

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GOSHEN	)	
UTILITIES, INC. FOR (I) A	)	
CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY, (II)	)	
AUTHORIZATION FOR FINANCING OF	)	CASE NO. 96-140
THE CONSTRUCTION PROJECT, AND	)	
(III) AN ADJUSTMENT OF THE RATES	)	
FOR WATER SERVICE IN OLDHAM	)	
COUNTY	)	

O R D E R

Following the commencement of this proceeding, Goshen Utilities, Inc. ("Goshen") and Commission Staff entered into negotiations to resolve all disputed issues. On July 19, 1996, they executed a Settlement Agreement, which is appended hereto, and have submitted same for Commission approval.

After reviewing the Settlement Agreement and being otherwise sufficiently advised, the Commission finds that the Settlement Agreement is in the public interest, results in a reasonable resolution of this case, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, appended hereto, is incorporated into this Order as if fully set forth herein.
2. The terms and conditions set forth in the Settlement Agreement are specifically adopted and approved.
3. Goshen shall within 30 days from the date of this Order file its revised tariff setting out its approved rates for water service provided to its customers.

Done at Frankfort, Kentucky, this 19th day of July, 1996.

PUBLIC SERVICE COMMISSION

Lynda K. Breathitt  
Chairman

Edw. J. Hines  
Vice Chairman

Robert M. Davis  
Commissioner

ATTEST:

Don Mills  
Executive Director

APPENDIX A

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION  
IN CASE NO. 96-140 DATED JULY 19, 1996.

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THE APPLICATION OF GOSHEN	)	
UTILITIES, INC. FOR (I) A	)	
CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY, (II)	)	
AUTHORIZATION FOR FINANCING OF	)	CASE NO. 96-140
THE CONSTRUCTION PROJECT, AND	)	
(III) AN ADJUSTMENT OF THE RATES	)	
FOR WATER SERVICE IN OLDHAM	)	
COUNTY	)	

SETTLEMENT AGREEMENT

This agreement is made and entered into this 19th day of July, 1996 by and between the Staff of the Public Service Commission of Kentucky ("Staff") and Goshen Utilities, Inc. ("Goshen").

WITNESSETH:

THAT on April 8, 1996, Goshen submitted an application on behalf of its water division, for a Certificate of Convenience and Necessity to construct a \$211,545 water works improvement project, for approval of related financing, for approval of a monthly debt service surcharge, and for an increase in its water rates.

THAT on May 15, 1996, Goshen met the minimum filing requirements for its application and the case was deemed filed.

THAT no parties have sought or been granted intervention in this proceeding.

THAT Goshen has provided information in response to the Commission's June 10, 1996 Order and has otherwise completed the record in this proceeding.

THAT on July 8, 1996, Goshen submitted a motion for an interim order approving the construction project proposed herein representing to the Commission that during the

week end of June 22 and 23, 1996 approximately 20 customers of Goshen experienced low water pressure because of high water usage in the North Oldham County service area of Goshen.

THAT in its motion for interim approval of its construction project Goshen represented to the Commission that it had filed for approval a water shortage response plan which would allow Goshen to implement voluntary or mandatory water conservation measures throughout its service area and appropriate circumstances and to more effectively deal with water shortages that may occur in its service area.

THAT in its motion for interim approval of the construction project Goshen further represented to the Commission that by letter dated July 1, 1996 Goshen requested that its customers conserve water on a voluntary basis during summer weekends and holidays.

THAT in its motion for interim approval of the construction project Goshen represented to the Commission that due to heavy growth in its service territory in the north Oldham County area, demand on occasion has reached or exceeded pumping capacity and that a water shortage could occur in the north Oldham County service area of Goshen if Goshen does not have a readily available alternate source of potable water in the event of a mechanical failure of its pumping equipment.

THAT, due to a power outage experience by Louisville Gas and Electric Company on July 16, 1996, Goshen's water service to a significant number of customers was interrupted.

THAT Goshen proposes to construct 5,250 feet of 6-inch diameter pipeline and related appurtenances replacing badly deteriorated and undersized lines in the City of

Goshen and 5,660 feet of 8-inch diameter pipeline and related appurtenances needed to connect to Oldham County Water District as an emergency source of supply.

THAT in order to resolve the issues before the Commission regarding this application, Goshen and Commission Staff have agreed to the following.

NOW THEREFORE, be it resolved that for the purposes of settling this matter:

1. Goshen and Staff agree that all outstanding issues raised in this proceeding shall be resolved by this agreement.

2. Goshen and Staff agree that the revenue requirement increase recommended by Staff in Attachment C to this agreement is fair, just, and reasonable and will allow Goshen to meet its current obligations, service its debt, and provide for reasonable equity growth. The rates contained in Attachment D will allow Goshen to achieve Staff's recommended revenue requirements on a going forward basis.

3. Goshen and Staff agree that a debt service surcharge of \$1.73 per customer per month should be approved to allow Goshen to service its new debt.

4. Goshen and Staff agree the public convenience and necessity require that the proposed construction be performed and that a Certificate of Public Convenience and Necessity should be granted.

5. Goshen agrees to only install fire hydrants in those instances where the installation complies with the requirements of 807 KAR 5:066, Section 10(2)(b).

6. Goshen agrees to monitor the expanded water distribution system after construction. If the level of service is inadequate or declining or any customer's pressure is outside the limits of 807 KAR 5:066, Section 5(1), Goshen will immediately conform the level of service to the Commission's administrative regulations.

7. Goshen agrees to obtain Commission approval prior to performing any additional construction not expressly set forth in this agreement and agrees that any deviation from the approved construction will be undertaken only with the express prior approval of the Commission.

8. Goshen Utilities agrees to furnish documentation of the total costs of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days after construction is substantially completed. Construction costs should be classified in plant accounts pursuant to the Uniform System of Accounts for Water Utilities prescribed by the Commission.

9. Goshen agrees that construction inspections will be performed under the supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering.

10. Goshen agrees to furnish, within 60 days after substantial completion of construction, "as-built" drawings and a signed statement of its Engineer that the construction has been satisfactorily completed according to the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

11. This agreement is reasonable and will result in fair, just, and reasonable rates for water to be provided by Goshen to its customers and should be adopted by the Commission.

12. This agreement is subject to the approval of the Commission.

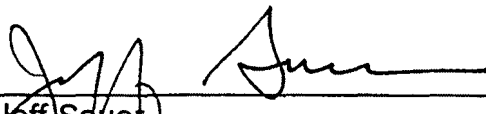
13. If the Commission fails to accept and approve this agreement in its entirety, this proceeding shall go forward and neither the terms of this agreement nor any other matters raised during negotiations shall be binding on any signatory.

14. If the Commission accepts and adopts this agreement in its entirety, Goshen agrees that it shall not apply for rehearing nor bring an action for judicial review.

15. This agreement is submitted for purposes of this case only and is not deemed binding on the signatories hereto in any other proceeding nor is it to be offered or relied upon in any other proceeding involving the signatories.

16. The signatories agree that the foregoing agreement is reasonable, in the best interest of all concerned and resolve the issues presented in this case to the satisfaction of Goshen and Staff and urge the Commission to adopt the agreement in its entirety.

AGREED TO BY:

  
\_\_\_\_\_  
Jeff Sauer  
Counsel for Goshen Utilities, Inc.

  
\_\_\_\_\_  
Rebecca W. Goodman  
Counsel for Commission Staff

ATTACHMENT A  
SETTLEMENT AGREEMENT CASE NO. 96-140  
WATER DIVISION'S REQUESTED PRO FORMA OPERATIONS

	1994 Annual Report	Pro Forma Adjustments	Foot- note Ref	Pro Forma Operations
Operating Revenue:				
Revenue from Water Sales	\$408,375	\$3,836		\$412,211
Other Operating Revenue:				
Forfeited Discounts	9,837	0		9,837
Miscellaneous	3,574	0		3,574
Total Operating Revenue	\$421,786	\$3,836		\$425,622
Utility Operating Expenses:				
Salaries & Wages - Employees	\$122,871	\$22,032		\$144,903
Salaries & Wages - Stockholders	59,894	(21,616)		38,278
Emp. Pensions & Benefits	11,253	10,599		21,852
Purchased Power	63,544	(3,054)		60,490
Chemicals	1,795	(90)		1,705
Materials & Supplies	43,171	(5,832)		37,339
Contractual Services - Engineering	3,025	0		3,025
Contractual Services - Accounting	4,200	(1,200)		3,000
Contractual Services - Legal	6,466	(6,466)		0
Contractual Services - Other	23,646	(18,718)		4,928
Rent - Building/Real Property	3,703	(1,852)		1,851
Rent - Equipment	1,832	0		1,832
Transportation	9,696	0		9,696
Insurance - Vehicle	3,588	0		3,588
Insurance - General Liability	6,556	0		6,556
Insurance - Workers' Comp.	3,601	1,886		5,487
Insurance - Other	303	0		303
Bad Debt Expense	1,582	0		1,582
Miscellaneous	1,161	0		1,161
Depreciation	51,790	(24,719)		27,071
Amortization	0	3,436		3,436
Taxes Other Than Income Tax	25,507	32		25,539
Total Utility Operating Expenses	\$449,184	(\$45,562)		\$403,622
Net Utility Operating Income	(\$27,398)	\$49,398		\$22,000
Other Income & Deductions:				
Net Merch., Jobbing, & Cont. Ded.	(\$806)	\$806		\$0
Interest & Dividend Income	3,376	0		3,376
Net Non-utility Income	13,713	(13,713)		0
Income Taxes - Non Utility Operations	68,518	(68,518)		0
Long-Term Interest Expense	7,283	0		7,283
Net Operating Income	(\$86,916)	\$105,009		\$18,093



ATTACHMENT B  
SETTLEMENT AGREEMENT CASE NO. 96-140  
STAFF'S RECOMMENDED PRO FORMA OPERATIONS

	1994 Annual Report	Pro Forma Adjustments	Foot- note Ref	Pro Forma Operations
Operating Revenue:				
Revenue from Water Sales	\$408,375	\$3,836	A	\$412,211
Other Operating Revenue:				
Forfeited Discounts	9,837	0		9,837
Miscellaneous	3,574	0		3,574
Total Operating Revenue	\$421,786	\$3,836		\$425,622
Utility Operating Expenses:				
Salaries & Wages - Employees	\$122,871	\$22,032	B	\$144,903
Salaries & Wages - Stockholders	59,894	(21,616)	C	38,278
Emp. Pensions & Benefits	11,253	10,599	D	21,852
Purchased Power	63,544	(3,054)	E	60,490
Chemicals	1,795	(90)	F	1,705
Materials & Supplies	43,171	(5,832)	G	37,339
Contractual Services - Engineering	3,025	0		3,025
Contractual Services - Accounting	4,200	(1,200)	H	3,000
Contractual Services - Legal	6,466	(6,466)	I	0
Contractual Services - Other	23,646	(18,718)	J	4,928
Rent - Building/Real Property	3,703	(1,852)	K	1,851
Rent - Equipment	1,832	0		1,832
Transportation	9,696	0		9,696
Insurance - Vehicle	3,588	0		3,588
Insurance - General Liability	6,556	0		6,556
Insurance - Workers' Comp.	3,601	1,886	L	5,487
Insurance - Other	303	0		303
Bad Debt Expense	1,582	0		1,582
Miscellaneous	1,161	0		1,161
Depreciation	51,790	(23,476)	M	28,314
Amortization	0	7,532	N	7,532
Taxes Other Than Income Tax	25,507	32	O	25,539
Total Utility Operating Expenses	\$449,184	(\$40,223)		\$408,961
Net Utility Operating Income	(\$27,398)	\$44,059		\$16,661
Other Income & Deductions:				
Net Merch., Jobbing, & Cont. Ded.	(\$806)	\$806	P	\$0
Interest & Dividend Income	3,376	0		3,376
Net Non-utility Income	13,713	(13,713)	Q	0
Income Taxes - Non Utility Operations	68,518	(68,518)	R	0
Long-Term Interest Expense	7,283	0		7,283
Net Operating Income	(\$86,916)	\$99,670		\$12,754

A. Operating Revenue:

Staff prepared a billing analysis using Water Division's test-period water sales. This adjustment reflects the results of Staff's billing analysis and the Water Division's current tariffed water rates on file with the Commission.

	Bills	Gallons	First 2,000 Gallons	Next 13,000 Gallons	Next 15,000 Gallons	Next 20,000 Gallons	Over 50,000 Gallons
First 2,000 Gallons	1,162	1,164,900	1,164,900				
Next 13,000 Gallons	14,767	104,182,200	29,534,000	74,648,200			
Next 15,000 Gallons	720	14,366,700	1,440,000	9,360,000	3,566,700		
Next 20,000 Gallons	157	6,036,400	314,000	2,041,000	2,355,000	1,326,400	
Over 50,000 Gallons	164	18,495,200	328,000	2,132,000	2,460,000	3,280,000	10,295,200
Totals	16,970	144,245,400	32,780,900	88,181,200	8,381,700	4,606,400	10,295,200

	Bills	Gallons	Current Rate per 1,000 Gal	Normalized Revenue
First 2,000 Gallons Min. Bill	16,970	32,780,900	\$8.25	\$140,003
Next 13,000 Gallons		88,181,200	\$2.60	229,271
Next 15,000 Gallons		8,381,700	\$2.10	17,602
Next 20,000 Gallons		4,606,400	\$1.60	7,370
Over 50,000 Gallons		10,295,200	\$1.10	11,325
Subtotals		144,245,400		\$405,571
Wholesale Water Sales		4,333,400	\$1.10	4,767
Normalized Water Sales Gallons & Revenue		148,578,800		410,338
Public Authorities				1,711
Public Fire Protection				162
Normalized Test Period Operating Revenue				\$412,211
Less: Reported Revenue from Rates				408,375
Staff's Pro Forma Adjustment				\$3,836

**B. Salaries & Wages - Employees:**

Goshen allocates its payroll between the Sewer and Water Divisions using allocation factors developed in a 1988 time study analysis. Staff used Goshen's allocation factors, the hours each employee worked during the test period, and the 1995 pay rates in the determination of this pro forma adjustment. Because 8 years has lapsed since the original time study was performed, Staff advises Goshen to undertake a new study before its next rate case to show that the allocation factors are representative of current conditions.

Staff	Regular	Overtime	Total	Allocation Factor	Payroll
Admin. Manager	\$35,568	N/A	\$35,568	50%	\$17,784
Secretary/Treasurer	\$7,065	N/A	\$7,065	50%	3,533
Receptionist	\$20,051	N/A	\$20,051	50%	10,026
Foreman	\$35,901	\$2,408	\$38,309	70%	26,816
Laborer	\$21,632	\$351	\$21,983	70%	15,388
Meter Reader	\$20,342	\$844	\$21,186	70%	14,830
Laborer/Operator	\$25,834	\$568	\$26,402	70%	18,481
Operator - Water	\$24,336	\$1,264	\$25,600	70%	17,920
Laborer/Meter Reader	\$24,336	\$4,414	\$28,750	70%	20,125
Pro Forma Salaries & Wages - Employees					\$144,903
Less: Reported Salaries & Wages - Employees					122,871
Staff's Pro Forma Adjustment					\$22,032

**C. Salaries & Wages - Stockholders:**

Staff's adjustment is based on the allocation of Lloyd Eades, Goshen's owner/manager, 1995 salary.

\$54,683 (1995 Owner/Manager's Salary)	70% (1995 Allocation Factor)	=	\$38,278
Less: Reported Salaries & Wages - Stockholders			59,894
Staff's Pro Forma Adjustment			(\$21,616)

**D. Emp. Pensions & Benefits:**

Goshen provides family health insurance coverage to its employees in lieu of higher wages. If the employee opts for single or no coverage Goshen increases the wages accordingly. On July 7, 1996, Goshen established an employee retirement plan. Staff's adjustment reflects allocating the retirement plan cost and the 1995 employee health insurance premiums to the Water Division using the payroll allocation factors.

Retirement Fund:	Pro Forma Salaries	5 % Employer Contribution	Contribution & Admin. Cost	Allocation Factor	Allocated Costs
Office Personnel	\$62,684	\$3,134	\$3,291	50%	\$1,646
Owner/Manager	\$54,683	\$2,734	\$2,871	70%	2,010
Field Personnel	\$162,230	\$8,112	\$8,518	70%	5,963
Health Insurance:	Participating Employees	Plan Type	Annual Premiums	Allocation Factor	
	Office Staff 1	Family	\$5,700	50%	2,850
	Filed Staff 1	Single	\$2,004	70%	1,403
	Filed Staff 2	Family	\$11,400	70%	7,980
Pro Forma Emp. Pensions & Benefits					\$21,852
Less: Reported Emp. Pensions & Benefits					11,253
Staff's Pro Forma Adjustment					\$10,599

E. Purchased Power:

The test-period line loss was 17 percent, which exceeds the Commission's allowable limit of 15 percent. Staff's adjustment to purchased power expense recognizes the 15 percent limitation on water production costs.

Test Period Water Sales & Usage	155,806,985
Divided by: 85% Allowable Water Production	85%
Pro Forma Water Production Gallons	183,302,335
Multiplied by : Electric Cost per Gallon Produced:	
\$63,544 (1995 Electric Expense) / 193,591,000 ( 1995 Gallons Produced) =	\$0.00033
Pro Forma Purchased Power	\$60,490
Less: Reported Purchased Power	63,544
Staff's Pro Forma Adjustment	(\$3,054)

F. Chemicals:

Staff's adjustment to chemical expense recognizes the 15 percent line loss limitation on water production costs.

Chemical Cost per Gallon Produced:	
\$1,795 (1995 Chemical Expense) / 193,591,000 ( 1995 Gallons Produced) =	\$0.0000093
Multiplied by: Pro Forma Water Production Gallons	183,302,335
Pro Forma Chemical Expense	\$1,705
Less: Reported Chemical Expense	1,795
Staff's Pro Forma Adjustment	(\$90)

G. Materials & Supplies:

Goshen made an error in allocating its telephone expense to the Water Division. Staff's adjustment corrects Goshen's allocation error and also removes several non-recurring expenditures from Goshen's test-period operations. Staff has amortized these costs over their estimated useful lives.

Allocation Correction:	Vendor	Service	Annual Amounts Billed	Allocation Factors	Allocated Costs
	BellSouth	Cellular Phone	\$2,204	70%	\$1,543
	BellSouth	Cellular Phone	\$1,481	70%	1,037
	BellSouth	Office Phone	\$4,211	50%	2,106
Add: Telemetry Bills		\$139 (Monthly Fee)		12 (Months)	1,668
Telephone Expense - Water Division					\$6,354
Less: Reported Telephone Expense					4,053
Allocation Correction					\$2,301
Non-Recurring Costs:	Reynolds	Lightning Damage to Pumphouse (Net Amount)			(1,244)
	Reynolds	Rebuilt High Service Pump			(6,889)
Staff's Pro Forma Adjustment					(\$5,832)

H. Contractual Services - Accounting:

In the test period, 100 percent of the accounting fee was allocated to the Water Division. Staff's adjustment removes 50 percent of this fee from test-period operations.

Test Period Accounting Fee	\$2,400
Multiplied by: Allocation Factor	50%
	-----
Staff's Pro Forma Adjustment	(\$1,200)
	=====

I. Contractual Services - Legal:

Goshen mistakenly reported a fee for legal services performed for the Sewer Division as a Water Division expense. Staff's adjustment corrects Goshen's error and also removes several non-recurring legal fees. Staff has amortized these legal fees over their estimated useful lives.

Classification Error:	Ackerson & Miller - Sewer Capacity Agreement	(\$1,039)
Non-Recurring Fees:	Ackerson & Miller - Water Resource Plan	(2,668)
	Willamson, Simpson, Combs, & Thiess - Easement Agreement	
	Belknap Beach	(2,759)
		-----
Staff's Pro Forma Adjustment		(\$6,466)
		=====

J. Contractual Services - Other:

During the test period, Goshen paid Al Schneider, a stockholder/owner, a consulting fee of \$35,000 and allocated 50 percent or \$17,500 to the Water Division. In Case No. 89-081, the Commission determined that the consulting services of Mr. Stone, a former Goshen Stockholder, were not needed because Mr. Eades had the knowledge and technical experience necessary to operate Goshen. To be consistent with that decision, Staff views the consulting services provided by Mr. Schneider as unnecessary and a duplication of the duties performed by Mr. Eades. Therefore, the consulting fee of \$17,500 has been eliminated from the Water Divisions test-period operations. Staff's adjustment also removes a sludge hauling fee that was mistakenly included in the Water Division's test-period operations.

Cosulting Fee:	Al Schneider	(\$17,500)
Classification Error:	J. Headden      Sludge Pumped for Sewer	(1,218)
		-----
Staff's Pro Forma Adjustment		(\$18,718)
		=====

K. Rent - Building/Real Property:

In the test period, 100 percent of the office rent expense was allocated to the Water Division. Staff's adjustment removes 50 percent of this expense from test-period operations.

Test Period Rent Expense	\$3,703
Multiplied by: 50% Allocation Factor	50%
	-----
Staff's Pro Forma Adjustment	(\$1,852)
	=====

L. Insurance - Workers' Comp:

Staff's adjustment reflects Goshen's 1995 workers' compensation premium and the pro forma payroll.

	Pro Forma Payroll	Rate per 100	Pro Forma Premium
Waterworks Operation & Drivers	\$113,560	\$5.41	\$6,144
Clerical Office Employees	\$69,621	\$0.40	278
Premium Subject to Modification			\$6,422
Experience Modification Factor			96%
Pro Forma Standard Premium			\$6,165
Less: Retro Deferred Premium	\$6,165	x 20% =	1,233
Pro Forma Premium after Retro			\$4,932
Add: Tax & Assessment	6,165	x 9% =	555
Pro Forma Workers' Comp Exp.			\$5,487
Less: Reported Workers' Comp Exp.			3,601
Staff's Pro Forma Adjustment			\$1,886

M. Depreciation:

The 1994 Balance Sheet lists Contributions In Aid of Construction ("CIAC") of \$899,063, which is a form of cost free capital to Goshen Water. Allowing depreciation expense on property funded by CIAC for rate-making purposes would result in double recovery of the plant investment from the contributors, Goshen Water's ratepayers. Therefore, depreciation expense on utility plant supported by CIAC has been removed. This adjustment also includes depreciating a post-test period plant improvement.

CIAC Depreciation:	Reported Contributions in Aid of Construction	\$899,063
	Divided by: Utility Plant In Service	1,883,766
	Percentage of Utility Plant Supported by CIAC	47.73%
	Multiplied by: Reported Depreciation	51,790
Adjustment to Remove CIAC Depreciation		(24,719)
Post-Test Period Plant:		
\$12,426 (ENLARGE PUMP SUCTION LINES)	/	10 Years =
		1,243
Staff's Pro Forma Adjustment		(\$23,476)

N. Amortization:

Non-recurring expenditures removed from test-period operations and the cost of filing this case have been amortized over their estimated useful lives.

		Cost of Expenditures	Amortization Lives	Amortization Expense
Non-Recurring Costs:	Lightning Damage to Pumphous	\$1,244	5	\$249
	Rebuilt High Service Pump	\$6,889	5	1,378
	Legal Fees	\$5,427	3	1,809
Rate Case Costs:	Legal	\$5,270	3	1,757
	Engineering	\$7,018	3	2,339
Staff's Pro Forma Adjustment				\$7,532
				=====

O. Taxes Other than Income Taxes:

Staff's adjustment includes the change in FICA expense resulting from Staff's pro forma payroll allocation.

Pro Forma Adjustment to Salaries & Wages - Employees	\$22,032
Pro Forma Adjustment to Salaries & Wages - Stockholders	(21,616)
Net Salaries & Wages Adjustment	\$416
Multiplied by: FICA Rate	7.65%
Staff's Pro Forma Adjustment	\$32
	=====

P. Net Merch., Jobbing, & Cont. Ded:

Revenue received from Goshen's sales and service of grinder pumps is directly related to the Sewer Division. Because any gains or losses from this operation would be reported by the Sewer Division, Staff has eliminated this loss from the Water Division's test-period operations.

Sales and Service - Grinder Pumps	\$806
	=====

Q. Net Non-Utility Income:

The Kentucky Supreme Court has held: "Profit made from the sale of non-depreciable land no longer used to serve customers is not an ingredient to be considered in fixing rates. The customer had no interest in the profit realized on the sale - it belonged to the stockholder." Therefore, Staff has removed the gain on the sale of land from the Water Division's test-period operations.

Gain on the Sale of Land	(\$13,713)
	=====

R. Income Taxes - Non Utility Operations:

For income tax purposes, CIAC is reported as revenue in the year received and is included in the calculation of income tax payable. The utility is allowed to deduct depreciation on plant supported by CIAC. This treatment gives the utility the opportunity to recover the income taxes paid over the associated asset's depreciable life. Since, the Commission disallows the recovery of depreciation on plant supported by CIAC through rates, the associated income taxes are also not allowed. For this reason income tax expense has been eliminated from the Water Division's test-period operations.

Income Taxes - CIAC	(\$68,518)
	=====

ATTACHMENT C  
SETTLEMENT AGREEMENT CASE NO. 96-140  
REVENUE REQUIREMENT DETERMINATION

Revenue Requirement Determination:

Goshen's Pro Forma Operating Expenses	\$403,622
Divided by: Operating Ratio	88%
	-----
Subtotal	\$458,661
Less: Goshen's Pro Forma Operating Expenses	403,622
	-----
Margin After Income Taxes	\$55,039
Multiplied by: Gross-up Factor	1.225490
	-----
Margin Before Income Taxes	\$67,450
Add: Goshen's Pro Forma Operating Expenses	403,622
Interest Expense	7,283
	-----
Revenue Requirement	\$478,355
Less: Normalized Operating Revenue	425,622
Interest Income	3,376
	-----
Revenue Increase	\$49,357
	=====



ATTACHMENT D  
STAFF REPORT CASE NO. 96-140  
STAFF'S BILLING ANALYSIS AND RECOMMENDED RATES

	Bills	Gallons	First 2,000 Gallons	Next 13,000 Gallons	Next 15,000 Gallons	Next 20,000 Gallons	Over 50,000 Gallons
First 2,000 Gallons	1,162	1,164,900	1,164,900				
Next 13,000 Gallons	14,767	104,182,200	29,534,000	74,648,200			
Next 15,000 Gallons	720	14,366,700	1,440,000	9,360,000	3,566,700		
Next 20,000 Gallons	157	6,036,400	314,000	2,041,000	2,355,000	1,326,400	
Over 50,000 Gallons	164	18,495,200	328,000	2,132,000	2,460,000	3,280,000	10,295,200
Totals	16,970	144,245,400	32,780,900	88,181,200	8,381,700	4,606,400	10,295,200

	Bills	Gallons	Recommended Rates	Revenue Requirement
First 2,000 Gallons Min. Bill	16,970	32,780,900	\$9.51	\$161,385
Next 13,000 Gallons		88,181,200	\$3.00	264,544
Next 15,000 Gallons		8,381,700	\$2.42	20,284
Next 20,000 Gallons		4,606,400	\$1.84	8,476
Over 50,000 Gallons		10,295,200	\$1.27	13,075
Subtotals		144,245,400		\$467,763
Wholesale Water Sales		4,333,400	\$1.27	5,503
Revenue Water Sales		148,578,800		\$473,266
Public Authorities				1,711
Public Fire Protection				162
Totals				\$475,139

ATTACHMENT E  
SETTLEMENT AGREEMENT CASE NO. 96-140  
MONTHLY SURCHARGE CALCULATION

Monthly Payment Calculation:

Principal	\$190,645
Prime Interest Rat	16-Nov-95
Loan Interest Rate - Annual	8.75%
Loan Interest Rate - Monthly	9.25%
Term - Months	0.771%
	120
Monthly Debt Service Payment	\$2,441.09

Monthly Surcharge Calculation:

Monthly Debt Service Payment	2,441.09
Multiplied by: 12 Months	12.00
Annual Debt Payment	\$29,293.08
Divided by: No. of Test Period Bills	16,970
Staff's Recommended Monthly Surcharge	\$1.73