



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

August 30, 2004

**FILED**

SEP 07 2004

PUBLIC SERVICE  
COMMISSION

**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 50,000.**

**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*

**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: 1<sup>st</sup> 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  
1<sup>st</sup> 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  
1<sup>st</sup> 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  
1<sup>st</sup> 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  
1<sup>st</sup> 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)<br>Bills | (3)<br>Gallons/Mcf | (4)<br>First 2,000 | (5)<br>Next 3,000 | (6)<br>Next 10,000 | (7)<br>Next 25,000 | (8)<br>Over 40,000 | (9)<br>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         |
| <b>Totals</b>            | <b>4,800</b> | <b>46,895,700</b>  | <b>9,254,400</b>   | <b>9,287,000</b>  | <b>15,148,700</b>  | <b>9,350,000</b>   | <b>3,855,600</b>   | <b>46,895,700</b> |

**REVENUE TABLE**

Revenue by Rate Increment

| (1)                      | (2)<br>Bills | (3)<br>Gallons/Mcf | (4)<br>Rates           | (5)<br>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                          |
| <b>Totals</b>            | <b>4,800</b> | <b>46,895,700</b>  |                        | <b>\$ 92,094.10 Total Revenue</b> |

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.<br>Proforma<br>Attachment A | 2003            | Francis's<br>Proposed<br>Adjustmts. | Proposed<br>Adjusted | Staff<br>Recom.<br>Adjustmts. | Ref. | Staff<br>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              | <b>(\$1,700)</b>              | (4)  | <b>\$4,800</b>    |
| Purchased Power                               | \$4,540         | 0                                   | \$4,540              | 0                             |      | \$4,540           |
| Materials/Supplies                            | \$5,306         | \$4,720                             | <b>\$10,026</b>      | 0                             | (5)  | <b>\$10,026</b>   |
| Contractual<br>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)<br>(\$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           |
| <b>Total Op. Expense</b>                      | <b>\$51,860</b> | <b>\$180,406</b>                    | <b>\$231,983</b>     | <b>(\$112,876)</b>            |      | <b>\$119,107</b>  |
| Net Income Before<br>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. \_\_\_\_\_

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RATES AND CHARGES

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A. MONTHLY RATES:

5/8" x 3/4" Meter

|       |        |         |                   |       |                   |
|-------|--------|---------|-------------------|-------|-------------------|
| First | 1,000  | Gallons | <del>\$9.00</del> | 16.33 | Minimum Bill      |
| Next  | 4,000  | Gallons | <del>2.50</del>   | 9.14  | Per 1,000 Gallons |
| Next  | 10,000 | Gallons | <del>2.00</del>   | 6.65  | Per 1,000 Gallons |
| Over  | 15,000 | Gallons | <del>1.50</del>   | 5.40  | Per 1,000 Gallons |

2" Meter

|       |        |         |                     |        |                   |
|-------|--------|---------|---------------------|--------|-------------------|
| First | 60,000 | Gallons | <del>\$106.50</del> | 362.39 | Minimum Bill      |
| Over  | 60,000 | Gallons | <del>1.50</del>     | 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. \_\_\_\_\_

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RATES AND CHARGES

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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

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(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. \_\_\_\_\_

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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 |

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DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_  
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(Signature of Officer)

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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 | \$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 |

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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           |
| <b>Total</b>                         | <b>\$74,543</b> |           | <b>\$70,357</b> | <b>\$4,186</b> |
| <b>Allocation Percentages</b>        | <b>100%</b>     |           | <b>94.4%</b>    | <b>5.6%</b>    |

Source: PSC Annual Report 2003

| Allocation of Depreciation |                 |                  |                 |                 |
|----------------------------|-----------------|------------------|-----------------|-----------------|
| Francis Water Company      |                 |                  |                 |                 |
|                            |                 |                  |                 |                 |
|                            | <b>Total</b>    | <b>Commodity</b> | <b>Demand</b>   | <b>Customer</b> |
| Pumping Equipment          | \$56,713        |                  | \$56,713        |                 |
| <b>Subtotal</b>            | \$56,713        |                  | \$56,713        | \$0             |
| Allocation Percentages     | 100%            |                  | 100.0%          | 0.0%            |
|                            |                 |                  |                 |                 |
| <b>Total</b>               | <b>\$56,713</b> |                  | <b>\$56,713</b> | <b>\$0</b>      |
|                            |                 |                  |                 |                 |
| 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         |
| <b>Total Operating Expenses</b>               | <b>\$116,084</b> | <b>\$6,190</b> | <b>\$86,831</b> | <b>\$23,063</b> |

Source: Field Review 2004

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

NOTES:

<sup>1</sup>Debt Service has been allocated on a percentage of Plant Value from Sheet 1.

<sup>2</sup>Depreciation 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      |                     |                    |                     |                     |
| <b>Proposed Rates</b>           |            | <b>\$16.33</b>      | <b>\$9.14</b>      | <b>\$6.65</b>       | <b>\$5.40</b>       |

\$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           |
| <b>5/8 x 3/4 Inch Meter</b>    |              |                   |           |                   |
| 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             |
| <b>2 Inch Meter</b>            |              |                   |           |                   |
| 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        |
| <b>Total Operating Revenue</b> | <b>3,586</b> | <b>15,039,300</b> |           | <b>\$ 153,262</b> |

| Francis Water Company                              |  |           |                   |
|--|--|-----------|-------------------|
| Proposed Cost of Service Rates Monthly Water Rates |  |           |                   |
| <b>5/8 x 3/4 Inch Meter</b>                        |  |           |                   |
| 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 |
| <b>2 Inch Meter</b>                                |  |           |                   |
| 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 | Increase | Percentage |
| Gallon Usage                       | Current Rates |                       |          |            |
| 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









**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.

**2003**

|   |  |   |   |  |
|---|--|---|---|--|
| <b>A Check if a:</b><br>1 Consolidated return (attach Form 851) <input type="checkbox"/><br>2 Personal holding company (attach Schedule PH) <input type="checkbox"/><br>3 Personal service corp (as defined in Regs section 1.441-3(c) - see instructions) <input type="checkbox"/> | <b>Use IRS label. Otherwise, print or type.</b><br><br>FRANCIS WATER COMPANY, INC.<br>P.O. BOX 38<br>GARRETT, KY 41630 | <b>B Employer identification number</b><br>61-1180760 | <b>C Date incorporated</b><br>4/24/1989 | <b>D Total assets (see instructions)</b><br>\$ 16,797. |
|---|--|---|---|--|

**E Check applicable boxes:** (1)  Initial return (2)  Final return (3)  Name change (4)  Address change

|  |  |                                     |                             |                 |             |         |
|--|--|-------------------------------------|-----------------------------|-----------------|-------------|---------|
| <b>I<br/>N<br/>C<br/>O<br/>M<br/>E</b>   | 1 a Gross receipts or sales  | 54,697.                             | b Less returns & allowances |                 | c Balance ▶ | 54,697. |
|  | 2 Cost of goods sold (Schedule A, line 8)                                |                                     |                             |                 |             |         |
|  | 3 Gross profit. Subtract line 2 from line 1c                             |                                     |                             |                 |             | 54,697. |
|  | 4 Dividends (Schedule C, line 19)  |                                     |                             |                 |             |         |
|  | 5 Interest   |                                     |                             |                 |             |         |
|  | 6 Gross rents  |                                     |                             |                 |             |         |
|  | 7 Gross royalties  |                                     |                             |                 |             |         |
|  | 8 Capital gain net income (attach Schedule D (Form 1120))                |                                     |                             |                 |             |         |
|  | 9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797) |                                     |                             |                 |             |         |
|  | 10 Other income (see instructions - attach schedule)                     |                                     |                             |                 |             |         |
|  | 11 <b>Total income.</b> Add lines 3 through 10                           |                                     |                             |                 |             | 54,697. |
| <b>D<br/>E<br/>D<br/>U<br/>C<br/>T<br/>I<br/>O<br/>N<br/>S<br/><br/>S<br/>E<br/>E<br/><br/>I<br/>N<br/>S<br/>T<br/>R<br/>U<br/>C<br/>T<br/>I<br/>O<br/>N<br/>S</b> | 12 Compensation of officers (Schedule E, line 4)                         |                                     |                             |                 |             | 11,024. |
|  | 13 Salaries and wages (less employment credits)                          |                                     |                             |                 |             | 15,224. |
|  | 14 Repairs and maintenance   |                                     |                             |                 |             | 5,306.  |
|  | 15 Bad debts   |                                     |                             |                 |             |         |
|  | 16 Rents   |                                     |                             |                 |             |         |
|  | 17 Taxes and licenses  |                                     |                             | SEE STATEMENT 1 |             | 3,967.  |
|  | 18 Interest  |                                     |                             |                 |             |         |
|  | 19 Charitable contributions (see instructions for 10% limitation)        |                                     |                             |                 |             |         |
|  | 20 Depreciation (attach Form 4562)                                       |                                     |                             | 20              |             |         |
|  | 21 Less depreciation claimed on Schedule A and elsewhere on return       |                                     |                             | 21 a            |             | 21 b    |
|  | 22 Depletion   |                                     |                             |                 |             |         |
|  | 23 Advertising   |                                     |                             |                 |             |         |
|  | 24 Pension, profit-sharing, etc, plans                                   |                                     |                             |                 |             |         |
|  | 25 Employee benefit programs   |                                     |                             |                 |             |         |
| 26 Other deductions (attach schedule)  |  |                                     | SEE STATEMENT 2             |                 | 14,841.     |         |
| 27 <b>Total deductions.</b> Add lines 12 through 26  |  |                                     |                             |                 | 50,362.     |         |
| 28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11  |  |                                     |                             |                 | 4,335.      |         |
| 29 <b>Less:</b>  | a Net operating loss (NOL) deduction (see instructions)                  |                                     | 29 a                        |                 |             |         |
|  | b Special deductions (Schedule C, line 20)                               |                                     | 29 b                        |                 | 29 c        |         |
| 30 <b>Taxable income.</b> Subtract line 29c from line 28   |  |                                     |                             |                 | 4,335.      |         |
| 31 <b>Total tax</b> (Schedule J, line 11)  |  |                                     |                             |                 | 650.        |         |
| <b>T<br/>A<br/>X<br/><br/>A<br/>N<br/>D<br/><br/>P<br/>A<br/>Y<br/>M<br/>E<br/>N<br/>T<br/>S</b>   | 32 <b>Payments:</b>  | 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 <input type="checkbox"/>   |  |                                     |                             | 33              |             |         |
| 34 <b>Tax due.</b> If line 32h is smaller than the total of lines 31 and 33, enter amount owed   |  |                                     |                             | 34              | 109.        |         |
| 35 <b>Overpayment.</b> 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: <b>Credited to 2004 estimated tax</b> ▶ <b>Refunded</b> ▶ <input type="checkbox"/>  |  |                                     |                             | 36              |             |         |

**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

|                                 |  |                 |   |   |
|---------------------------------|--|-----------------|---|---|
| <b>Paid Preparer's Use Only</b> | Preparer's signature ▶ <i>Darrell Madden, CPA</i><br><b>DARRELL MADDEN, CPA</b>  | Date<br>1-19-04 | Check if self-employed <input type="checkbox"/> | Preparer's SSN or PTIN<br>404-88-2186             |
|                                 | Firm's Name (or yours if self-employed), address, and ZIP Code<br>▶ <b>DARRELL MADDEN, CPA</b><br><b>MAIN STREET</b><br><b>HINDMAN, KY 41822</b> |                 |   | EIN <b>61-1250420</b><br>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 | <b>Total.</b> Add lines 1 through 5  | 6 |
| 7 | Inventory at end of year   | 7 |
| 8 | <b>Cost of goods sold.</b> 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

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  | <b>Total.</b> 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 246(d))  |                |                                  |
| 17 | Other dividends  |                |                                  |
| 18 | Deduction for dividends paid on certain preferred stock of public utilities  |                |                                  |
| 19 | <b>Total dividends.</b> Add lines 1 through 17. Enter here and on line 4, page 1   |                |                                  |
| 20 | <b>Total special deductions.</b> 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    |                            |   |                                    |               | 11,024.                    |
| 4 | Subtract line 3 from line 2. Enter the result here and on line 12, page 1 |                            |   |                                    |               |                            |

**Schedule J Tax Computation** (see instructions)

1 Check if the corporation is a member of a controlled group (see sections 1561 and 1563)

**Important:** Members of a controlled group, see instructions.

2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, & \$9,925,000 taxable income brackets (in that order):  
 (1) \$ \_\_\_\_\_ (2) \$ \_\_\_\_\_ (3) \$ \_\_\_\_\_

b Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750) \$ \_\_\_\_\_  
 (2) Additional 3% tax (not more than \$100,000) \$ \_\_\_\_\_

3 Income tax. Check if a qualified personal service corporation under section 448(d)(2) (see instructions)  **3** 650.

4 Alternative minimum tax (attach Form 4626) **4**

5 Add lines 3 and 4 **5** 650.

6a Foreign tax credit (attach Form 1118) **6 a**

b Possessions tax credit (attach Form 5735) **6 b**

c Check:  Nonconventional source fuel credit  QEV credit (attach Form 8834) **6 c**

d General business credit. Check box(es) and indicate which forms are attached.  
 Form 3800  Form(s) (specify) \_\_\_\_\_ **6 d**

e Credit for prior year minimum tax (attach Form 8827) **6 e**

f Qualified zone academy bond credit (attach Form 8860) **6 f**

7 **Total credits.** Add lines 6a through 6f **7**

8 Subtract line 7 from line 5. **8** 650.

9 Personal holding company tax (attach Schedule PH (Form 1120)) **9**

10 Other taxes. Check if from:  Form 4255  Form 8611  Form 8697  
 Form 8866  Other (attach schedule) **10**

11 **Total tax.** Add lines 8 through 10. Enter here and on line 31, page 1. **11** 650.

**Schedule K Other Information** (see instructions)

|  | Yes | No                                  |   | Yes | No                                  |
|--|-----|-------------------------------------|---|-----|-------------------------------------|
| 1 Check method of accounting:<br>a <input checked="" type="checkbox"/> Cash b <input type="checkbox"/> Accrual<br>c <input type="checkbox"/> Other (specify) _____   |     |                                     | 7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation?<br>If 'Yes,' enter: (a) Percentage owned _____ and (b) Owner's country _____   |     | <input checked="" type="checkbox"/> |
| 2 See the instructions and enter the:<br>a Business activity code no. <b>221300</b><br>b Business activity <b>RETAIL SALES</b><br>c Product or service <b>WATER</b>  |     |                                     | c The corporation may have to file <b>Form 5472</b> , Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached _____  |     |                                     |
| 3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)<br>If 'Yes,' attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.                      |     | <input checked="" type="checkbox"/> | 8 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/><br>If checked, the corporation may have to file <b>Form 8281</b> , Information Return for Publicly Offered Original Issue Discount Instruments.  |     |                                     |
| 4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?<br>If 'Yes,' enter name and EIN of the parent corporation _____  |     | <input checked="" type="checkbox"/> | 9 Enter the amount of tax-exempt interest received or accrued during the tax year <b>\$ NONE</b>  |     |                                     |
| 5 At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)<br>If 'Yes,' attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)<br>Enter % owned _____  |     | <input checked="" type="checkbox"/> | 10 Enter the number of shareholders at the end of the tax year (if 75 or fewer) <b>3</b>  |     |                                     |
| 6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)<br>If 'Yes,' file <b>Form 5452</b> , Corporate Report of Nondividend Distributions.<br>If this is a consolidated return, answer here for the parent corporation and on <b>Form 851</b> , Affiliations Schedule, for each subsidiary. |     | <input checked="" type="checkbox"/> | 11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/><br>If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21(b)(3)(i) or (ii) must be attached or the election will not be valid.   |     |                                     |
|  |     |                                     | 12 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.)<br><b>\$ NONE</b>  |     |                                     |
|  |     |                                     | 13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?<br>If 'Yes,' the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. <b>\$ NONE</b> |     | <input checked="" type="checkbox"/> |

**Note:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach **Schedule N (Form 1120)**, Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

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)     |
| <b>Assets</b>                               |   |                       |         |                 |         |
| 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  | <b>Total assets</b>                                 |                       | 15,152. |                 | 16,797. |
| <b>Liabilities and Shareholders' Equity</b> |   |                       |         |                 |         |
| 16  | Accounts payable                                    |                       |         |                 |         |
| 17  | Mortgages, notes, bonds payable in less than 1 year |                       |         |                 |         |
| 18  | Other current liabilities (attach sch) SEE ST. 5.   |                       |         |                 | 711.    |
| 19  | Loans from shareholders                             |                       | 7,753.  |                 | 4,753.  |
| 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)                |                       |         |                 |         |
| 25  | Retained earnings — Unappropriated                  |                       | 69,003. |                 | 72,937. |
| 26  | Adjmnt to shareholders' equity (att sch)            |                       |         |                 |         |
| 27  | Less cost of treasury stock                         |                       | 75,000. |                 | 75,000. |
| 28  | <b>Total liabilities and shareholders' equity</b>   |                       | 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  |
|  |   |        | 10 | Income (line 28, page 1) — line 6 less line 9                                  |
|  |   |        |    | 0.   |
|  |   |        |    | 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):                  |
|   |                              |         |   |   |
|   |                              |         | 7 | Add lines 5 and 6                           |
| 4   | Add lines 1, 2, and 3        | 72,937. | 8 | Balance at end of year (line 4 less line 7) |
|   |                              |         |   | 72,937.                                     |



720  
41A720

# Kentucky Corporation Income and License Tax Return

2003  
Taxable Year Ending  
12/03  
MO/YR

Revenue Cabinet

(S Corporations Use Form 720S)

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

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

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.

- 2 List the following Kentucky account numbers. Enter N/A for any number not applicable.

Employer Withholding
Sales and Use Tax Permit
Consumer Use Tax
Unemployment Insurance
Coal Severance and/or Processing Tax

- 3 If a foreign corporation, enter the date qualified to do business in Kentucky

- 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?

If 'Yes,' list name and federal identification number of the partnership

Did the corporation have property or payroll in Kentucky, other than partnership property or payroll?

- 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?

- b 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

Vice President's Name:

Vice President's Home Address:

Vice President's Social Security Number:

Treasurer's Name:

Treasurer's Home Address:

Treasurer's Social Security Number:

Secretary's Name:

Secretary's Home Address:

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

DARRELL MADDEN, CPA 61-1250420

Date

1-19-04

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

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 <sup>nd</sup> shift | \$18.50       | 48             | \$888          | \$46,176  |
| Shawn Francis, Plant Operator, 3 <sup>rd</sup> 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<br>Day Shift | Certified Operator | \$18.50 per/hour<br>8 hours a day<br>6 days a week      |
| LARRY LAFERTY<br>2nd Shift | Certified Operator | \$18.50 per/hour 8<br>hours a day<br>6 days a week      |
| Shawn Francis<br>3rd Shift | Plant Operator     | \$15.50 per/hour<br>8 hours a day<br>5 to 6 days a week |
| Sterling Francis           | Field Operator     | \$15.50 per/hour<br>5 to 8 hours a day<br>5 days a week |
| Rita Scott                 | Bookkeeper         | \$10.00 per/hour<br>6 hours a day<br>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<br/>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<br/>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**

*Darren  
Lawson*



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 Loraine 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 preformed 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

Ernie Fletcher  
Governor

Maxwell C. Bailey  
Secretary of Transportation

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



**EAST KENTUCKY WATER, INC.**

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

84001

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

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

|   |                        |                                     |
|---|------------------------|-------------------------------------|
| SERVICE PERFORMED<br>Ordered by Tammy 1-19-04 | TOTAL MATERIAL         |                                     |
|   | TECHNICAL SERVICE TIME |                                     |
|   | TAX                    |                                     |
| <b>Thank You!</b>                             | DATE COMPLETED         | <b>CASH ON COMPLETION OF WORK</b> → |
|   |                        | TOTAL 900.00                        |

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>S/C on water statuer</i> |                                 |               |
|  |        | <i>140-16.5</i>             |                                 |               |
|  |        | <i>Part of # 3346</i>       |                                 |               |
| Comments:                                |        |                             | Total Materials                 |               |
|  |        |                             | <i>8.5 @ 15.00</i> Service Time | <i>127.50</i> |
|  |        |                             | <i>24 m @ .40</i>               | <i>9.60</i>   |
|  |        |                             | Tax                             |               |
| Technician: <i>RS Frasure</i> Date _____ |        |                             | <b>TOTAL</b>                    | <b>122.10</b> |

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

## SERVICE ORDER

### Thank You

Customer's Signature



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

304-429-6736

T-851 P 002/002 F-768

### SERVICE PUMP & SUPPLY

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

*DELETED*

### 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/TRAINVOICE NUMBER   | SLSMN | ORDER DATE | TAKER | CUSTOMER P.O. NUMBER | DATE | FREIGHT CODES |          |
|--------------------------|-------|------------|-------|----------------------|------|---------------|----------|
| 1020645-0000-01          | 223   | 01/20/04   | 18Z   | CRANE DEMMING        |      | P - Prepaid   |          |
| INSTRUCTIONS             |       |            |       |                      |      | FRT.          | PAGE NO. |
| FOB SP.. PP/ADD          |       |            |       |                      |      | B             | 1        |
| ATTN: TAMMY 606-874-1111 |       |            |       |                      |      |               |          |

| QUANTITY |           |         |  | DISP. | ITEM CODE AND DESCRIPTION  | U/M | UNIT PRICE | AMOUNT  |
|----------|-----------|---------|--|-------|--|-----|------------|---------|
| ORDERED  | B.O./RET. | SHIPPED |  |       |  |     |            |         |
| 1        |           |         |  |       | *4021HD<br>PUMP, CRANE DEMMING<br>SIZE 2S.AI. 73/4"IMP<br>S/N# DC802461 (OLD UNIT) | EA  | 1601.7000  | 1601.70 |

|            |             |
|------------|-------------|
| 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. |         |

CODE EXPLANATION

- # - 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 C.V.L.

*+ shipping*

*\$ 1,601.70*



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

**SHIP TO:** FRANCIS WATER CO., INC.  
P.O. BOX 38  
GARRETT KY 41630-0038  
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   |
| ORDERED                | B.O/RET | SHIPPED    |       |   |          |                      |          |
| 1                      |         | 1          |       | HA133333333<br>PULLER, PACKING # 1<br>FOR 1/4" TO 5/16" | EA       | 12.0000              | 12.00    |
| 1                      |         | 1          |       | HA233333333<br>PULLER, PACKING #2<br>FOR 3/8" PACKING   | EA       | 14.5500              | 14.55    |

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**

|                    |          |
|--------------------|----------|
| <b>INVOICE NO.</b> | 809280   |
| <b>PAGE</b>        | 1 of 1   |
| <b>DATE</b>        | 05/14/04 |

**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

| CUSTOMER P.O. #   | SHIP DATE                      | SALESPERSON | TERMS              | TAX CODE             | SALES ORDER #   | WH         | FREIGHT        | SHIP VIA         |
|---|--------------------------------|-------------|--------------------|----------------------|-----------------|------------|----------------|------------------|
| 05.14.04  | 05/14/04                       | LEG         | 1%/10 NET 30       | ELNONIL              | 707414          | 01         | PREPAID UPS    |                  |
| 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" x 15' PVC Suction Hose      | 1           | 1                  | 0                    | EA              | 20.87      | EA             | 20.87            |
|   | MxF, NPSH Thrd, (F) Swivel     |             |                    |                      |                 |            |                |                  |
| 115   | Order From Catalog 115         | 1           | 1                  | 0                    | EA              | .00        | EA             | .00              |
| CA  | CR RLSD                        | 1           | 1                  | 0                    | EA              | .00        | EA             | .00              |
| <b>THANK YOU for your business!</b>                                       |                                |             | <b>MERCHANDISE</b> | <b>MISCELLANEOUS</b> | <b>DISCOUNT</b> | <b>TAX</b> | <b>FREIGHT</b> | <b>TOTAL DUE</b> |
| % MONTHLY CHARGE 30 DAYS PAST DUE<br>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

**JSABlueBook**

**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**

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

| CUSTOMER P.O. # | SHIP DATE  | SALESPERSON | TERMS        | TAX CODE   | SALES ORDER # | WH    | FREIGHT | SHIP VIA  |
|-----------------|--|-------------|--------------|------------|---------------|-------|---------|-----------|
| 4/5/04          | 04/06/04   | CMO         | 1%/10 NET 30 | ILMN01L    | 692107        | 01    | PREPAID | UPS       |
| USA STOCK #     | DESCRIPTION  | ORDERED     | SHIPPED      | BACK ORDER | U/M           | PRICE | PER     | EXTENSION |
| 65573           | Boots, 15" Size 11   | 2           | 2            | 0          | EA            | 10.64 | EA      | 21.68     |
| 45326           | Sampling Valve, 1/2" NIP   | 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            | 20.95 | EA      | 20.95     |
| C114            | Order From Catalog 114   | 1           | 1            | 0          | EA            | .00   | EA      | .00       |

**THANK YOU for your business!**

| MERCHANDISE | MISCELLANEOUS | DISCOUNT | TAX | FREIGHT | TOTAL DUE |
|-------------|---------------|----------|-----|---------|-----------|
| 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

S  
H  
I  
P  
T  
O

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

S  
O  
L  
D  
T  
O

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:<br>THE C.I. THORNBURG CO., INC.<br>P.O. BOX 2163<br>HUNTINGTON, WV 25722-2163 |                |
| PAGE NO.<br>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:<br>DUE DATE AND CASH<br>DISCOUNT IF APPLICABLE<br>ARE LISTED BELOW. |  |
|------------------------------------|-----------------------|---------------------|------------|---|--|--|
| 8660                               | FRANCIS WATER         |                     | 2          | SHISTA  |  |  |
| SALES TICKET NUMBER                | SHIP VIA              | DATE SHIPPED        | ORDER DATE | 1 1/2% FINANCE CHARGE<br>ADDED ON PAST DUE<br>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  |  |
|                                    |                       |                     |            | <b>SUBTOTAL</b>   | 96.88  |  |
|                                    |                       |                     |            | <b>FREIGHT</b>  | 0.00   |  |
|                                    |                       |                     |            | <b>SALES TAX</b>  | 5.81   |  |
|                                    |                       |                     |            | <b>AMT DUE</b>  | 102.69   |  |

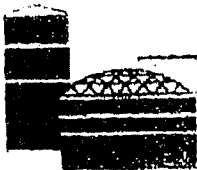
WE NOW ACCEPT MC, VISA, AMERICAN EXPRESS  
AND DISCOVER CREDIT CARDS!

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 43370  
LEXINGTON, KY 40583

859-283-3844

859-258-0358

darry@kyltanks.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

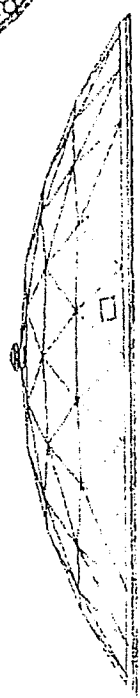
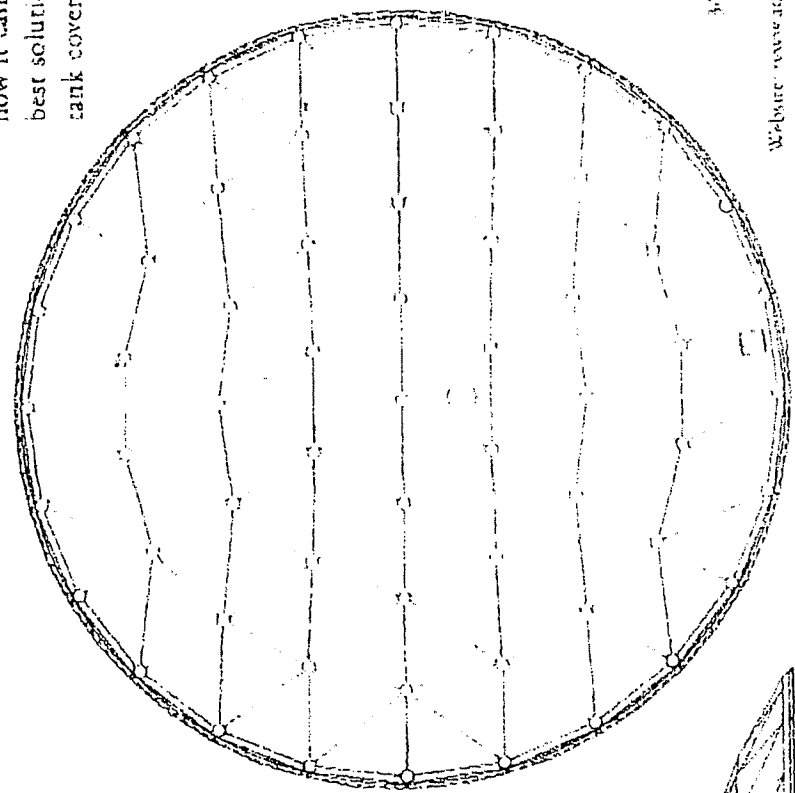
APR 14-06 NEW 11 50

# Outstanding Design And Flexibility • Low Maintenance And Cost Efficiency • Speed of Installation And Service

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 FEA (Finite Element Analysis). Aluminum integrated structural frames are rigid and lightweight. The compact struts are fabricated from high-quality aluminum (6005 A-T6) 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.

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.

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.



345 Harvestore Drive • DeKalb, Illinois 601  
 Phone: 815-756-1551 • Fax: 815-756-7878  
 Website: www.aquastore.com • E-mail: sales@aquastore.com

APR-14-04 WED 11:44 AM

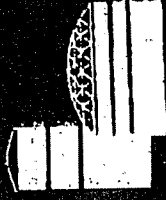
FAX:

PAGE 4

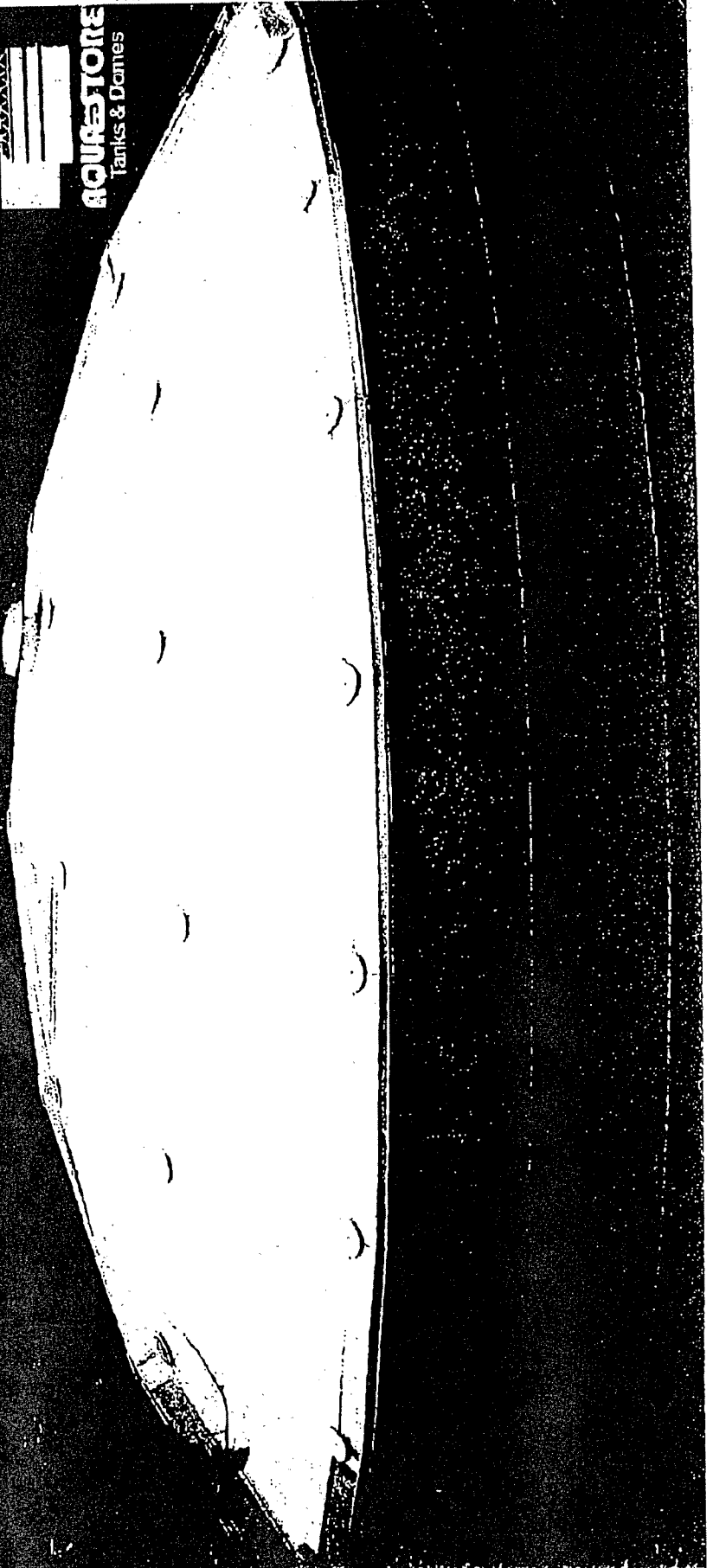
# AQUASTORE<sup>®</sup> ALUMINUM GEODESIC DOME

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***



**AQUASTORE**  
Tanks & Domes





  
**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

3,595.00

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  
3009358799 / 04/07/2004

Page  
2

Items total  
Sales Tax  
Total

~~5,376.00~~  
~~325.74~~  
~~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 80  
 GARRETT KY 41630-0000

| Quotation             |                       |
|-----------------------|-----------------------|
| Quotation Number/Date | 3009358799 - 04/07/04 |
| Caller                | 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<br>Quantity | Description<br>Price             | Price unit | Value    |
|--------|----------|------------------------|----------------------------------|------------|----------|
| 000010 | 3KU85    | 1 EA                   | CAMERA, OUTDOOR<br>529.00        | 1 EA       | 529.00   |
| 000020 | 6KN62    | 1 EA                   | MULTIPLEXER, B/W<br>1,130.00     | 1 EA       | 1,130.00 |
| 000030 | 3KU99    | 1 EA                   | SWITCHER, MATRIX<br>895.00       | 1 EA       | 895.00   |
| 000040 | 3KU96    | 1 EA                   | VCR, TIME LAPSE<br>760.00        | 1 EA       | 760.00   |
| 000050 | 3KU91    | 1 EA                   | CAMERA, DOME, 24 VAC<br>1,299.00 | 1 EA       | 1,299.00 |
| 000060 | 6KN60    | 1 EA                   | HOUSING, OUTDOOR<br>266.65       | 1 EA       | 266.65   |
| 000070 | 6KN58    | 1 EA                   | HOUSING, OUTDOOR DOME<br>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

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  | 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           |          |    |       |    |           |
|      | 5HP 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 NO. 130306  
 A Division of Utility Supply of America, Inc.  
 PO Box 9004 Page 1  
 Gurnee, IL 60031-9004  
 Toll free: 1-800-548-1234 04/05/04  
 Fax: (847) 689-3030

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

CONTINUED

5442721

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 | 1%/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<br>1200 Gallon 86" x 52"<br>ALLOW 10 BUSINESS DAYS A.R.O.AND APPROVAL. GENERAL DRAWING<br>SUPPLIED FOR REFERENCE.TTHIS IS A 1.5SG RATED TANK(12.5#/GAL<br>MAXIMUM).INTENDED TANK SERVICE /CUSTOMER IS FOR POTABLE<br>WATER(REG 4 EPA /KY NREP).CUSTOMER ACKNOWLEDGES RESPON-<br>SIBILITY TO OFF-LOAD TANK AT SITE(190 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!

Q# 130479

1 7940721

QUOTATION

USA BLUEBOOK

NO. 130488

A Division of Utility Supply of America, Inc.

PO Box 9004

Page 1

Gurnee, IL 60031-9004

Toll free: 1-800-548-1234

04/07/04

Fax: (847) 689-3030

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  | SLS# | 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<br>with Flat Bottom<br>ALLOW 10 BUSINESS DAYS A.R.O.GENERAL DRAWING SUPPLIED FOR<br>CUSTOMER REFERENCE. INTENDED TANK SERVICE IS FOR 12.5%<br>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 | <input type="checkbox"/> Blue Access Option 27 with Rx Option B | <input type="checkbox"/> Blue Access Option 25 with Rx Option B | <input type="checkbox"/> Blue Access Option 27 with Rx Option D | <input type="checkbox"/> Blue Access Option 26 with Rx Option D | <input type="checkbox"/> Blue Access Option 25 with Rx Option D | <input type="checkbox"/> 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  |
| <b>Estimated Total Cost</b>     |     |        |           | \$421.84  | \$384.21  | <b>\$399.66</b>   | \$386.90  | \$362.68  | \$343.46  |
| <b>Estimated Employee Cost</b>  |     |        |           | \$421.84  | \$384.21  | \$399.66  | \$386.90  | \$362.68  | \$343.46  |
| <b>Estimated Dependent Cost</b> |     |        |           |   |   |   |   |   |   |

↓  
 \* USE THIS  
 343 - 421

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

|                                     |          |          |          |          |          |          |
|-------------------------------------|----------|----------|----------|----------|----------|----------|
| <b>Total w/ Additional Coverage</b> | \$496.64 | \$459.01 | \$474.46 | \$461.70 | \$437.48 | \$418.26 |
|-------------------------------------|----------|----------|----------|----------|----------|----------|

Plan Codes: 'S' - Single, 'T' - Emp & Spouse, 'C' - Emp & Child(ren), 'F' - Family, 'M' - Medicare, 'P' - Medicare Emp & Spouse, 'H' - Medicare Emp & Child(ren), 'A' - 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. Renewal 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 \*\*

81038292

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

Page# 1

Bid To:

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

Ship To:

FRANCIS WATER COMPANY  
209 MAY VILLAGE ROAD  
ALLEN, KY 41501

--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     |
|---------|---|------|----------|---------|
| 4       | 4" IPSx3/4" CTS PVC FASTTAP #5261-21-2506                 |      | 36.490e  | 145.96  |
| 4       | 3" IPSx3/4" CTS PVC FASTTAP #5261-19-2506                 |      | 41.630e  | 178.72  |
| 4       | 2" IPSx3/4" CTS PVC FASTTAP #5261-17-2506                 |      | 38.950e  | 155.80  |
| 54      | 3" CL/54 DI TYTON JOINT PIPE FOR METAL                    |      | 10.930f  | 590.22  |
| 3       | 3" TYTON JOINT GASKET                                     |      | 0.000e   | 0.00    |
| 54      | 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 2880, PG II (DRYTEC) |      | 165.000e | 1980.00 |

BID TOTAL 3910.86  
Bid Amount 3910.86

- Use & calibrate water  
- No above bought in 2003, inventory from 2002, & some was given 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

Page# 1

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

Ship To:

Bid 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 SRII WATER METER<br>PLASTIC BONNET/LID, PLASTIC BOTTOM<br>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:*

OK

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

Aug 09 04 02:59p

NEW  
For 2004-



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

Telephone: (606) 432-3104  
Fax: (606) 432-3171  
Email: josborne@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  | Price      | Total      |
|------|----------|--|------------|------------|
| 001  | 21       | SDWA Raw Water Analysis/ Monthly Monitoring to include:<br>Alkalinity, Tot(CaCO3) Total Organic Carbon   | \$31.50    | \$661.50   |
| 002  | 12       | SDWA Combined Filter Analysis/ Monthly Monitoring to include:<br>Total Organic Carbon  | \$25.00    | \$300.00   |
| 003  | 8        | SDWA Analysis/ Quarterly Monitoring (2 sites) to include:<br>EPA 552 Haloacetic Acids Extraction SDWA HAA Trihalomethanes (THM)<br>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 MWML'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

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) 358-3002 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>Taxes + DIC - 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!*

X  
 12 = \$ 874 per yr.

*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) \$ 145.15

Purpose POSTAGE

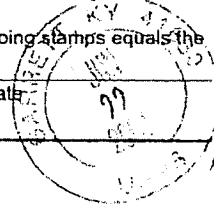
Is any Portion of this Sale a Charitable Tax Deduction?  
 Yes  No

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

By (Signature and Title) [Signature]

Date

PS Form 3849, April 1998



July 15<sup>th</sup> bill  
# 145.00

Postage per month - \$100.00 to \$145.00 <sup>1st 145</sup>

Additional Cost per Year -  
Reports to customers!  
Consumer Confidence Report to Each Customer -

~~Average per year -  
\$3,840.00 = 320/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 per ft, Tap saddle - \_\_\_\_\_  
Miscellaneous Fittings - Price sheet \_\_\_\_\_  
(included)

B. Labor (Time and Wage)

Backhoe Equipment - 50 per/hour = 4hrs. 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 28.00

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 Smith*

\*\* QUOTATION \*\*

51232801

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 # : 606-074-1111

FRANCIS WATER COMPANY  
209 MAY VILLAGE ROAD  
ALLEN, KY 41001

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

| Bid-Qty--  |  | Unit Pric | Net    |
|------------|--|-----------|--------|
| 1          | 5/8"x3/4" SENSUS SRII WATER METER<br>PLASTIC BONNET/LID. PLASTIC BOTTOM<br>REGISTRATION IN US GALLONS                                  | 40.000e   | 40.00  |
| 1          | 18"x24" HANCOR WHITE PE METER BOX  | 25.000e   | 25.00  |
| 1          | 5/8"x3/4"x7" H-1470--2-05 COPPER<br>METER YOKE with BRACING EYE,<br>LOCKWING ANGLE METER VALVE INLET,<br>ANGLE DUAL CHECK VALVE OUTLET | 70.416e   | 70.42  |
| 1          | 18" CI FLAT METER BOX LID  | 19.780e   | 19.78  |
| 1          | 6"x3/4"CC #3891 McDONALD HINGED<br>BRASS SERVICE SADDLE for IPS PVC<br>PIPE  | 33.966e   | 33.97  |
| 1          | 3/4" H-15008 CCxCOMP(CTS) CORP STOP  | 18.315e   | 18.32  |
| 100        | 3/4"x100' CTS 200# PE3408 ENDOPOLY<br>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.

.. Reprint .. Reprint .. Reprint .. Reprint ..

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 - <u>Service SADDLE</u> | <u>1</u>        | <u>33.97</u>     | <u>33.97</u>        |
| 6. Other (Itemize) <u>P.V.C. pipe + Tubing</u>    | <u>..</u>       | <u>20.00</u>     | <u>20.00</u> Tubing |
| <u>grass seed + straw</u>                         | <u>..</u>       | <u>10.00</u>     | <u>10.00</u>        |
| <b>Total Materials Expense</b>                    |                 |                  | \$ <u>236.40</u>    |
| (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>35.00</u>   |
| 2. Long Side Service                                    | _____           | _____            | _____             |
| <b>Average Cost</b><br>(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>          |
| <b>Average Cost</b><br>(Add total cost and divide by 2) |                    |                    | \$ <u>60.00</u><br>TOTAL |

Equipment

Back hoe - 50 per 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>           |
| <b>Average Cost</b><br>(Add total cost and divide by 2) |                    |                    | \$ <u>200.00</u><br>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 on sand -<br/>Grass -</i> <u>Transportation</u> |                    |                    | <u>15.60</u>      |
| <b>Total Miscellaneous</b><br>(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               | _____    |                  |
| Miscellaneous Expense           | <u>1</u> | 30.60            |
| Overhead Expense                | _____    | 50.00            |
| Administrative Expense          | _____    |                  |
| <b>Total Connection Expense</b> | \$ _____ | <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  
Return 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