

1 **Q. ARE THERE SPECIFIC PORTIONS OF THE DELTA TEST THAT ARE**
2 **PROBLEMATIC IN THIS INSTANCE?**

3 A. Yes. First, the second criteria that states that the initial investment plus the cost of restoring
4 the facilities to required standards will not adversely impact the overall costs and rates of
5 the existing and new customers is problematic in this instance regarding the purchase price.
6 The burden of proof is upon the acquiring utility to justify its investment at a price in excess
7 of net original cost. In response to data requests, the utility stated in general terms, that the
8 purchase price above the historic value reported in Commission annual reports can have
9 numerous reasons but does not provide any specific information in this instance why a
10 higher purchase price is warranted.⁹ Second, the ~~fourth~~ ~~fifth~~ criteria of the Delta Test
11 requires that the purchase price of utility and nonutility property can be clearly identified.
12 The same data request response admits that there is a higher purchase price but does not
13 make an assignment that outlines what portion of the higher purchase price was due to
14 book values and what portion was due to the previous owners demanding a higher purchase
15 price to account for the loss of personal income stream.

16 **Q. HAS THE COMPANY REQUESTED AMORTIZATION TREATMENT OF**
17 **ACQUISITION COSTS IN THE PENDING CASE, OR, IN THE ALTERNATIVE, A**
18 **PRIOR CASE?**

19 A. No. The current accounting treatment requested by the Company allows continual recovery
20 of the acquisition premiums in the rate base calculation in perpetuity.

21 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THIS ISSUE?**

⁹ Bluegrass Water's Response to Scott 1-15.