

Eric Fryson

From: Merchant, Tricia [MERCHANT.TRICIA@leg.state.fl.us]
Sent: Thursday, November 29, 2012 12:24 PM
To: Filings@psc.state.fl.us
Cc: Ana VanEsselstine; Bart Fletcher; Andrew Maurey; Kaley Thompson; Shannon Hudson; James McRoy; Melinda Watts; Patti Daniel; Michael Lawson; 'Martin Friedman'; Reilly, Steve; Kelly, JR
Subject: Docket 120152-WS- Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.

Attachments: Dkt 120152 Pluris Wedgefield OPC Questions.docx

Electronic Filing

a. Person responsible for this electronic filing:

Patricia W. Merchant, Chief Legislative Analyst
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
(850) 717-0332
Merchant.tricia@leg.state.fl.us

b. Docket No. 120152-WS

In Re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.

c. Document being filed on behalf of Office of Public Counsel

d. There are a total of 4 pages.

e. OPC Concerns and Questions Regarding the Pluris Wedgefield Rate Case
(See attached file: Dkt 120152 Pluris Wedgefield OPC Questions.docx)

Thank you for your attention to this request.

Sincerely,

Tricia Merchant
Office of Public Counsel
111 West Madison Street
Pepper Building, Room 812
Tallahassee, Florida 32399-1400
Phone: 850-717-0332
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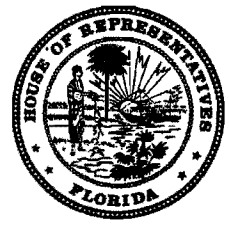
DOCUMENT NUMBER-DATE

07912 NOV 29 09

FPSC-COMMISSION CLERK



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OFFICE OF PUBLIC COUNSEL**



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November 29, 2012

Ms. Ana VanEsselstine
Division of Accounting and Finance
Florida Public Service Commission
2340 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket 120152-WS- Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.

Dear Ms. VanEsselstine,

The Office of Public Counsel is actively monitoring the rate case docket for Pluris Wedgefield. In our review of the minimum filing requirements and the staff audit workpapers, we have numerous concerns that we believe should be addressed. We would like to bring these to staff's attention to aid staff in its review of the rate case so that staff can address these concerns as you see fit. The areas we have identified deal with affiliate costs, the cost of capital, and plant in service. We are submitting this letter in an effort to be up front with our concerns and allow the staff and utility sufficient time to review our concerns and ask for any additional information that might be needed. If you should have any questions, please feel free to call or email me.

Sincerely,

s/ Patricia W. Merchant

Patricia W. Merchant
Chief Legislative Analyst
Phone: (850) 717-0332
Email: merchant.tricia@leg.state.fl.us

C: Division of Accounting & Finance (Fletcher)
Division of Economic Regulation (Maurey)
Division of Economics (K. Thompson, Hudson)
Division of Engineering (McRoy, Watts)
Division of Auditing and Performance Analysis (Daniel)
Office of the General Counsel (Lawson)
Sundstrom, Friedman & Fumero, LLP (Friedman)

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OPC Issues and Concerns - Pluris Wedgefield, Inc. - Docket No. 120152-WS

1. In order to fully review the reasonableness of affiliate transactions and requested operating expense, OPC believes that it is necessary to obtain the following documents:
 - a. A copy of the organizational chart for Pluris Holdings, LLC and all of its subsidiaries, including a description of the type of business entity for each subsidiary.
 - b. A document describing the affiliation and relationship of the following companies: Pluris Holdings, LLC, Stockdale Investment Group, Inc., Primoris Services Corp., and Pluris Wedgefield, Inc.
 - c. A list of all employees whose time is allocated to Pluris Wedgefield through Pluris Holdings, LLC, their title and job description, the annual salary charged and the employee benefits provided for each employee.
 - d. A list of systems owned by Pluris in 2012 and any signed contracts to buy or sell any additional systems, including the number of equivalent residential connections (ERCs) for each water and wastewater system, separately.
2. In the 2011 Annual Report on page E-6 Revised, it lists the officers and the percent of time spent as an officer of Pluris Wedgefield, as follows: Maurice Gallarda 16% as president; Kenneth Pratt 20% as vice president; and Lu An Danley 20% as Controller. It also reflects that none of the officers receive any officer compensation from the utility. OPC believes it is necessary to have a description of how each of the above officer's salaries is charged to Pluris Wedgefield and Pluris Holdings. If less than 100% of each person's salary is charged to Pluris Holdings, an explanation is necessary to determine which entity the remainder of their salary is charged.
3. Why is it reasonable and necessary to add a pro forma adjustment for the cost of a new controller to be added for only four utility systems? In the 2011 annual report, Lu An Danley is listed as controller, please explain whether Ms. Danley is currently performing services for Pluris and in what position and if she is in a new position, why that position is necessary for the size of the company.
4. OPC believes it is necessary to obtain an explanation of why Pluris Southgate, Inc. has direct salary costs and does not share in the allocation of corporate salaries and benefits.
5. OPC believes that it is necessary for the company to explain whether there were any cost decreases by account greater than 10% or cost savings measures implemented related to expenses at the parent level that are allocated to Pluris Wedgefield since the end of the 2011 test year.
6. The next questions relate to MFR Schedule G-2. For the expenses listed below that are charges or fees allocated to Pluris Wedgefield and other utility systems, OPC believes it is necessary for the company to provide a statement of how the charges or fees are determined and why the amounts are reasonable compared to what the company could obtain in an arms-length transaction:

- a. A breakdown and description of each type of service by vendor provided related to the accounting/tax fees of \$24,535 for 2011.
- b. A detailed explanation of the \$47,305 in Automobile Expenses, including a list of all vehicles owned or leased, the driver of each, the expenses charged, whether any of the costs are allocated or charged from any affiliate or related party, the basis of any lease payments if made to any affiliate or related party.
- c. A description of the Depreciation Expense of \$3,109, to what assets this expense relates, and the business purpose of each asset for which depreciation expense is requested on the Pluris Holdings, LLC level.
- d. A description of the Amortization Expense of \$6,281, to what physical or intangible assets this expense relates, and the business purpose of each asset for which amortization expense is requested on the Pluris Holdings, LLC level.
- e. A breakdown of the \$98,238 in Travel Costs for 2011. For each trip, provide a detailed explanation of which employees or persons traveled, the costs incurred and the business purpose.
- f. A breakdown of the \$10,356 in Meals and Entertainment costs for 2011. For each charge, provide a detailed explanation of which employees or persons meals and entertainment were provided and the business purpose.
- g. A list of the Dues and Subscriptions charged by vendor for 2011 of \$21,779 and include a description of the business purpose as it relates to the water and wastewater industry.
- h. A breakdown with a description of the postage and delivery charges by vendor by month of \$120,529 for 2011.
- i. A list of all Telephone Expense charges by vendor for 2011. Include a list of the types of phone service provided and a list of all employees and persons and which level of phone service is provided for each employee.
- j. A list of all Marketing Expense charges by vendor for 2011 of \$788 and include a description of the charge and the business purpose.
- k. A list by vendor of the \$51,844 in rent charged to Pluris Holdings, LLC in 2011. Provide the rent by property and the square footage that is leased and the number of employees assigned to each property.
- l. A list by vendor of the Education and Seminars Expense charges of \$3,959 for 2011. For each charge, provide the employee that received/attended the training/seminar and the business purpose.
- m. A description of the Relocation Expense of \$43,047, what types of relocations the expenses relate (corporate or employee), what the amount of relocation expense has been

for the years 2009, 2010 and year to date 2012. Also, explain the business purpose for relocations charged on the Pluris Holdings, LLC level.

- n. An explanation of when the parent company Pluris Holdings, LLC relocated from Lake Forest, California to Dallas, Texas and what relocation costs are included in the test year allocated expenses and in which account. According documents filed with the Florida Secretary of State on March 29, 2011, the address had changed from the 2010 year filing.
- o. A description of purpose and cause of the negative charge of \$2,386 for Other Income and how this amount was determined.
- p. An explanation of why interest expense of \$121,267 for 2011 was charged to the utility subsidiaries, and why recovering this amount as a management fee does not provide double recovery as interest expense is recovered through the cost of debt in the capital structure.
- q. An explanation of why the corporate income tax expense from Pluris Holdings, LLC of \$116 should be charged to ratepayers.

Cost of Capital

- 7. OPC believes it is necessary to obtain information and explanations regarding deferred income taxes and the other affiliate capital structure issues below:
 - a. MFR Schedules C-5, C-6 and D-1. Please explain why the company does not record deferred income taxes and reflect those in its capital structure as zero cost capital. Pluris Wedgefield, Inc. has been an 1120 corporation since May, 2009.
 - b. MFR Schedule C-5 reflects a calculation of deferred income taxes for 2011 but not for the prior years of 2009 and 2010. Please provide the amount of current deferred state and federal income taxes for each year since Pluris has owned the system through the end of the 2011 test year.
 - c. What is the cost rate for the advance from associated companies from Brian Pratt?
 - d. An explanation of why the average balance of debt on the balance sheet does not agree with the balance reflected on MFR Schedule D-5(a).

Plant in Service

- 8. OPC believes it is necessary to obtain an explanation of what specific items make up the \$10,165 in wastewater organization costs that were transferred from Utilities Inc. of Wedgefield and why that amount should be carried forward on the books of Pluris Wedgefield.