross rents					6	
	7 Gross royalties					7	
	8 Capital gain net income (attach Schedule D (Form 1120))					8	
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					9	
	10 Other income (see instructions — attach schedule)					10	
	11 Total income. Add lines 3 through 10					11	54,697.
DEDUCTIONS	12 Compensation of officers (Schedule E, line 4)					12	11,024.
	13 Salaries and wages (less employment credits)					13	15,224.
	14 Repairs and maintenance					14	5,306.
	15 Bad debts					15	
	16 Rents					16	
	17 Taxes and licenses		SEE STATEMENT 1			17	3,967.
	18 Interest					18	
	19 Charitable contributions (see instructions for 10% limitation)					19	
	20 Depreciation (attach Form 4562)		20			20	
	21 Less depreciation claimed on Schedule A and elsewhere on return		21 a			21 b	
	22 Depletion					22	
	23 Advertising					23	
	24 Pension, profit-sharing, etc. plans					24	
	25 Employee benefit programs					25	
	26 Other deductions (attach schedule)		SEE STATEMENT 2			26	14,841.
27 Total deductions. Add lines 12 through 26					27	50,362.	
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28	4,335.	
29 Less:	a Net operating loss (NOL) deduction (see instructions)		29 a			29 a	
	b Special deductions (Schedule C, line 20)		29 b			29 b	
29 c					29 c		
30 Taxable income. Subtract line 29c from line 28					30	4,335.	
31 Total tax (Schedule J, line 11)					31	650.	
TAX AND PAYMENTS	32 Payments: a 2002 overpayment credited to 2003	32 a	541.				
	b 2003 estimated tax payments	32 b					
	c Less 2003 refund applied for on Form 4466	32 c					
	d Bal			32 d	541.		
	e Tax deposited with Form 7004			32 e			
	f Credit for tax paid on undistributed capital gains (attach Form 2439)			32 f			
	g Credit for federal tax on fuels (attach Form 4136). See instructions			32 g		32 h	541.
33 Estimated tax penalty (see instructions). Check if Form 2220 is attached					33		
34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					34	109.	
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					35		
36 Enter amount of line 35 you want: Credited to 2004 estimated tax					36	Refunded	

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer: _____ Date: _____ Title: _____

May the IRS discuss this return with the preparer shown below? (see inst) Yes No

Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed	Preparer's SSN or PTIN
	Firm's Name (or yours if self-employed), address, and ZIP Code			EIN
	DARRELL MADDEN, CPA	1-19-04	<input type="checkbox"/>	404-88-2186
	DARRELL MADDEN, CPA MAIN STREET HINDMAN, KY 41822			61-1250420
				Phone No. (606) 785-5046

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1
2	Purchases	2
3	Cost of labor	3
4	Additional Section 263A costs (attach schedule)	4
5	Other costs (attach schedule)	5
6	Total. Add lines 1 through 5	6
7	Inventory at end of year	7
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on line 2, page 1	8

9a Check all methods used for valuing closing inventory:

(i) Cost as described in Regulations section 1.471-3

(ii) Lower of cost or market as described in Regulations section 1.471-4

(iii) Other (specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c)

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d**

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation. Yes No

Schedule C Dividends and Special Deductions (see instructions)

	(a) Dividends received	(b) Percentage	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)	SEE INSTR.	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))	100	
9	Total. Add lines 1 through 8. See instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from certain FSCs that are subject to the 100% deduction (sec 245(c)(1))	100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))	100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up (section 78)		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 245(d))		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1		
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1		

Schedule E Compensation of Officers (see instructions for line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more

1	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
				(d) Common	(e) Preferred	
	DANNY FRANCIS	400-66-4347	FULL %	33.33 %	0.00 %	11,024.
	RONNIE FRANCIS		PART %	33.33 %	0.00 %	0.
	STERLING FRANCIS	400-50-6283	PART %	33.34 %	0.00 %	0.
			%	%	%	
			%	%	%	
2	Total compensation of officers					11,024.
3	Compensation of officers claimed on Schedule A and elsewhere on return					
4	Subtract line 3 from line 2. Enter the result here and on line 12, page 1					11,024.

Note: The corporation is not required to complete Schedules L, M-1 and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		13,985.		16,029.
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule) SEE ST. 3		1,167.		766.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	29,645.		29,645.	
b	Less accumulated depreciation	29,645.		29,645.	
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (attach schedule) SEE ST. 4				2.
15	Total assets		15,152.		16,797.
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				711.
18	Other current liabilities (attach sch.) SEE ST. 5				4,753.
19	Loans from shareholders		7,753.		
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock	13,396.	13,396.	13,396.	13,396.
23	Additional paid-in capital				
24	Retained earnings — Approp (att sch)				72,937.
25	Retained earnings — Unappropriated		69,003.		
26	Adjmnt to shareholders' equity (att sch)				
27	Less cost of treasury stock		75,000.		75,000.
28	Total liabilities and shareholders' equity		15,152.		16,797.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions)			
1	Net income (loss) per books	3,934.	7 Income recorded on books this year not included on this return (itemize):
2	Federal income tax per books	401.	Tax-exempt interest \$
3	Excess of capital losses over capital gains		
4	Income subject to tax not recorded on books this year (itemize):		
5	Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):
a	Depreciation \$		a Depreciation \$
b	Charitable contributions \$		b Charitable contribns \$
c	Travel & entertainment \$		
6	Add lines 1 through 5	4,335.	9 Add lines 7 and 8
			0.
			10 Income (line 28, page 1) — line 6 less line 9
			4,335.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)			
1	Balance at beginning of year	69,003.	5 Distributions: a Cash
2	Net income (loss) per books	3,934.	b Stock c Property
3	Other increases (itemize):		6 Other decreases (itemize):
4	Add lines 1, 2, and 3	72,937.	7 Add lines 5 and 6
			8 Balance at end of year (line 4 less line 7)
			72,937.



720
41A720

Kentucky Corporation Income and License Tax Return

(S Corporations Use Form 720S)

2003
Taxable Year Ending
12/03
MO/YR

Revenue Cabinet

See separate instructions. Taxable period beginning 1/01, 2003, and ending 12/31, 2003.

A Check applicable box(es): Income Tax Return <input checked="" type="checkbox"/> Separate entity <input type="checkbox"/> Consolidated <i>Attach Form 722</i> Return not required Enter code _____ License Tax Return <input checked="" type="checkbox"/> Return not required Enter code 21	B Federal Identification Number 61-1180760	C Kentucky Account Number _____	
	Name of Corporation or Affiliated Group (Place preaddressed label here; otherwise print or type.) FRANCIS WATER COMPANY, INC.		State and Date of Incorporation KY 4/24/1989
	Number and Street P.O. BOX 38		Principal Business Activity in KY RETAIL SALES
	City State ZIP Code GARRETT, KY 41630	Telephone Number _____	Kentucky Business Code Number 221300
	D Name of Common Parent _____		Federal Business Code Number 221300

E Check if applicable: LLC Initial return Final return/dissolution Final return/withdrawal
 Short-period return (attach statement of explanation) Change of name/address No packet required for 2004

PART I - TAXABLE INCOME COMPUTATION		PART III - LICENSE TAX COMPUTATION			
1	Federal taxable income (Form 1120, line 28; Form 1120A, line 24)	4335.	17	Income tax overpayment	47.
ADDITIONS:			18	Credited to 2003 license tax	
2	Interest income (state and local obligations)		19	Credited to 2004	47.
3	State taxes based on net/gross income ST 1	118.	20	Amount to be refunded	
4	Depreciation adjustment		CAUTION: An election to file a consolidated income tax return does not apply for license tax. See instructions.		
5	Deductions attrib to nontaxable income		1	Capital stock	
6	Other (attach schedule)		2	Computation of surplus (attach schedules for a & b)	
7	Total (add lines 1 through 6)	4453.	a	Total assets	
SUBTRACTIONS:			b	Less debts	
8	Interest income (U.S. obligations)		c	Net assets	
9	Dividend income		d	Less capital stock	
10	Federal work opportunity credit		3	Surplus (line 2c minus 2d)	
11	Depreciation adjustment		4	Advances by affiliated companies	
12	Other (attach schedule)		5	Intercompany accounts	
13	Net income (line 7 less lines 8 through 12)	4453.	6	Borrowed moneys	
14	Taxable net income (attach Sch A if applicable)	4453.	7	Less moneys borrowed for inventory	
15	Net operating loss deduction		8	Total capital (combine lines 1 and 3 through 7)	
16	Taxable net income (after NOLD)	4453.	9	Apportionment fraction (attach Schedule A if applicable)	%
PART II - INCOME TAX COMPUTATION			10	Capital employed subject to tax	
1	Income tax liability (see instructions)	178.	11	Tax before credit (line 10 multiplied by .0021)	
2	Economic development tax credits		12	License tax credit (maximum \$490)	
3	Unemployment tax credit		13	License tax liability (minimum \$30)	
4	Recycling/composting equipment tax credit		14	Kentucky investment fund tax credit	
5	Coal conversion tax credit		15	KIRA tax credit (see instructions)	
6	Enterprise zone tax credit		16	Coal incentive tax credit	
7	Kentucky investment fund tax credit		17	Net license tax liability	
8	Coal incentive tax credit		18	Extension payment	
9	Qualified research facility tax credit		19	Income tax overpayment (Part II, line 18)	
10	GED incentive tax credit		20	License tax due	
11	Net income tax liability	178.	21	License tax overpayment	
12	Estimated payments	118.	22	Credited to 2003 income tax	
13	Extension payment		23	Credited to 2004	
14	Prior year's credit	107.	24	Amount to be refunded	
15	License tax overpayment (Part III, line 22)		Mail return with payment to: Kentucky Revenue Cabinet, Frankfort, Kentucky 40620.		
16	Income tax due				

TAX PAYMENT SUMMARY (Round to Nearest Dollar) Make check(s) payable to **Kentucky State Treasurer** or

check here if EFT payment.

41A7200312

Income	_____	Penalty	_____
License	_____	Interest	_____
Total (Including Penalty and Interest) _____			

1030

Federal Form 1120, pages 1 and 4, or 1120A, pages 1 and 2, must be attached.

KYCA6101L 09/19/03

SCHEDULE Q - KENTUCKY CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4 - 10 must be completed by all corporations. If this is the corporation's initial return or if the corporation did not file a return under the same name and same federal identification number for the preceding year, questions 1, 2 and 3 must be answered. Failure to do so may result in a request for a delinquent return.

1 Indicate whether: (a) completely new business; (b) successor to previously existing business which was organized as: (1) corporation; (2) partnership; (3) sole proprietorship; or (4) other. If successor to previously existing business, give name, address and federal identification number of the previous business organization.

4 The corporation's books are in care of: (name and address) COMPANY OFFICE GARRETT, KY 41630

5 If the corporation has a KNOL for the taxable year and is electing to forego the net operating loss carryback period, check here. 6 Is the corporation a partner in a partnership doing business in Kentucky? 7 Was this return prepared on: (a) cash basis, (b) accrual basis, (c) other. 8 Is the corporation a public service corporation subject to taxation under KRS 136.120? 9a Did the corporation file a Kentucky intangible property tax return for January 1, 2004? 9b Did the corporation file a Kentucky tangible personal property tax return for January 1, 2004? 10 Is the corporation currently under audit by the Internal Revenue Service? If 'Yes,' enter years under audit.

If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to this Cabinet, check here and file Form 720X, Amended Kentucky Corporation Income Tax and Corporation License Tax Return, for each year adjusted and attach a copy of the final determination.

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

Has the officer information entered below changed from the last return filed? Yes No. President's Name: DANNY FRANCIS. President's Home Address: GENERAL DELIVERY GARRETT, KY 41630. President's Social Security Number: 400-66-4347. Treasurer's Name: Treasurer's Home Address: Treasurer's Social Security Number: Vice President's Name: Vice President's Home Address: Secretary's Name: Secretary's Home Address: Vice President's Social Security Number: Secretary's Social Security Number:

I, the undersigned, declare under the penalties of perjury, that I have examined these returns, including all accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete.

41A7200322



Signature of principal officer or chief accounting officer

Date

DARRELL MADDEN, CPA 61-1250420

1-19-04

Name and Social Security or federal identification number of person or firm preparing return

1030

MAIN STREET, HINDMAN, KY 41822

Francis Water Company Proposed Salaries				
Employee/Duties	Proposed Rate	Proposed Hours	Total per week	Annual
Chris Francis, Certified Operator, day shift	\$18.50	48	\$888	\$46,176
Larry Laferty, Certified operator, 2 nd shift	\$18.50	48	\$888	\$46,176
Shawn Francis, Plant Operator, 3 rd shift	\$15.50	44	\$682	\$35,464
Sterling Francis, Field operator	\$15.50	32.5	\$504	\$26,208
Rita Scott, Bookkeeper	\$10.00	24	\$240	\$12,480
Totals			\$3,202	\$166,504
Remove Bookkeeper, per telephone conversation			(\$240)	
			\$2,962	\$154,024



FRANCIS WATER CO. INC.
 P.O. BOX 38
 GARRETT, KY. 41630

RECEIVED

JUN 8 - 2004

FINANCIAL ANALYSIS

This is our salary schedule for Francis Water Co. employees. To determine our salaries for employees we contacted U.S. Filter, or Southern Water Co. to compare hourly wages for a certified Operator. The Operator for U.S. Filter makes \$18.50 per/hour and Field Workers makes around \$14.00 to \$16.00 per/hour.

CHRIS FRANCIS Day Shift	Certified Operator	\$18.50 per/hour 8 hours a day 6 days a week
LARRY LAFERTY 2nd Shift	Certified Operator	\$18.50 per/hour 8 hours a day 6 days a week
Shawn Francis 3rd Shift	Plant Operator	\$15.50 per/hour 8 hours a day 5 to 6 days a week
Sterling Francis	Field Operator	\$15.50 per/hour 5 to 8 hours a day 5 days a week
Rita Scott	Bookkeeper	\$10.00 per/hour 6 hours a day 4 days a week

Thank you,

Tammy Francis



DARREN LAWSON
LAWSON CONTRACTING
P.O. BOX 426
GARRETT, KY 41630
606-454-1116

FRANCIS WATER COMPANY
GARRETT, KENTUCKY 41630

<u>ITEMS</u>	<u>QUANTITY</u>	<u>UNIT PRICE</u>	<u>TOTAL</u>
<u>Baptist Bottom Creek Crossing</u>	<u>LS</u>	<u>\$15,000.00</u>	<u>\$15,000.00</u>
<u>3"PVC</u>	<u>500ft</u>	<u>\$5.50</u>	<u>\$2,750.00</u>
<u>Encase Existing Line</u>	<u>200ft</u>	<u>\$20.00</u>	<u>\$400.00</u>

TOTAL \$17,790.00

Project Estimate Baptist Bottom Water System Upgrade

Thanks, Darren Lawson
Lawson Contracting
04-05-04





Commonwealth of Kentucky
Transportation Cabinet
Frankfort, Kentucky 40622

Paul E. Patton
Governor

James C. Codell, III
Secretary of Transportation

Clifford C. Linkes, P.E.
Deputy Secretary

February 7, 2003

Francis Water Company
Mr. Danny Francis
P.O. Box 5
Garrett, Kentucky 41630

Re: Floyd County-Item No. 12-1060 00
FD52 036 68392 01 U/00BRZ 01203 213
New Bridges Road (CR 1265)-Baptist Bottom

Mr. Francis,

Your Company has facilities which may require and/or adjustment in order to accommodate the proposed construction of subject project by the Department of Highways.

One set of road plans (ozalid) are attached for your use. Mr. Clinton Springer, District Utility Agent, will hold a field inspection in the near future and will notify you as to the time and place.

Certain information needed by the Department is outlined on a separate sheet stapled to the attached set of sepias. All correspondence, including the submission of your estimate or no-charge letter should be directed to the Chief District Engineer, Mr. Dan'l Hall, 109 Lorraine Street, Pikeville, Kentucky, phone (606) 433-7791.

Preliminary Engineering for the relocation of your facilities on private right of way has been approved to be performed by company personnel only. If your organization is not staffed and/or you choose to have preliminary engineering performed by a consultant engineering firm (anyone other than company personnel) it will be necessary to obtain prior approval from our Chief Engineer and state your reasons for wanting to do so. This procedure also pertains to right of way, easement acquisition and appraisal work. Upon receipt of your letter you will be advised as to what additional information is needed.

The above outlined procedure applies when you use an outside contractor (other than company personnel) for contract labor, for rental equipment and materials. Approval for use of contract labor, rental equipment and materials shall be requested at the time your estimate is submitted.

Clinton D. Springer
District Utility Agent
District #12-Pikeville

CDS/bac-Floyd County 12-1060 00
Pc: Billy Hedges, File



KENTUCKY TRANSPORTATION CABINET
"PROVIDE A SAFE, EFFICIENT, ENVIRONMENTALLY SOUND, AND FISCALLY RESPONSIBLE TRANSPORTATION SYSTEM
WHICH PROMOTES ECONOMIC GROWTH AND ENHANCES THE QUALITY OF LIFE IN KENTUCKY"
"AN EQUAL OPPORTUNITY EMPLOYER M/F/D"



Commonwealth of Kentucky
Transportation Cabinet
Frankfort, Kentucky 40622

Maxwell C. Bailey
Secretary of Transportation

Ernie Fletcher
Governor

February 5, 2004

Francis Water Company
209 May Village
Allen, KY 41601
Attn: Tammy Francis

Re: Floyd County, ACRZ 01203 213
FD52 036 68392 01 U
Baptist Bottom Road (CR 1971)

Mrs. Francis,

Transmitted herewith is a "State" letter and a "Joint Utility Meeting" letter that the Department of Transportation sends to each utility company that is involved on a state project. These letters explain the process that is taken by the District Utility office when a project is started.

I have also included in a separate mailing two- (2) set of road plans on the project.

The correct numbers to be used on this project are - Floyd County, ACRZ 1203 (239)
FD52 036 68392 01 U
Baptist Bottom Road (CR 1971)
Item No. 12-1060.00

If we can be of any further help on this project, feel free to call us at 606-433-7791.

Dewey Sammons
District Utility Agent/Unit Leader
District No. 12-Pikeville

Dave Skeens
District Utility Agent
District No. 12- Pikeville

DS- 12-1060.00 Baptist Bottom Road (CR1971)
Cc: File



KENTUCKY TRANSPORTATION CABINET
PROVIDE A SAFE, EFFICIENT, ENVIRONMENTALLY SOUND, AND FISCALLY RESPONSIBLE TRANSPORTATION SYSTEM
WHICH PROMOTES ECONOMIC GROWTH AND ENHANCES THE QUALITY OF LIFE IN KENTUCKY
"AN EQUAL OPPORTUNITY EMPLOYER M/F/D"

EAST KENTUCKY WATER, INC.

6702 Zebulon Highway
Pikeville, Kentucky 41501
Phone 631-9859
1-800-521-7867

84001

<input type="checkbox"/> SERVICE	<input checked="" type="checkbox"/> PICK UP	PHONE	REPAIR IN	DATE OF ORDER
<input type="checkbox"/> INSTALL	<input type="checkbox"/> DELIVER		<input type="checkbox"/> HOME <input type="checkbox"/> SHOP	1-21-04
NAME			DATE PROMISED	
ADDRESS			ACCOUNT NO.	
CITY			DATE OF ORIG. INSTAL.	
MAKE	MODEL	SERIAL NO.		<input type="checkbox"/> ESTIMATE <input type="checkbox"/> WARRANTY <input type="checkbox"/> CONTRACT <input type="checkbox"/> CASH <input checked="" type="checkbox"/> CHARGE <input type="checkbox"/> C.O.D.
NATURE OF SERVICE REQUEST				

QUAN.	PART NO.	DESCRIPTION	PRICE	AMOUNT
1		WS2012BHF Goulds Sewage Pump 2 H.P.; 1/2"		900.00
Pd. 1/27/04 CR # 3203				

SERVICE PERFORMED

Ordered by Tammy 1-19-04

TOTAL MATERIAL	
TECHNICAL SERVICE TIME	
TAX	
TOTAL	900.00

Thank You!

DATE COMPLETED **CASH ON COMPLETION OF WORK**

I hereby accept above performed service, and charges, as being satisfactory and acknowledge that equipment has been left in good condition.

Technician RH Customer's Signature [Signature]

YELLOW - INVOICE COPY WHITE - SHOP COPY RECEIVING INDEX - OFFICE COPY

FRASURE MANUFACTURING & ELECTRICAL SERVICE

P.O. Box 1414
MARTIN, KY 41649
(606) 285-3994

02761

Name: <i>Francis Water Co.</i>		Date: <i>6-8-04</i>		
Address:				
City:	State:	Zip:	Phone:	
Make:	Model:	Serial No.:		
TYPE OF SERVICE:			Prepaid or Collect \$:	
QTY	PART #	DESCRIPTION	UNIT PRICE	AMOUNT
		<i>5/8 on water statuer</i>		
		<i>14.0 - 16.5</i>		
		<i>Part of # 3346</i>		
Comments:			Total Materials	
			<i>8.5 @ 15.00</i>	<i>127.50</i>
			<i>24 mls @ .40</i>	<i>9.60</i>
			Tax	
Technician: <i>RJ Francis</i> Date:			TOTAL	<i>137.10</i>

I am satisfied with the above service, and my equipment has been left in good condition.

SERVICE ORDER

Thank You

Customer's Signature

425521

STATEMENT

DATE

3-9-04

TERMS

TO

Francis Water

ADDRESS

29 Water St.

Barnett Key 41630

IN ACCOUNT WITH

Super Meter Service LLC

1300 Bracht Rd.

Conisth Key 41010

1 3" meter

1 3" flg adapter

1 3" flg SW.

500.00

120.00

for

TOTAL

518.00

Att. Lisa

JAN-20-04 15:10 FROM-SERVICE PUMP

304-429-6736

T-B51 P 002/002 P-168

SERVICE PUMP & SUPPLY

4446 Waverly Road
P.O. Box 2097
Huntington, WV 25721
(304) 429-6731
Fax: (304) 429-6736

[Handwritten signature]

QUOTATION

F18015

1020645-0000-01
606-358-9737

1020645-0000-01

BILL TO: FRANCIS WATER CO., INC.
P.O. BOX 38
GARRETT KY 41630-0038

SHIP TO: FRANCIS WATER CO., INC.
P.O. BOX 38
GARRETT KY 41630-0038
CUSTOMER P.O. NO.

CUSTOMER P.O. NO. *****QUOTATION*****QUOTATION*****QUOTATION*****QUOTATION*****QUOTATION*****

SHIP/TR INVOICE NUMBER	SLSMN	ORDER DATE	TAKER	CUSTOMER P.O. NUMBER	DATE	FREIGHT CODES		
1020645-0000-01	223	01/20/04	18Z	CRANE DEMMING		P. Freight Allowed		
INSTRUCTIONS						FRY	PAGE NO	
FOB SP.. PP/ADD						B	1	
ATTN: TAMMY 606-874-1111								
ORDERED	QUANTITY	B/D/RET	SHIPPED	DISP.	ITEM CODE AND DESCRIPTION	U/M	UNIT PRICE	AMOUNT
1					***** EXPIRATION DATE: 02/19/04 ***** *4021HD PUMP. CRANE DEMMING SIZE 2S. AI. 73/4" IMP S/N# DC802461 (OLD UNIT)	EA	1601.7000	1601.70
								1601.70

+ shipping

\$ 1,601.70

CODE EXPLANATION

W. STATE TAX APPLICABLE	C. CONSUMER COMPLETE
F. FED/OTHER TAX APPLICABLE	D. DIRECT CHARGMENT
S. STATE & FEDERAL TAX APPL	F. FACTORY MORTGAG
B. BALANCE BACK ORDERED	H. RETURNED INV.

FREIGHT IN	FREIGHT OUT
------------	-------------

PRICES ARE SUBJECT TO CHANGE WITHOUT NOTICE

SUB TOTAL	1601.70
MISC CHARGE	
TELE. CHARGE	
FREIGHT TOTAL	
FED/OTHER TAX	
STATE TAX	
PAYMENT REC'D	

[Empty box]

SERVICE PUMP & SUPPLY, INC.

Remit To:
P.O. Box 2097
Huntington, WV 25721-2097
(304) 429-6731

SERVICE PUMP & SUPPLY, INC.

Ship to:
4446 Waverly Rd.
Huntington, WV 25704
Fax: (304) 429-6736

SHIP/TRANSFER NUMBER

SHIP/TR/INVOICE NUMBER

F18015

1037939-01

BILL FRANCIS WATER CO., INC.

SHIP TO: FRANCIS WATER CO., INC.

TO: ATT: TAMMY FRANCIS

TO:

P.O. BOX 38

P.O. BOX 38

GARRETT

KY 41630-0038

GARRETT

KY 41630-0038

CUSTOMER P.O. NO.

CUSTOMER P.O. NO. TAMMY

SHIP/TR/INVOICE NUMBER	SLSMN	ORDER DATE	TAKER	CUSTOMER P.O. NUMBER	DATE	FREIGHT CODES:	
1037939-01	223	01/30/04	182	TAMMY	02/04/04	P - Prepaid/ Allowed	
INSTRUCTIONS						FRT.	PAGE NO.
FOB SP., PP/ADD						B	1
UPS IN/OUT 2/2/04							
QUANTITY		DISP	ITEM CODE AND DESCRIPTION	U/M	UNIT PRICE	AMOUNT	C - Collect
ORDERED	B.O./RET						
1		1	HA133333333 PULLER, PACKING # 1 FOR 1/4" TO 5/16"	EA	12.0000	12.00	T - Taken by Customer
1		1	HA233333333 PULLER, PACKING #2 FOR 3/8" PACKING	EA	14.5500	14.55	X - C.P.U

35.39
28.00

7.39

CODE EXPLANATION

*** THIS IS YOUR INVOICE ***

- * - STATE TAX APPLICABLE
- # - FED./OTHER TAX APPLICABLE
- .. - STATE & FEDERAL TAX APPL
- B - BALANCE BACK ORDERED
- C - CONSIDER COMPLETE
- D - DIRECT SHIPMENT
- F - FACTORY MINIMUM
- H - RETURNED CYL

FREIGHT IN	FREIGHT OUT
4.39	4.45

SUB TOTAL	26.55
MISC CHARGE	
TELE. CHARGE	
FREIGHT TOTAL	8.84
FED./OTHER TAX	
STATE TAX	
PAYMENT REC'D	0.00

NET TERMS: INV 30 DUE: 03/05/04

*** ORDER COMPLETED ***

TOTAL AMT DUE
35.39

USABlueBook



INVOICE

NEW
 Remit to:
 P.O. Box 9004
 Gurnee, IL 60031-9004

TEL: (847) 689-9781
 FAX: (847) 689-3001
 TOLL FREE: 1-800-493-9876
 F.E.I.N.: 36-3645787

INVOICE NO.	807289
PAGE	1 of 1
DATE	05/14/04

CUSTOMER P.O. #	SHIP DATE	SALESPERSON	TERMS	TAX CODE	SALES ORDER #	W/H	FREIGHT	SHIP VIA
05.14.04	05/14/04	LEG	1%/10 NET 30	FLNONIL	797414	01	PAID	US
USA STOCK #	DESCRIPTION	ORDERED	SHIPPED	BACK ORDER	U/M	PRICE	PER	EXTENSION
70024	1" Koshin Dewatering Pump	1	1	0	EA	310.00	EA	310.00
70027	Honda 4-Cycle, 1.1hp, 11.7 lbs	1	1	0	EA	20.87	EA	20.87
C115	1" x 15' PVC Suction Hose	1	1	0	EA	.00	EA	.00
CA	MxF, MPBH Thrd, (F) Swivel	1	1	0	EA	.00	EA	.00
	Order From Catalog 115							
	CR RLSD							
THANK YOU for your business!		MERCHANDISE	MISCELLANEOUS	DISCOUNT	TAX	FREIGHT	TOTAL DUE	
1/2 MONTHLY CHARGE 30 DAYS PAST DUE Discounts apply to merchandise only.		330.87	.00	.00	.00	14.12	344.99	

Should it become necessary to refer your unpaid balance to a collection agency, a collection fee, not to exceed 25% of balance referred, plus reasonable attorney's fees; and court costs when necessary, will be added to the balance due.



******IMPORTANT******
 Please include this customer #
 on the face of your remittance check

1
 FRANCIS WATER CO
 29 WATER ST
 GARRETT, KY 41630
 ATTN TAMMY FRANCIS

S
O
L
D
T
O

945921
 FRANCIS WATER CO
 PO BOX 38
 GARRETT, KY 41630

INVOICE

INVOICE NO.	791505
PAGE	1 of 1
DATE	04/06/04

JSABlueBook



TEL: (847) 689-9781
 FAX: (847) 689-3001
 TOLL FREE: 1-800-493-9876
 F.E.I.N.: 36-3645787

NEW
 Remit to:
 P.O. Box 9004
 Gurnee, IL 60031-9004

CUSTOMER P.O. #	SHIP DATE	SALESPERSON	TERMS	TAX CODE	SALES ORDER #	W/H	FREIGHT	SHIP VIA	
4/5/04	04/06/04	CND	1%/10 NET 30	ILN0N1L	692107	01	PREPAID UFS		
USA STOCK #	DESCRIPTION	ORDERED	SHIPPED	BACK ORDER	U/M	PRICE	PER	EXTENSION	
65573	Boots, 15" Size 11	2	2	0	EA	10.84	EA	21.68	
45326	Sampling Valve, 1/2" MIP	2	2	0	EA	3.60	EA	7.20	
25154	Rough Cast Brass Ridgid RapidGrip 14" Pipe Wrench, 3/8 to 2" Jaw	1	1	0	EA	28.95	EA	28.95	
C114	Order From Catalog 114	1	1	0	EA	.00	EA	.00	
THANK YOU for your business!				MERCHANDISE	MISCELLANEOUS	DISCOUNT	TAX	FREIGHT	TOTAL DUE
1.5% MONTHLY CHARGE 30 DAYS PAST DUE Discounts apply to merchandise only.				57.83	.00	.00	.00	9.46	67.29

1.5% MONTHLY CHARGE 30 DAYS PAST DUE
 Discounts apply to merchandise only.

Should it become necessary to refer your unpaid balance to a collection agency, a collection fee, not to exceed 25% of the balance referred, plus reasonable attorney's fees; and court costs when necessary, will be added to the balance due.

*****IMPORTANT*****
 Please include this customer # on the face of your remittance check

SHIP TO

1
 FRANCIS WATER CO
 29 WATER ST
 GARRETT, KY 41630
 ATTN: TAMMY LAFFERTY

SOLD TO

945921
 FRANCIS WATER CO
 PO BOX 30
 GARRETT, KY 41630

**** Invoice ****

THE C.I. THORNBURG CO.,INC.
PO BOX 2163
4034 ALTIZER AVENUE
HUNTINGTON WV 25705
304-523-3484 Fax 304-523-0510

INVOICE DATE	INVOICE NUMBER
03/04/04	S1212965.2
REMIT TO: THE C.I. THORNBURG CO., INC. P.O. BOX 2163 HUNTINGTON, WV 25722-2163	PAGE NO. 1

BILL TO:

FRANCIS WATER COMPANY
P.O. BOX 38
GARRETT KY 41630

SHIP TO:

FRANCIS WATER COMPANY
209 MAY VILLAGE ROAD
ALLEN, KY 41601

CUSTOMER NUMBER	CUSTOMER ORDER NUMBER	CUSTOMER JOB NUMBER	WHSE	SALESPERSON	TERMS: DUE DATE AND CASH DISCOUNT IF APPLICABLE ARE LISTED BELOW.	
8660	FRANCIS WATER		2	SHISTA		
SALES TICKET NUMBER	SHIP VIA	DATE SHIPPED	ORDER DATE	1 1/2% FINANCE CHARGE ADDED ON PAST DUE ACCOUNTS.		
S1212965.2	LOCAL.OUR TRUCK	03/04/04	11/07/03			
DESCRIPTION	ORDER QTY	SHIP QTY	UM	NET UNIT PRICE	NET AMOUNT	
CITCO SHOP TEST OF 2" WATER METER	2	2		30.000	60.00	
CITCO SHOP REPAIR OF 2" METER	1	1		10.000	10.00	
#27 SR LARGE CUP ADAPTER RING	1	1		2.420	2.42	
2" SR EXCHANGE REGISTER, US GALLON	1	1		24.460	24.46	
				SUBTOTAL	96.88	
				FREIGHT	0.00	
				SALES TAX	5.81	
				AMT DUE	102.69	

WE NOW ACCEPT MC, VISA, AMERICAN EXPRESS
AND DISCOVER CREDIT CARDS!

PAYMENT TERMS: NET 30 DAYS. PAST DUE ACCOUNTS SUBJECT TO 1 1/2% FINANCE CHARGE
PER MONTH. ANNUAL PERCENTAGE RATE 18%.
NO RETURNS ALLOWED WITHOUT PROPER WRITTEN AUTHORIZATION. RETURN MATERIAL SUBJECT TO RESTOCKING.
HANDLING AND FREIGHT CHARGES.
WARRANTIES: LIMITED TO THOSE PROVIDED BY MANUFACTURER.

APR 14 04 WED 11:43 AM

FAX

PAGE 1



KENTUCKY GLASS LINED TANK SYSTEMS, INC.

PO BOX 13370
LEXINGTON, KY 40583

859-283-3544

859-259-0359

larry@kytanks.com

April 13, 2004

Francis Water Company
P.O. Box 38
Highway 80
Garrett, Kentucky 41630

Re: Budget Price
New Roof/Existing Tank
Garrett, Kentucky

Dear Owner:

Kentucky Glass Lined Tank systems, inc. is pleased to offer for your consideration a budget price for a *Aquastore* Geodesic dome on your existing potable water tank for \$21,728. The tank shall include the following:

- 20' diameter low maintenance and cost efficient aluminum (6005 A-T6) dome
- Manufactured per ISO 9001 certified facilities
- Screened vent and aluminum access hatch
- Standard business insurance (liability, workers comp, and auto)
- Installation by a certified field crew
- Engineered design and drawing submittals
- Open shop wages
- 25 lb./sf roof load

The owner shall provide the following:

- Draining of the tank
- Sterilization
- Sampling of water prior to returning tank to service

If you have any questions, please contact me at your convenience.

Sincerely,

Riley Sumner

Central Files

April 12, 2004

Outstanding Design And Flexibility

The Aquastore Dome's advanced structural design, based on proprietary variations of geodesic geometry, can meet exacting load requirements. All calculations and assumptions are validated using ALGOR finite element analysis. Aluminum integrated structural frames are rigid and lightweight. The compact struts are fabricated from high-quality aluminum (6005 A-16) for strength and durability. The Aquastore Dome utilizes advanced batten bar design which locks panels into place and protects the gaskets (Silicon or Neoprene) from ultraviolet rays. Aquastore Domes and Tank systems are manufactured in ISO 9001 certified facilities.

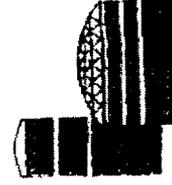
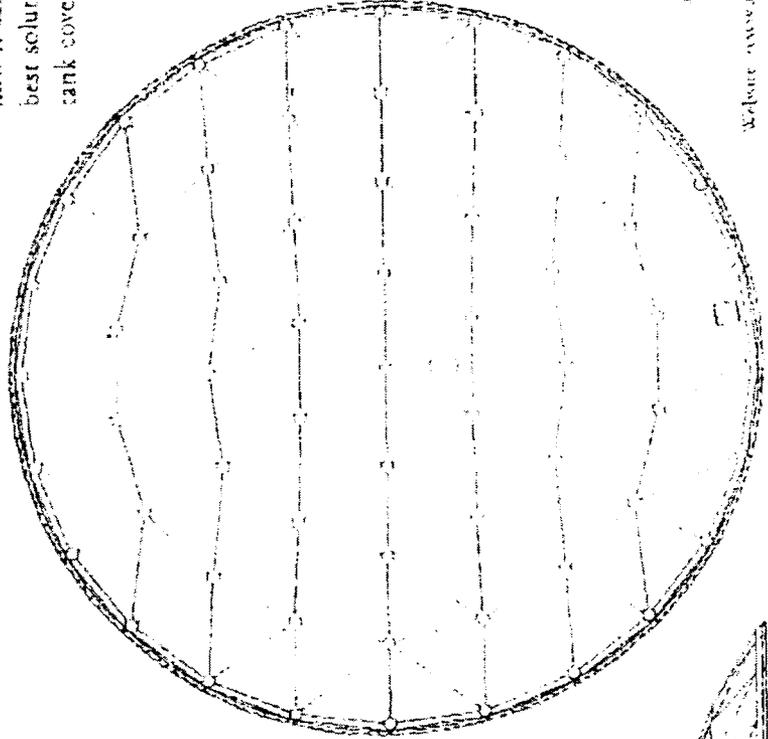


Low Maintenance And Cost Efficiency

The combination of the Aquastore Dome and the Aquastore Tank assures the owner of a low-maintenance service life. The dome's all-aluminum construction is resistant to corrosive vapors found in water and wastewater treatment plants. With virtually no maintenance required, Aquastore Dome and Tank systems offer unmatched cost efficiencies.

Speed of Installation And Service

The Aquastore Dome is designed for fast installation. Design and drawing submissions are turned around quickly. Standard components are readily available for fast and easy assembly. Your authorized Aquastore Dealer has the full details about the Aquastore Dome and how it can provide the best solutions for your tank covering requirements.



AQUASTORE
Tanks & Domes

145 Harestone Drive • DeKalb, Illinois 60115
Phone: 815-756-1531 • Fax: 815-756-7878
Website: www.aquastore.com • E-mail: sales@aquastore.com

APR-14-04 WED 11:44 AM

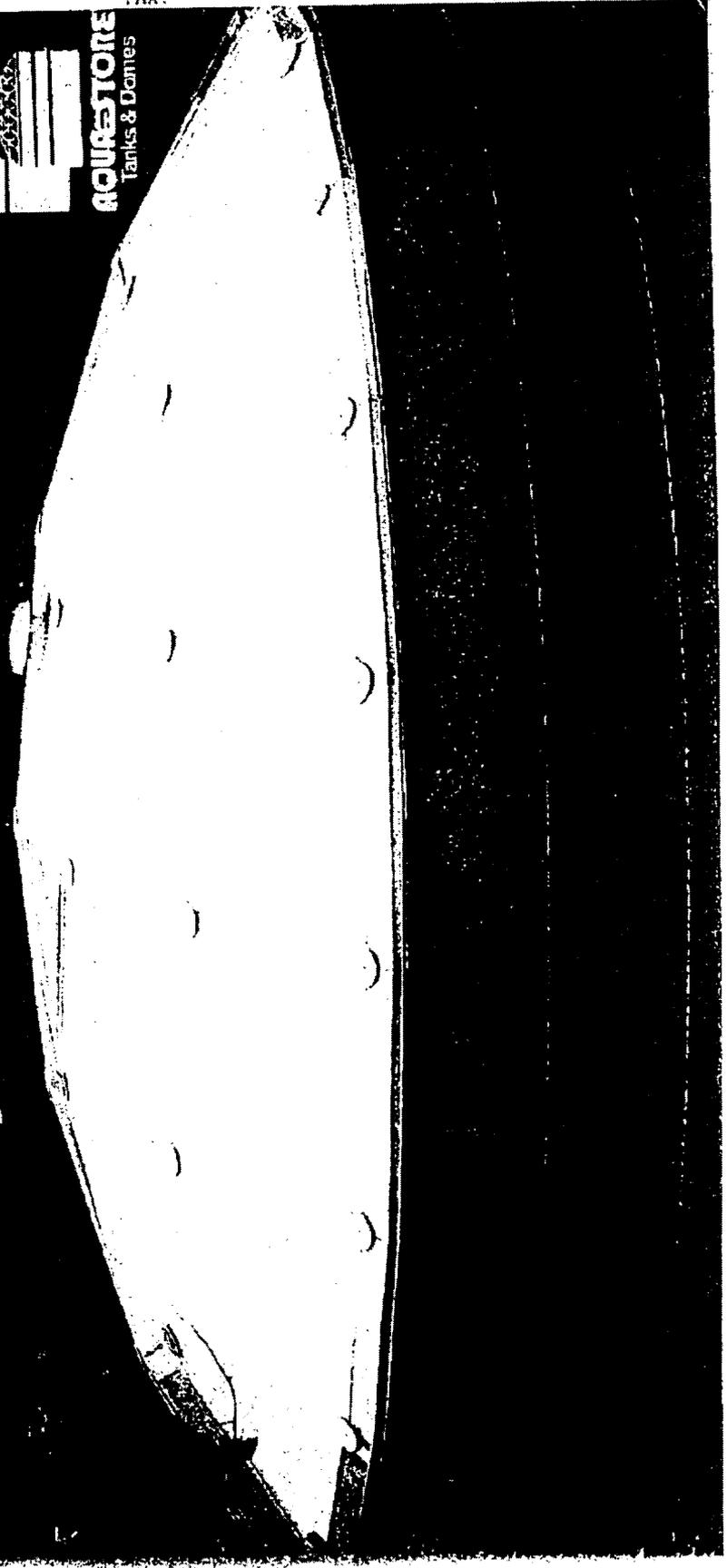
FAX:

PAGE 4

AQUASTORE® ALUMINUM GEODESIC DOME

The Aquastore Aluminum Geodesic Dome is available in diameters from 11 feet to 120 feet, provides protection for potable water, wastewater storage and treatment, process water for industry, landfill leachate storage and treatment, fire suppression water and more.

- Outstanding Design and Flexibility***
- Low Maintenance and Cost Efficiency***
- Speed of Installation and Service***




COMPUTER RESOURCES CORPORATION



10217 LINN STATION ROAD
LOUISVILLE, KY 40223
(502) 326-4282
FAX (502) 326-5605
1-800-626-2719

April 13, 2004

Ms. Tammy Francis
Francis Water Company
PO Box 38
Garrett, KY 41630

31,595.00

Dear Tammy:

The following would be my suggestion for a system for you. The hardware would be an Acer Computer, Pentium4, 2.8 GHz, 256 MB of DDR ECC RAM, with a 40 GB hard drive and a 17" color monitor. The system would come with an Okidata 420 printer and a modem. Also included is the Utility Billing and Meter Inventory software. The price would be \$3595.00, which includes three days of training at your office and the first year's support.

The following would be some suggestions of ways we could work out payment. First would be to make 12 monthly payments, which would be a little less than \$300.00 a month. Second, I could find some used equipment to bring for you to use until September. That way I don't have to pay for hardware and it would give you four months where you don't have to pay anything. Then we would buy the hardware and you could tell me how you want to pay for it. Third would be some other plan that would work with you and with us. We can't go past 12 months on a payment plan because then they require us to charge interest, which I don't want to do.

You and your brother talk about this and let me know what you would like to do. I am open to any suggestion. I am sure we can figure something out that will work for both of us.

Please call if you have any questions.

Sincerely,

Mike Grebe

Security System.

GRAINGER.

440 3rd Avenue
Huntington, WV 25701
Ph : (304) 523 4231
Fax: (304) 522 7055

FRANCIS WATER
ROUTE 80
GARRETT KY 41630 0000

Number/Date
3005358799 / 04/07/2004

Page
2

Items total
Sales Tax
Total

~~5,375.00~~
~~326.74~~
~~5,701.74~~

\$ 5,701.74
TOTAL

Signature : _____
Checked By: _____

GRAINGER.

440 3rd Avenue
 Huntington, WV 25701
 Ph : (304) 523 4231
 Fax: (304) 522 7055

FRANCIS WATER
 ROUTE 50
 GARRETT KY 41630-0000

Quotation

Quotation Number/Date Caller
 3009358799 - 04/07/04 TAMMY FRANCIS
 Valid From/Valid To
 04/07/2004 - 05/07/04
 Purchase Order Number
 QUOTE
 Delivery Date 04/07/2004
 Customer No.
 863925566
 Telephone
 6068741111

We deliver according to the following terms and conditions:
 Terms of payment: Cash Payment
 Cash Recd:
 Terms of delivery: Prepaid Freight Charges
 Gross weight: 76.150 LB

Currency USD

Item	Material	Pick Loc/s Quantity	Description Price	Price unit	Value
000010	3KU85	1 EA	CAMERA, OUTDOOR 529.00	1 EA	529.00
000020	6KN62	1 EA	MULTIPLEXER, B/W 1,130.00	1 EA	1,130.00
000030	3KU99	1 EA	SWITCHER, MATRIX 895.00	1 EA	895.00
000040	3KU96	1 EA	VCR, TIME LAPSE 760.00	1 EA	760.00
000050	3KU91	1 EA	CAMERA, DOME, 24 VAC 1,299.00	1 EA	1,299.00
000060	6KN60	1 EA	HOUSING, OUTDOOR 266.65	1 EA	266.65
000070	6KNSB	1 EA	HOUSING, OUTDOOR DOME 499.35	1 EA	499.35

Signature : _____
 Picked Up By: _____
 ID Number : _____

QUOTATION
 USA BLUEBOOK
 A Division of Utility Supply of America, Inc.
 PO Box 9004
 Gurnee, IL 60031-9004
 Toll free: 1-800-548-1234
 Fax: (847) 689-3030

NO. 130306
 Page 2
 04/05/04

TOTAL 11
 19,379.

Ship-to: 1
 FRANCIS WATER CO
 29 WATER ST
 GARRETT, KY 41630

Bill-to: 945921
 FRANCIS WATER CO
 PO BOX 38
 GARRETT, KY 41630

REFERENCE #	EXPIRES	SLSP	TERMS	WH	FREIGHT	SHIP VIA
04.05.04	05/05/04	LEG	1x/10 NET 30	01	PREPAID	UPS

QUOTED BY: LEG QUOTED TO: TAMMY LAFERTY

ITEM	DESCRIPTION	QUANTITY	UM	PRICE	UM	EXTENSION
	Leak Locator Kit II					
	SHR 230V IPR Vertical 80 gal.					

For your convenience, you may simply initial below and return via fax to 847-689-3030. We will process your order promptly and fax a confirmation so you know we have it. If you prefer to call your order in or have additional questions or concerns, you may contact our Customer Service Department @ 800-548-1234. Please note any changes to the quantities or shipping address. Thanks for choosing USABlueBook.

Authorization Signature

PO Number (if required)

MERCHANDISE	MISC	TAX	FREIGHT	TOTAL
19379.11	.00	.00	.00	19379.11

USE THIS QUOTE # ON PO'S!

QUOTATION
 USA BLUEBOOK
 A Division of Utility Supply of America, Inc.
 PO Box 9004
 Gurnee, IL 60031-9004
 Toll Free: 1-800-548-1234
 Fax: (847) 689-3030

NO. 130306
 Page 1
 04/05/04

Ship-to: 1
FRANCIS WATER CO

Bill-to: 945921
FRANCIS WATER CO

29 WATER ST
GARRETT, KY 41630

PO BOX 38
GARRETT, KY 41630

REFERENCE #	EXPIRES	SLSP	TERMS	WH	FREIGHT	SHIP VIA
04.05.04	05/05/04	LEG	1%/10 NET 30	01	PREPAID	UPS

QUOTED BY: LEG QUOTED TO: TAMMY LAFERTY

ITEM	DESCRIPTION	QUANTITY	UM	PRICE	UM	EXTENSION
32290	Hach 2100P Turbidimeter w/ w/ 9 Cells, Standards & Case	1	EA	837.00	EA	837.00
41318	HF Scientific Micro 100 Benchtop Turbidimeter	1	EA	949.05	EA	949.05
28200	Foxcroft Chlorine Analyzer FX-1000P, 115 VAC	1	EA	2650.00	EA	2650.00
28091	LMI On/Off pH Controller w/ 4-20 mA Output	1	EA	1157.10	EA	1157.10
27962	Submersible pH probe 1000 ohm RTD w/ 20' Cable	1	EA	256.00	EA	256.00
27317	8 Drum Containment Deck 99-3/4"x 53"x 6-1/4" 73 Gallon	1	EA	410.40	EA	410.40
24868	3HP, 3500RPM, TEFC, FR182T 3PH, 208-230-460V, LEESON	1	EA	219.21	EA	219.21
61124	LMI Solution Tank 50 Gallon Top Mount	4	EA	195.70	EA	782.80
27942	500-Gallon, Open-Top Tank with Flat Bottom	1	EA	718.11	EA	718.11
69571	Bulk Storage Tank Polyethelene 1200 Gallon 86" x 52"	1	EA	778.50	EA	778.50
43990	(OR) 5300 System Rust-Oleum Epoxy Primer Activator, Quart	50	EA	13.29	EA	664.50
43994	(OR) 5300 System Rust-Oleum Epoxy Gray Primer, Gallon	50	EA	45.79	EA	2289.50
43996	(OR) 5300 System Rust-Oleum Epoxy Finish Activator, Pint	50	EA	14.98	EA	749.00
44004	(OR) 5300 System Rust-Oleum Epoxy Silver Gray, Gallon	50	EA	44.13	EA	2206.50
75706	Metrotech HL 4000-50	1	EA	3734.40	EA	3734.40

CONTINUED

U445721

QUOTATION
USA BLUEBOOK

NO. 130479

A Division of Utility Supply of America, Inc.
PO Box 9004
Gurnee, IL 60031-9004
Toll free: 1-800-548-1234
Fax: (847) 689-3030

Page 1

04/07/04

\$997.00

Ship-to: SAME
FRANCIS WATER CO

Bill-to: 945921
FRANCIS WATER CO

PO BOX 38
GARRETT, KY 41630

PO BOX 38
GARRETT, KY 41630

REFERENCE #	EXPIRES	SLSP	TERMS	WH	FREIGHT	SHIP VIA
C.S.TECH REQ	05/07/04	WJW	14/10 NET 30	01	PREPAID	VENDOR'S CHOICE

QUOTED BY: WJW | QUOTED TO: TAMMY LAFERTY

ITEM	DESCRIPTION	QUANTITY	UM	PRICE	UM	EXTENSION
69571	Bulk Storage Tank Polyethelene 1200 Gallon 86" x 52" ALLOW 10 BUSINESS DAYS A.R.O.AND APPROVAL. GENERAL DRAWING SUPPLIED FOR REFERENCE.TTHIS IS A 1.5SG RATED TANK(12.5#/GAL MAXIMUM).INTENDED TANK SERVICE /CUSTOMER IS FOR POTABLE WATER(REG 4 EPA /KY NREP).CUSTOMER ACKNOWLEDGES RESPON- SIBILITY TO OFF-LOAD TANK AT SITE(150 LBS.)	1	EA	778.50	EA	778.50

TO ORDER --

For your convenience, you may simply initial below and return via fax to 847-689-3030. We will process your order promptly and fax a confirmation so you know we have it. If you prefer to call your order in or have additional questions or concerns, you may contact our Customer Service Department @ 800-548-1234. Please note any changes to the quantities or shipping address. Thanks for choosing USABlueBook.

Authorization Signature

PO Number (if required)

MERCHANDISE	MISC	TAX	FREIGHT	TOTAL
778.50	.00	.00	219.00	997.50

USE THIS QUOTE # ON PO'S!

#130479

17945721

QUOTATION
USA BLUEBOOK

A Division of Utility Supply of America, Inc.
PO Box 9004
Gurnee, IL 60031-9004
Toll free: 1-800-548-1234
Fax: (847) 689-3030

NO. 130488

Page 1

04/07/04

Ship-to: SAME
FRANCIS WATER CO

Bill-to: 945921
FRANCIS WATER CO

PO BOX 38
GARRETT, KY 41630

PO BOX 38
GARRETT, KY 41630

REFERENCE #	EXPIRES	SLSP	TERMS	WH	FREIGHT	SHIP VIA
C.S. TECH REQ	05/07/04	WJW	1&/10 NET 30	01	PREPAID	AST

QUOTED BY: WJW | QUOTED TO: TAMMY LAFERTY

ITEM	DESCRIPTION	QUANTITY	UM	PRICE	UM	EXTENSION
27942	500-Gallon, Open-Top Tank with Flat Bottom ALLOW 10 BUSINESS DAYS A.R.O. GENERAL DRAWING SUPPLIED FOR CUSTOMER REFERENCE. INTENDED TANK SERVICE IS FOR 12.5% SODIUM HYPOCHLORITE/CUSTOMER (REG4 EPA/KY NREP).	1	EA	718.11	EA	718.11

TO ORDER --

For your convenience, you may simply initial below and return via fax to 847-689-3030. We will process your order promptly and fax a confirmation so you know we have it. If you prefer to call your order in or have additional questions or concerns, you may contact our Customer Service Department @ 800-548-1234. Please note any changes to the quantities or shipping address. Thanks for choosing USABlueBook.

Authorization Signature

PO Number (if required)

MERCHANDISE	MISC	TAX	FREIGHT	TOTAL
718.11	.00	.00	492.00	1210.11

USE THIS QUOTE # ON PO'S!



Estimated Monthly Employee Benefit Premium Options

Account Name: Francis Water Company
 Proposal Number: 526806-2002
 Effective Date: 05/01/2004

SIC Code: 4941
 ZIP Code: 41653
 Risk Factor: 0.7534

Broker: Arison Insurance Service
 Account Executive:

Age	Sex	Status	Plan Code	Blue Access Option 27 with Rx Option B	Blue Access Option 25 with Rx Option B	Blue Access Option 27 with Rx Option D	Blue Access Option 26 with Rx Option D	Blue Access Option 25 with Rx Option D	Blue Access Option 22 with Rx Option B
40	M	A	S	\$230.12	\$209.59	\$218.02	\$211.06	\$197.85	\$187.36
38	M	A	S	\$191.72	\$174.62	\$181.64	\$175.84	\$164.83	\$156.10
Estimated Total Cost				\$421.84	\$384.21	\$399.66	\$386.90	\$362.68	\$343.46
Estimated Employee Cost				\$421.84	\$384.21	\$399.66	\$386.90	\$362.68	\$343.46
Estimated Dependent Cost									

↓
 * USE THIS
 343.421

Additional Coverage

Dental (PPO Option 6) \$38.38
 Vision (Plan 4) \$14.52
 Term Life and AD&D \$21.90

Total w/ Additional Coverage	\$496.64	\$459.01	\$474.46	\$461.70	\$437.48	\$418.26
-------------------------------------	----------	----------	----------	----------	----------	----------

Plan Codes: S - Single, T - Emp & Spouse, C - Child & Children, F - Family, M - Medicare, P - Medicare Emp & Spouse, H - Medicare Emp & Children, N - Medicare Family, X - No Coverage
 Status Codes: A - Active, C - COBRA, R - Retiree

Please note that there are other benefit options available. Consult your local Anthem representative for details.

Rates are proposed for an effective date of 05/01/2004. Reissue is required after this date. Final rates will be based on the actual effective date. Rates are based upon SIC 4941. Located primarily in the 41653 zip code area. Final rates will be based upon the actual location, enrolled census, final benefits selected, and the underwriting rules in effect upon acceptance by Anthem Health Plans of Kentucky, Inc. and Anthem Life. This proposal is subject to underwriting approval by Anthem Health Plans of Kentucky, Inc. and Anthem Life; please do not cancel your coverage until the application has been approved in writing. This benefit description is intended to be a brief outline of coverage. The entire provisions of benefits and exclusions are contained in the group contract. In the event of a conflict between the Group Contract and this description, the terms of the Group Contract will prevail.

NOTE: If the alternate Option request form is not received by the effective date listed on this proposal a new proposal must be submitted.
 The coverage indicated in the check box above has been selected for employees and eligible dependents, subject to the terms and conditions of this proposal and the application(s) to which this is attached.

Authorized Signature _____

Date _____

Anthem Blue Cross and Blue Shield is the trade name of Anthem Health Plans of Kentucky, Inc.
 An independent licensee of the Blue Cross and Blue Shield Association
 ® Registered marks Blue Cross and Blue Shield Association
 Life and Disability underwritten by Anthem Life Insurance Company
 Independent licensee of the Blue Cross and Blue Shield Association

QUOTATION

21038290

THE C.T. THORNBURG CO., INC.
LEXINGTON BRANCH
740 ENTERPRISE DRIVE
LEXINGTON KY 40510

Page# 1

Bid To:

Ship To:

Acct #8660
FRANCIS WATER COMPANY
P O BOX 38
GARRETT KY 41630
Phone # : 506-874-1111

FRANCIS WATER COMPANY
209 MAY VILLAGE POIN
ALLEN, KY 41801

Handwritten initials

--Bid-Date--Exp-Date--Writer--Terms-----Ship Via-----
08/10/04 SALLAR NET 30 DAYS BEAUFUR TRUCK
--Purchase Order #-----CINS / WT--Picker--loader-----Delivered By-----

Bid-Qty--

		Unit Price	Net
4	4" IPSx3/4" CTS PVC FASTTAP #5261-21-2506	36.490e	145.96
4	3" IPSx3/4" CTS PVC FASTTAP #5261-19-2506	44.680e	178.72
4	2" IPSx3/4" CTS PVC FASTTAP #5261-17-2506	38.950e	155.80
54 ft	3" CL/54 DI TYTON JOINT PIPE FOR METAL	10.930f	590.22
	3" TYTON JOINT GASKET	0.000e	0.00
54 ft	4" CL/350 DI TYTON JOINT PIPE FOR METAL	8.540f	461.16
	3" 4" TYTON JOINT GASKET	0.000e	0.00
100	4" CL-150 DR-18 C-900 PVC PIPE	1.840f	184.00
100	4" CL-200 SDR-21 R/T PVC PIPE	1.330f	133.00
100	3" CL-200 SDR-21 R/T PVC PIPE	0.820f	82.00
12	100# DRUM CHLORINE GRANULAR 5.1, UN 2830, PG II (DRYTEC)	165.000e	1980.00

BID TOTAL 3910.86
Bid Amount 3910.86

- Use of chlorinate water
- No Chlorine bought in 2003, inventory from 2002, 1 drum was gone probably 10, not 12 for the full year

54 ft
54 ft
replace line

1930
1650
3,580

Extras not listed or spelled out are not included in pricing. We reserve the right to correct clerical errors.

** QUOTATION **

S1238206

THE C.I. THORNBURG CO., INC.
LEXINGTON BRANCH
740 ENTERPRISE DRIVE
LEXINGTON KY 40510

Page# 1

Bid To:

Ship To:

Acct #8660
FRANCIS WATER COMPANY
P O BOX 38
GARRETT KY 41630
Phone # : 606-874-1111

FRANCIS WATER COMPANY
209 MAY VILLAGE ROAD
ALLEN, KY 41601

--Bid-Date---Expr-Date--Writer--Terms-----Ship Via-----
08/10/04 SALLAR NET 30 DAYS BEAV.OUR TRUCK
--Purchase Order #-----CTNS / WT---Picker---Loader---Delivered By---

Bid Qty--		Unit Pric	Net
30	5/8"x3/4" SENSUS SR11 WATER METER PLASTIC BONNET/LID, PLASTIC BOTTOM REGISTRATION IN US GALLONS	38.000e	1140.00

BID TOTAL

1140.00

Bid Amount

1140.00

*MUST purchase 30 water meters
Each year FOR
public Service Commission -*

For: Water Meters:

Extras not listed or spelled out are not included in pricing.
We reserve the right to correct clerical errors.



McCoy & McCoy Laboratories, Inc.
173 Island Creek Road
Pikeville, KY 41501

NEW
For 2004-



Telephone: (606) 432-3104
Fax: (606) 432-3171
EMail: j.osborne@mccoylabs.com
Web: www.mccoylabs.com

QUOTATION

Francis Water Company
Attn: Chris Francis
P.O. Box 38
Garrett, KY 41630

Date: August 4, 2004
Proposal Number: 2437
Representative: Johnny Osborne
Expiration Date: October 3, 2004
Page: 1 of 4

Item	Quantity	Description	Unit Price	Total Price
001	21	SDWA Raw Water Analysis/ Monthly Monitoring to include: Alkalinity, Tot(CaCO3) Total Organic Carbon	\$31.50	\$661.50
002	12	SDWA Combined Filter Analysis/ Monthly Monitoring to include: Total Organic Carbon	\$25.00	\$300.00
003	8	SDWA Analysis/ Quarterly Monitoring (2 sites) to include: EPA 552 Haloacetic Acids Extraction SDWA HAA Trihalomethanes (THM) There will be an additional \$25.00 per trip charge to collect samples.	\$170.00	\$1,360.00
004	1	SDWA Volatile Organic Analysis/ Annual Monitoring	\$275.00	\$275.00
005	1	SDWA Asbestos Analysis/ As scheduled	\$175.00	\$175.00
006	1	SDWA S.O.C. Analysis/ As scheduled	\$1,485.00	\$1,485.00
007	24	SDWA Bacteriological Analysis/ Monthly Monitoring	\$16.00	\$384.00
008	1	SDWA Inorganic Analysis/ Annual Monitoring	\$198.81	\$198.81
009	1	SDWA Secondary Analysis/ Annual Monitoring	\$238.00	\$238.00
010	1	SDWA Nitrate Nitrogen Analysis/ Annual Monitoring	\$29.00	\$29.00
011	24	Service charge	\$4.00	\$96.00

Service fuel charge to pick up samples at the Francis Water office in accordance with MWL's scheduled route.

Additional Water Testing That Francis Water MUST DO Each year!

Total For YEAR \$ 5,298.31

1,485/3

1,485
3,717
495
* 4,212

Aug 10 04 02:07p

tammy laferty

606-874-1111

P.5

Aug 06 04 09:22a

HATTON ALLEN INS

606 886 3224

P.1

ALLSTATE INSURANCE COMPANY
PROPERTY INSURANCE QUOTATION
AUGUST 06, 2004

ESPECIALLY PREPARED FOR:

FRANCIS WATER COMPANY
ROUTE 550
GARRETT KY 41630

PREPARED BY:

HATTON-ALLEN INS AGY
INDEPENDENT AGENT
1135 S. LAKE DRIVE
PRESTONBURG KY 41653
606-886-2371

STANDARD FLOOD INSURANCE POLICY

Thank you for the opportunity to discuss your property insurance needs. I look forward to offering you the service and value that is the standard of Allstate Insurance. I am sure you will see that this quote can affordably enhance your insurance program.

Flood Zone A13 Community Number 210069

	Amount	Premium
Policy Coverage		
Building	35000	291.00
Contents	35000	567.00
Increased Cost of Compliance		+ 75.00

Deductibles Applicable
1000 / 1000

Federal & Administrative Fees

+ 30.00

Total Annual Premium

963.00

This quote is not a contract, or binder of coverage. All coverages are subject to the terms and conditions contained in the policy and endorsements. If you have questions, please contact me at the number listed above.

WE NEED Flood Insurance.

BellSouth Small Business Proposal

Prepared for Tammy Francis of Francis Water Company
1-3ZM3QL Date: 8/9/2004



Francis Water Company
29 Water St
Wayland, KY 41630
Phone (606) 358-3302 Fax: (606) 874-1111

Prepared by: Melinda Mischlich
Phone: (800) 661-3696 x13734
Fax: (866) 614-9379
Melinda.Mischlich@bellsouth.com

Name of Person Authorizing Service: Tammy Francis

Thank you for your recent inquiry concerning BellSouth Small Business services. Per our discussion, here is the proposal you requested confirming our recommendation. This proposal contains recommendations for

- Local Service
- Long Distance
- Internet Access
- Cingular[®] Wireless

Total Summary	Estimated Monthly Charges*	Estimated One Time Charges*
Total Price for Proposed Regulated & Non-Regulated Services	\$67.84	(\$123.00)
<i>Tax & Fee - State and Local Taxes</i>	<i>+ 15.00</i>	
	<i>72.84 per month</i>	

Please refer to Terms and Conditions for details on special offers

Additional Comments / Special Instructions

MUST HAVE Telephone (BUSINESS phone) by public Service Commission!

Total Year. \$ 997.08
- 123 (one-time charge)

* BellSouth Proprietary. The information contained in this proposal is proprietary to BellSouth and is offered solely for the purpose of evaluation. It may not be disclosed to Third Parties without prior written permission from BellSouth. Prices quoted are estimates based on information & pricing available at the time the proposal was prepared. If the price shown above differs from the tariff rate, then tariff rates will apply, otherwise, the rates contained in an agreement signed by both parties at the time of order will apply. Connection charges for new lines vary by state & do not include jacks & wiring. Applicable taxes & fees will be computed based on the full tariff price of all products and services, & no taxes or fees will be added to the amount of any rewards given under this program. This quote is subject to the availability of the services set forth above. Rates quoted above do not reflect additional charges such as FCC charges and Cost Recovery charges. Universal Service Fund, other federal or state charges, taxes as well as usage charges.

July Bills



Receipt

Amount (Written Out) *ONE HUNDRED FORTY FIVE* 100 Dollars Amount (In Numbers) *\$145.13*

Purpose

POSTAGE

Is any Portion of this Sale a Charitable Tax Deduction?

Yes

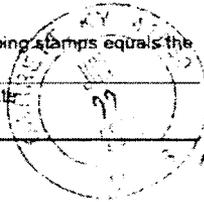
No

If "Yes," the fair market value of the postage portion of the foregoing stamps equals the First-Class postage rate.

By (Signature and Title)

Date

PS Form 3849, April 1998



#125 per month

9/13 145.13
#145.00

Postage per month - \$100.00 to \$145.00

Additional cost per year - Consumer Confidence Reports to customers!

Average per year - \$3,840.00 = 320 per month

U.S. POST OFFICE per year!

NOTICE

Francis Water Company has filed an application with the Public Service Commission to increase its rates for water service. The proposed effective date of the change is _____,2004.

<u>5/8 x 3/4 Inch Meter</u>	<u>Current</u>	<u>Proposed</u>	<u>% Increase</u>
First 1,000 Gallons	\$9.00 Minimum Bill	\$16.33 Minimum Bill	81.4%
Next 4,000 Gallons	2.50 Per 1,000 Gallons	9.14 Per 1,000 Gallons	265.6%
Next 10,000 Gallons	2.00 Per 1,000 Gallons	6.65 Per 1,000 Gallons	232.5%
Over 15,000 Gallons	1.50 Per 1,000 Gallons	5.40 Per 1,000 Gallons	260.0%

<u>2 Inch Meter</u>	<u>Current</u>	<u>Proposed</u>	<u>% Increase</u>
First 60,000 Gallons	\$106.50 Minimum Bill	\$362.39 Minimum Bill	240.3%
Over 60,000 Gallons	1.50 Per 1,000 Gallons	5.40 Per 1,000 Gallons	260.0%

Non-Recurring Charges

<u>Meter Connection/Tap-on Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>% Increase</u>
5/8 Inch Meter	312.00	612.00	100%
Connection/Turn-on Charge	25.00	35.00	40%
Returned Check Charge	10.00	25.00	150%

The rates contained in this notice are the rates proposed by the Francis Water Company. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the Company office. Upon request from an intervenor, the Company shall furnish to the intervenor a copy of the application and supporting documents.

Francis Water Company



RECEIVED

AUG 25 2004

FINANCIAL ANALYSIS

Francis Water Co.
P.O. Box 38
Garrett, Ky. 41630
606-874-1111

June 24, 2004

Jess Hilton Thompson
Division of Water
211 Sower Blvd.
Frankfort, Ky, 40601

Dear Mrs. Thompson

Francis Water is asking for a Rate increase on the installation of a 5/8 x3/4 inch Water Meter (Tap on fee) to \$612.00. I have included a price sheet from C.I.Thornsburg for parts and labor.

Our Rate for a returned Check is \$10.00 we are asking for a rate increase to \$25.00 due to the cost the Company must pay the Bank for a returned check.

Our Rate for a reconnect meter is \$25.00, we are asking to increase the rate to \$35.00 per meter. Thank-you for you time and effort in our Rate Case.

Thank You,

Tammy Francis

NONRECURRING CHARGE COST JUSTIFICATION

Type of Charge: Average Metered Service Connection Expense
Meter size - 5/8 inch.

1. Field Expense:

A. Materials (itemize)

Water Meter, Water Box + lid \$ 227.00
Meter yoke, Corporation stop
Line penfit, Tap saddle -
Miscellaneous Fittings - Price sheet
(included)

B. Labor (Time and Wage)

Backhoe Equipment - 50 per hour - 4 hrs 200.00
Labor Worker - 4 hours - 15.00 per hour 60.00
P.V.C pipe 35.00
Total Field Expense \$522.00

2. Clerical and Office Expense

A. Supplies \$ 25.00

B. Labor 25.00

Total Clerical and Office Expense \$ 50.00

3. Miscellaneous Expense

A. Transportation \$ 10.00

B. Other (itemize)

Site Clean-up 15.00
Grass seed + straw 15.00

Total Miscellaneous Expense \$ 40.00

Total Nonrecurring Charge Expense \$ 612.00

Jamy

** QUOTATION **

01232801

THE C. I. THORNBURG CO., INC.
HUNTINGTON BRANCH
4034 ALTIZER AVENUE
HUNTINGTON WV 25705

Page# 1

Bid To:

Ship To:

Acct #0660
FRANCIS WATER COMPANY
P O BOX 38
GARRETT KY 41630
Phone # : 606-874-1111

FRANCIS WATER COMPANY
209 MAY VILLAGE ROAD
ALLEN, KY 41601

---Bid-Date---Exor-Date---Writer---Terms-----Ship Via-----
06/18/04 UNDMAR NET 30 DAYS BEAV. OUR TRUCK
---Purchase Order #-----CTNS / WT----Picken-----Loaden-----Delivered By-----

Bid-Qty--		Unit Price	Net
1	5/8"x3/4" SENSUS SRII WATER METER PLASTIC BONNET/LID, PLASTIC BOTTOM REGISTRATION IN US GALLONS	40.000e	40.00
1	18"x24" HANCOX WHITE PE METER BOX	25.000e	25.00
1	5/8"x3/4"x7" H-1470--2-05 COPPER METER YOKE with BRACING EYE, LOCKWING ANGLE METER VALVE INLET, ANGLE DUAL CHECK VALVE OUTLET	70.416e	70.42
1	12" OI FLAT METER BOX LID	19.780e	19.78
1	6"x3/4"CC #3891 McDONALD HINGED BRASS SERVICE SADDLE for IPS PVC PIPE	33.966e	33.97
1	3/4" H-1500B DCxCOMP(CTS) CORP STOP	18.315e	18.32
100	3/4"x100' CTS 200# PE3408 ENDROPOLY HIGH DENSITY POLYETHYLENE TUBING	0.200f	20.00
BID TOTAL			227.49
Bid Amount			227.49

Material Cost-

Extras not listed or spelled out are not included in pricing.
We reserve the right to correct clerical errors.

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AVERAGE METER CONNECTION EXPENSE
COST JUSTIFICATION

Name of Utility Francis Water Company

The following is an itemization of expenses for providing a metered service connection.

A. Meter Size

5/8-Inch 3/4-Inch 1-Inch 1 1/2-Inch 2-Inch

Other (specify) _____

B. Materials Expense

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1. Water Meter	<u>1</u>	<u>\$ 40.00</u>	<u>\$ 40.00</u>
2. Meter Yoke	<u>1</u>	<u>70.42</u>	<u>70.42</u>
3. Corporation Stop	<u>1</u>	<u>18.32</u>	<u>18.32</u>
4. Meter Box and Top	<u>1</u>	<u>44.78</u>	<u>44.78</u>
5. Miscellaneous Fittings - <i>Service SADDLE</i>	<u>1</u>	<u>33.97</u>	<u>33.97</u>
6. Other (Itemize) <i>P.V.C. pipe + Tubing</i>	<u>..</u>	<u>20.00</u>	<u>20.00 Tubing</u>
<i>grass seed + straw</i>	<u>..</u>	<u>10.00</u>	<u>10.00</u>
Total Materials Expense			\$ -
(add total cost)			

total = 236.40
Total \$ 236.40

C. Service Pipe Expense

Type of Service Pipe P.V.C Size of Service Pipe 3 in. L + 2 in. L

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1. Short Side Service	<u> </u>	\$ <u> </u>	\$ <u>35.00</u>
2. Long Side Service	<u> </u>	<u> </u>	<u> </u>
Average Cost (Add total cost and divide by 2)			\$ <u>35.00</u>

D. Installation Expense

Labor

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>3</u>	\$ <u>15.00</u>	\$ <u>45.00</u>
2. Long Side Service	<u>1</u>	<u>15.00</u>	<u>15.00</u>
Average Cost (Add total cost and divide by 2)			\$ <u>60.00</u> TOTAL

Equipment

Back hoe - super hour -

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>3</u>	\$ <u>50.00</u>	\$ <u>150.00</u>
2. Long Side Service	<u>1</u>	<u>50.00</u>	<u>50.00</u>
Average Cost (Add total cost and divide by 2)			\$ <u>200.00</u> TOTAL

Installation Expense continued

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Inspection	_____	\$ _____	\$ _____
2. Site Clean-up	<u>1</u>	<u>15.00</u>	<u>15.00</u>
3. Other (Itemize) <i>-Rock or sand - Gross - Transportation</i>		<u> </u>	<u>15.60</u>
Total Miscellaneous (add total cost)			<u>\$ 30.60</u>

E. Overhead Expense

1. Installation expense (\$ _____) times
overhead rate (_____ %)

\$ _____

F. Administrative Expense

1. Office expense for establishing a new account
and billing record.

\$ 50.00

G. Total Expense

1. Total of all items:

Materials Expense	\$ _____	236.40
Service Pipe Expense	_____	35.00
Installation Labor Expense	_____	60.00
Installation Equipment Expense	_____	200.00
Equipment Expense	_____	30.60
Miscellaneous Expense	<u>15</u>	50.00
Overhead Expense	_____	
Administrative Expense	_____	
Total Connection Expense	\$ _____	<u>\$ 612.00</u>

NONRECURRING CHARGE COST JUSTIFICATION

Type of Charge: Connection/Turn-on charge

1. Field Expense:

A. Materials (Itemize)

_____ \$ _____

B. Labor (Time and Wage)

1-hour _____ \$ 25.00

Total Field Expense

\$ 25.00

2. Clerical and Office Expense

A. Supplies

\$ 5.00

B. Labor

Total Clerical and Office Expense

\$ _____

3. Miscellaneous Expense

A. Transportation

\$ 5.00

B. Other (Itemize)

Total Miscellaneous Expense

\$ 35.00

Total Nonrecurring Charge Expense

\$ 35.00

NONRECURRING CHARGE COST JUSTIFICATION

Type of Charge: Returned Check

1. Field Expense:

A. Materials (Itemize)

Charge to Co. on \$ 20.00
Returns checks from
Bank.

B. Labor (Time and Wage)

Total Field Expense \$ _____

2. Clerical and Office Expense

A. Supplies

\$ _____

B. Labor

5.00

Total Clerical and Office Expense \$ 5.00

3. Miscellaneous Expense

A. Transportation

\$ _____

B. Other (Itemize)

Total Miscellaneous Expense \$ 25.00

Total Nonrecurring Charge Expense

\$ 25.00 TOTAL