

December 27, 2012

Ms. Ann Cole, Commission Clerk
Office of Commission Clerk
Public Service Commission
2540 Shumark Oak Boulevard
Tallahassee, FL 32399-0850

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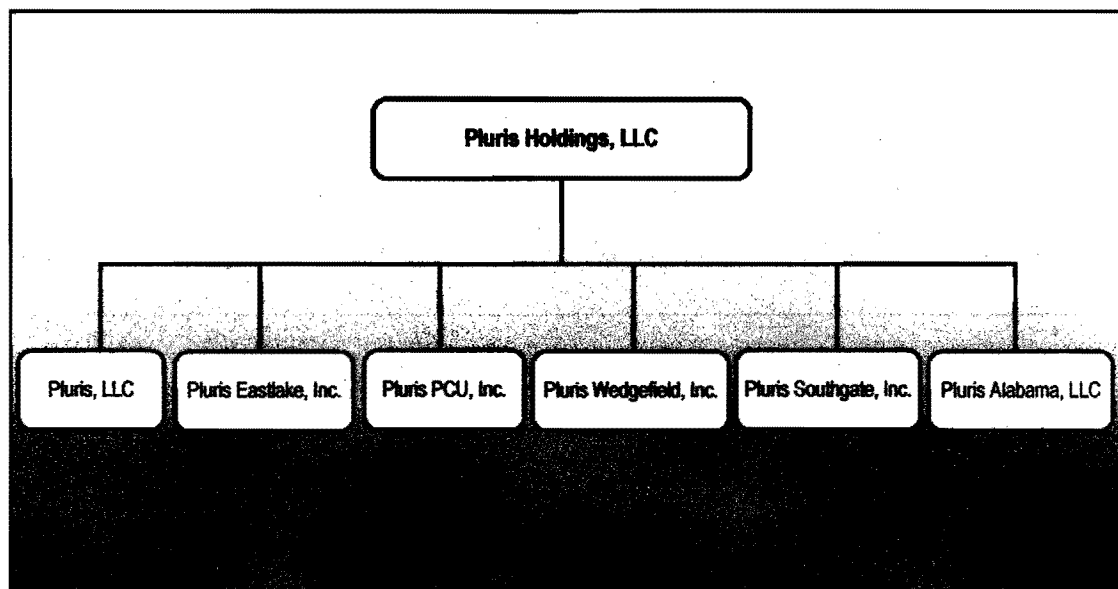
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COMMISSION CLERK

Re: Docket No. 120152-WS- Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.
Our File No.: 43085.15

Dear Ms. Cole:

The following is Pluris Wedgefield, Inc.'s ("Utility") response to Staff's Third Data Request dated November 29, 2012.

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.



Description of each Entity

- Pluris, LLC – wastewater only (collection and treatment) utility in Sneads Ferry, North Carolina with 2,635 ERCs*
- Pluris Eastlake, Inc. – water (treatment and distribution) and wastewater (collection only) utility in Hillsborough County, Florida with 1,890 ERCs*
- Pluris PCU, Inc. - water (distribution only) and wastewater (collection and treatment) utility in Hillsborough County, Florida with 3,119 ERCs*
- Pluris Wedgefield, Inc. - water (treatment and distribution) and wastewater (collection and treatment) utility in Orange County, Florida with 3,309 ERCs*
- Pluris Southgate, Inc. - water (distribution only) utility in Sarasota County, Florida with 5,585 ERCs*

(Note – The number of reported ERCs include total count of water and wastewater ERCs. A utility with only water or wastewater has 1 ERC per residential connection. A utility having both water and wastewater counts as 2 ERCs per residential connection. Commercial ERCs are calculated based on accepted factors for the specific pipe diameter. ERCs and EDU are terms used interchangeably as they are equal in value)

- Pluris Alabama, LLC is not a regulated utility. Two water wells comprise the assets, acquired in 2007. One of the wells is undeveloped. The other well was developed in late February, 2012 and produces water for a small rural water district in Lauderdale County. The water district provides all operations and maintenance including labor and material costs relating to the well.

- 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.

Pluris Holdings, LLC (“Pluris”) is the parent company to the subsidiaries referenced in paragraph 1.a. above. Stockdale Investment Group, Inc. (“SIGI”) is a real estate company, formed in the early 1980s. Primoris Services Company (“Primoris”; NASDAQ: PRIM) is a publicly traded construction company with roots dating back to the 1940s. There is no formal or legal relationship between Pluris, SIGI and Primoris. There are only common

REDACTED

owners in all three companies.

- 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.

- *List of employees included in wages expense as of December 31, 2011. Maurice W. Gallarda, Kenneth Pratt, and Tina Odisho*
- *A description of the duties performed by each corporate employee during 2011. Maurice W. Gallarda serves as the Managing Member and Principal Engineer. Duties include oversight responsibilities of all corporate matters, including banking, engineering, operations, and regulatory compliance. Kenneth Pratt serves as a Manager and duties include human resources, accounting, IT and customer relations. Tina Odisho provides reception, clerical and accounts' payables' duties.*
- *Annual salary and benefits paid to each employee during 2011 is presented in the following table.*

Employee	Maurice Gallarda	Kenneth Pratt	Tina Odisho	Total
Salary				326,813
Payroll expenses				3,314
Payroll tax expense				20,267
Employee benefits				25,950
Relocation				43,047
Total	257,428	149,983	11,981	419,391

- *Customer Care Center Staff. Beverly Yopp, Director of Customer Care along with 4 call center staff comprised the total number of call center personnel in the 2011 test year. The total present (post-test year period) call center staff's annual salaries and benefits are provided in the following table.*

Employee	Salary	Payroll tax expense	Employee Benefits	Total
Brook Duff				
Erica Gandy				
Kristy Hairston				
Amelia Moore				
Beverly Yopp				
Valerie Thomas				
Joyce Scott				
Total	187,715	16,018	45,961	249,694

Please note that as a result of comments made during the customer meeting in Wedgefield regarding hold times; along with management's review in the other utilities, two additional Pluris call center staff will be added to the call center (effective date is 12.31.12) in order to address holds during call in by customers. One of the two call center employees hired (Joyce Scott) was hired to also address an increasing bi-lingual need in the Florida utilities. Both Ms. Thomas and Ms. Scott have accepted the positions.

- Name of new employees that have been hired after December 31, 2011, and their annualized salary or wages. Mr. Dan Winters, Controller for Pluris Holdings, LLC was hired on July 2, 2012 and his annualized salary with benefits are [REDACTED]. His allocated costs to Pluris Wedgefield, Inc., is 0.3021 x [REDACTED]. Also see the aforementioned table for the costs related to the two new call center staff – Valerie Thomas and Joyce Scott who will start December 31, 2012.

- 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.

See paragraph 1.a. above for complete listing. There are no new systems contemplated at this time.

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 Anne 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.

Pluris Wedgefield, Inc. is charged an allocation of corporate expenses based on the Florida Public Service Commission method for allocation of expenses. This method has been the accepted methodology and involves dividing the total number of equivalent dwelling units ("EDUs") in each utility, by the total number of EDUs in all of the utilities to determine the percentages and then applying the prorated allocation of SG&A expenses to each utility based on the respective percentages.

Schedule "G2" of the minimum filing requirements ("MFRs") provides the total EDUs of 10,953, excluding Pluris Southgate, Inc.'s 5,585 which would make the actual total ERCs 16,536. The total number of EDUs in Pluris Wedgefield, Inc. is 3,309. Based on the total EDUs of 10,953, the prorated allocation for Pluris Wedgefield, Inc.'s corporate non-labor costs is 20.1%. Based on the 10,953 EDUs, the prorated allocation for Pluris Wedgefield, Inc.'s corporate labor costs is 30.21%. The difference in percentages is due to the labor costs related to Pluris Southgate, Inc. being reported as required by the County of Sarasota. Timesheets for corporate staff were required by the County.

Please see the far right column in "G2" below, entitled "Adjusted Allocated Costs". Dividing the \$237,251 for the total (non-labor + labor) Pluris Wedgefield, Inc. costs by the total allocation amount of \$1,172,878 and multiplying by 100 results in the 20.01% allocation percentage charged to Pluris Wedgefield, Inc., when the Pluris Southgate, Inc.'s labor cost is included.

A copy of Schedule "G2" is reproduced here.

Statement of Corporate Allocation by Utility For the Test Year Ended 12/31/11											
Pluris Holdings, LLC Indirect Expense and Salary Allocations by Utility											
Utility	Indirect Expense Allocation (1)			Salary and Benefits Allocation (2)							
	Total EDU's	Indirect Allocation Percentage	Indirect Allocated Amount	Salary EDU's	Salary Allocation Percentage	Salary Allocated Amount	Direct Salary Allocation	Total Salary Allocation	Total Salary Allocated Costs	Proforma Adjustment (3)	Adjusted Allocated Costs
Pluris Eastlake, Inc.	1,890	11.43%	\$ 74,656	1,890	17.25%	\$ 36,111		\$ 36,111	\$ 110,767	\$ 24,732	\$ 135,499
Pluris PCU, Inc.	3,119	18.86%	123,186	3,119	28.48%	59,619		59,619	182,805	40,833	223,638
Pluris, LLC	2,635	15.93%	104,048	2,635	24.06%	50,366		50,366	154,415	34,496	188,911
Pluris Southgate, Inc.	5,585	33.77%	220,572	-		-	\$ 167,007	167,007	387,579		387,579
Pluris Wedgefield, Inc.	3,309	20.01%	130,697	3,309	30.21%	63,241	-	63,241	193,938	43,313	237,251
Totals	16,538	100.00%	\$ 653,160	10,953	100.00%	\$ 209,337	\$ 167,007	\$ 376,344	\$ 1,029,504	\$ 143,374	\$ 1,172,878

Notes: (1) The allocation methodology for indirect costs is based on the total EDU's of each managed utility. These EDU's include both water and wastewater customers and are detailed on Schedules G-3, G-4, G-5, G-6 and G-7.

(2) Salaries and benefits are allocated on the EDU's of each managed utility (as referenced above) except for the Southgate system. For the Southgate system, a direct allocation of corporate salaries and benefits is required by the County regulators.

(3) Proforma adjustment to include cost of new controller.

As of the time of the filing of the MFRs Pluris Holdings, LLC had a limited staff of 3 employees in Dallas, Texas (following the filing of the MFRs, Pluris added a 4th employee Dan Winters as Controller. His prorated costs were submitted in a proforma request submitted following the original filing of the MFRs) who comprise the general management group for all 5 utilities. In addition, beginning 12.31.12, seven (7) employees in Sneads Ferry/North Topsail North Carolina will provide customer care, including billing and collections for all 5 utilities.

The total annual allocated non-labor and labor cost to Pluris Wedgefield, Inc. as filed is \$237,251. The additional expense amount with two additional call center staff is \$21,144 (total for Valerie Thomas of \$38,578 plus total for Joyce Scott of \$31,412 x salary allocation percentage of 30.21%), resulting in a post-test year allocation of \$258,395.

If Pluris Wedgefield, Inc. were to be a stand-alone entity, the cost for general management, billing and collections, accounting and finance services would exceed the present allocated charge to Pluris Wedgefield, Inc.

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.

There are five (5) utility systems not four (4).

Regarding Ms. Danley, she was an employee of Stockdale Investment Group, Inc., a non-affiliated company to any of the Pluris companies. Pluris Holdings, LLC was not charged for any of her time while providing controller services. Ms. Danley did bill for time spent on preparation of the MFRs.

Ms. Danley left Stockdale Investment Group Inc., in June, 2011. Due to the need for a fulltime controller in Pluris Holdings, LLC, the company sought to fill the position. Mr. Dan Winters accepted the position and is solely responsible for Pluris companies' day to day accounting and financial duties. His time is allocated in accordance with the allocation described in paragraph 2.0 above.

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.**

Pluris Southgate, Inc. is a regulated franchised utility subject to the jurisdiction of the County of Sarasota Florida. Sarasota County ordinance (Resolution No. 2003-12) requires timesheets to be completed by corporate management and actual hours for services billed to the County in lieu of allocation by EDUs.

There is no material difference in the allocation of labor and actual hours spent. All other corporate costs (non-labor) are allocated by EDUs.

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.**

In order to estimate the year over year change in expenses at the parent level, we annualized the costs as of YTD November 30, 2012. Those accounts that decreased greater than 10% are listed below with a brief explanation of the reason for the decrease.

- *Payroll expenses – estimated decrease of \$833 due to reduced costs from switching payroll providers.*

- *Amortization expense – estimated decrease of \$1,615 due to prepaid loan fees being fully amortized in 2012.*
 - *Travel expense – estimated decrease of \$51,762. As filed, travel expenses for 2011 were \$98,238. Due to travel charges filed and withdrawn upon further review (see Question 6 (e) below), the estimated decrease would be \$30,703. This decrease is attributed to fewer trips taken in 2012.*
 - *Dues and subscriptions – estimated decrease of \$7,890. As filed, dues and subscriptions expenses for 2011 were \$17,187. Due to charges filed and withdrawn upon further review (see Question 6 (g) below), the estimated decrease would be less than the threshold of 10%.*
 - *Bank service charges – estimated decrease of \$355 due to prior year including fees for set up of new accounts.*
 - *Education and seminars – estimated decrease of \$6,806 due to coming in below the accrued estimate at year-end.*
 - *Utilities – estimated decrease of \$707 due to coming in below the accrued estimate at year-end.*
 - *Relocation costs – estimated decrease of \$43,047 due to the completion of the corporate office relocation from California to Texas in 2011. Relocation was a one-time expense and no additional charges will be recorded.*
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.**

Vendor	Description	Cost
Haskell & White	preparation of 2010 tax returns	\$ 3,740
Hein & Associates	preparation of 2010 tax returns	\$ 5,600
CJNW	2010 audits/financials	\$ 14,595
LTS&P, CPAs	preparation of 2010 tax returns	\$ 600
	Totals	\$ 24,535

- 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.

Vendor	Description	Cost
Land Rover Financial Group	Ken Pratt - annual lease expense	\$ 17,066
Land Rover Financial Group	Maurice Gallarda - annual lease expense	\$ 11,370
SIGI	Reimbursement of SIGI for payoff of K. Pratt's old Land Rover	\$ 4,901
American Express	Gas, service, wash, repairs	\$ 11,714
Expense report - M Gallarda	Gas	\$ 81
Expense report - K Pratt	Gas	\$ 162
John R. Ames Tax Assessor	Registration fees	\$ 128
Bill Donegan, CFA	Title payments	\$ 156
Metroplex Dealer Services	Car wash	\$ 165
JPMorgan	Misc auto expenses	\$ 1,563
	Totals	\$ 47,306

- 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.

Depreciation expense relates to the assets held at the corporate offices in Dallas, TX which consist of office furniture (desks, chairs, filing cabinets, etc.), computer equipment, and computer software. The office furniture and computer equipment are utilized daily by the employees of Pluris Holdings

and the computer software is used for billing purposes by the call center located in North Carolina.

- 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.**

The amortization expense relates to the prepaid loan fees that were incurred at the initial set up of the line of credit loan from American Security Bank. These fees were amortized from late 2010 to mid-2012 due to the payoff of the line of credit during 2012 and transfer of the loan to F&M Bank. No new set up fees were incurred during this transfer.

- 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.**

Management makes every effort to schedule travel to all of the 4 Florida utilities in one trip. Scheduling this way reduces travel related expenses that would otherwise be incurred over individual trips to each utility, even though in many cases, individual trips would be more convenient and in some cases more timely. The regional office for the four (4) Florida utilities is centrally located in Tampa. Attached with this correspondence is an Excel file ("Travel") that breaks out the travel expenditures by month with descriptions of the purpose of the trips. Also attached are PDFs of the supporting documentation of expenses from employee expense reports and American Express statements. In reviewing the corporate total travel costs for the 2011 test year, Pluris determined that \$21,086 should not have been included and the resulting allocated portion to Wedgefield of $0.2001 \times \$21,086 = \$4,219$ is hereby withdrawn.

- 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.**

In review of Meals and Entertainment costs for 2011, it was determined that the effort was too great to separate by person and purpose; therefore, the allocated portion to Wedgefield of $0.2001 \times \$10,356 = \$2,072$ is hereby

withdrawn.

- 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.

The Office of Public Counsel mistook the amount for Dues and Subscriptions with Office Supplies. The amount of Dues and Subscriptions is \$17,187 for the test year. In reviewing the Dues and Subscriptions costs for the 2011 test year, Pluris determined that \$15,324 should not have been included and the resulting allocated portion to Wedgefield of $0.2001 \times \$15,324 = \$3,066$ is hereby withdrawn. The remaining \$1,862 is listed below.

Vendor	Amount	Purpose
American Water Works	\$916	Keep informed about water-related news; stay up-to-date on proposed legislation and regulations
Georgia Rural Water	325	State water group
TX Board Engineering License	250	M Gallarda professional license
American Society of Civil Engineers	210	Continued professional education
Equinox	161	Employer-paid health club membership for Ken Pratt
Totals	\$1,862	

- h. A breakdown with a description of the postage and delivery charges by vendor by month of \$120,529 for 2011.

Date	CA Marketing	FedEx	UPS	Total
Jan-11	\$ 2,533	\$ 465		\$ 2,998
Feb-11	\$ 13,507	\$ 384		\$ 13,891
Mar-11	\$ 6,921	\$ 337		\$ 7,258
Apr-11	\$ 10,639	\$ 467		\$ 11,106
May-11	\$ 13,938	\$ 178		\$ 14,116
June-11	\$ 7,198	\$ 149	\$ 276	\$ 7,623
July-11	\$ 8,021	\$ 284		\$ 8,305
Aug-11	\$ 10,782	\$ 110		\$ 10,892
Sep-11	\$ 12,804	\$ 87		\$ 12,891
Oct-11	\$ 5,378	\$ 214		\$ 5,592
Nov-11	\$ 10,877	\$ 120		\$ 10,997
Dec-11	\$ 14,523	\$ 337		\$ 14,860
Total	\$ 117,121	\$ 3,132	\$ 276	\$ 120,529

CA Marketing – services provided include printing and providing all bulk

window and remit envelopes on a “just in time” basis to eliminate inventory costs; monthly billing for all five (5) utilities including setup, printing, and postage; inserts for all five (5) utilities including annual water quality reports and customer notices required by regulatory agencies; and certified letters required in Pluris PCU, Inc. and Pluris Eastlake, Inc. for disconnects.

FedEx and UPS are used for all special deliveries or overnight mailings to customers or vendors.

- 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.**

Vendor	Amount
Broadcore	\$ 21,348
TW Telecom	\$ 22,243
AT&T	\$ 8,505
Verizon Wireless	\$ 2,222
Rackspace	\$ 1,868
Amazon	\$ 1,131
Domain Name Registration	\$ 479
Apple	\$ 214
Efax	\$ 180
Aircell	\$ 70
CenturyLink	\$ 2
Qwest	\$ 2
Totals	\$ 58,264

Presented on the following is a description of each of the services in the above table.

- *Broadcore – provides the dedicated phone lines for the Customer Care Center for all billing and collections calling (used by Pluris customers and call center employees).*
- *TW Telecom – provides high speed internet for the Customer Care Center for online billing and collections (used by call center employees).*

- *AT&T – provides analog lines used for the fax machines for the Customer Care Center (used by Pluris customers and call center employees) and cellular service for Kenneth Pratt.*
- *Verizon wireless – provides cellular service for Maurice Gallarda.*
- *Rackspace – provides web-based email host for corporate and field employees.*
- *Amazon – computer and monitor for Pluris Holdings new hire (Tina Odisho)*
- *Domain Name Registration – website fees to maintain the Pluris Holdings website.*
- *Apple – phone insurance for Kenneth Pratt and Maurice Gallarda.*
- *Efax – provides online fax number for Kenneth Pratt.*
- *Aircell – used for in-flight cellular service.*
- *CenturyLink/Qwest – immaterial.*

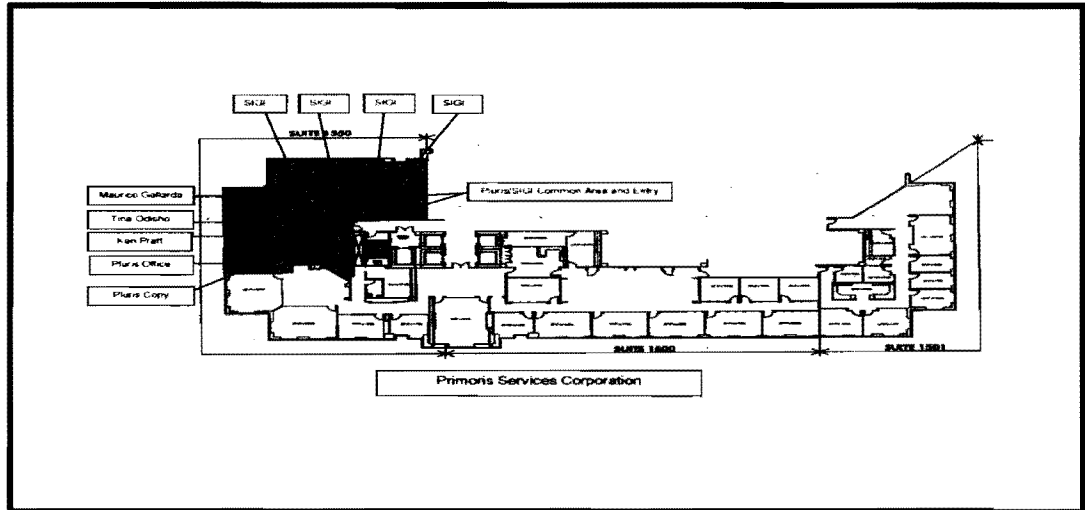
- j. **A list of all Marketing Expense charges by vendor for 2011 of \$788 and include a description of the charge and the business purpose.**

Marketing expense consists of one invoice from Kray Marketing for \$788. This was for services performed in designing Pluris' logo.

- 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.**

The \$51,844 is for the Pluris Holdings, LLC corporate office in Dallas. The office lease is in the name of Stockdale Investment Group, Inc. Pluris Holdings, LLC occupies 50% of the space and pays 50% of the lease amount.

Presented below is a diagram of the office space used by Pluris Holdings, LLC. Four employees are assigned to the corporate office in Dallas. They are Maurice Gallarda, Kenneth Pratt, Tina Odisho and Dan Winters. The total space including office and shared areas for copiers and supplies Pluris uses encompasses 1,620 square feet.



- i. 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.

In reviewing the Education and Seminars Expense costs for the 2011 test year, Pluris determined that \$3,509 should not have been included and the resulting allocated portion to Wedgefield of $0.2001 \times \$3,509 = \702 is hereby withdrawn. The sole remaining expenditure of \$450 was for Real World Training and was a seminar attended by Tina Odisho for QuickBooks training (accounting software used for all Pluris entities).

- 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.

Party	Amount	Reason
Maurice Gallarda	\$ 18,019	Reimbursements for temporary housing, flights from CA to TX, rental car expenses
Kenneth Pratt	\$ 16,361	Land Rover expenses, flights from CA to TX, rental car expenses
D&A Delivery	\$ 5,375	Moving expenses to pack and unpack belongings - Ken Pratt
Home Services Relocation	\$ 1,000	Insurance payout for M Gallarda
American Express	\$ 2,292	Uhaul rental, lodging, United moving services - Ken Pratt
Totals	\$ 43,047	

Of the \$16,361 of relocation costs for Kenneth Pratt, \$12,081 relates to two upfront payments to secure the auto leases for Ken Pratt and Maurice Gallarda. This amount should have been capitalized and amortized over the life of the lease (36 months). The result would be \$4,027 in expense per year. $\$12,081 - \$4,027 = \$8,054$ should not have been included and the resulting allocated portion to Wedgefield of $0.2001 \times \$8,054 = \$1,612$ is hereby withdrawn.

Relocation costs by year

2009 - \$0.00

2010 - \$70,782

2011 - \$43,047

2012 - \$0.00

After review of the relocation costs, it was determined that if these costs would have been amortized over four years then the amount charged to the customers of Wedgefield in the MFRs would have been less by \$1,711. The Wedgefield allocated amount for 2010 would be \$3,541 ($\$70,782 \text{ total} \times .2001 = \$14,163 / 4 = \$3,541$ per year). The Wedgefield allocated amount for 2011 would be \$1,751 ($\$34,993 \text{ total including withdrawn amounts} \times .2001 = \$7,002 / 4 = \$1,751$ per year). The total for the test year of \$7,002 less the combined amortized amounts for 2011 of \$5,291 equals the calculated excess charge of \$1,711 which is hereby withdrawn.

All five (5) Pluris owned utilities are situated in the southeast and the relocation reduces travel related costs and reduces time spent traveling by

half. In addition, California has been in a state of decline and business is finding it more and more difficult to operate economically.

- 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.**

Pluris Holdings, LLC relocated corporate offices from Lake Forest, California to Dallas, Texas over the period of November 2010 through January 2011. Pluris Holdings, LLC provided reimbursement of costs related to the relocation of Mr. Gallarda and Mr. Pratt which included home relocation services for the purchase of existing residences, shipment of furnishings, travel for employees, spouses, and children during the relocation, and temporary housing expenses. The test year includes the allocated portion of 2011 relocation costs of \$8,614 (see MFR schedule G-2, account 7050 – Relocation costs).

- o. **A description of purpose and cause of the negative charge of \$2,386 for Other Income and how this amount was determined.**

A vehicle was sold that was utilized by Pluris LLC located in North Carolina, but the asset was carried on the books of Pluris Holdings. When sold, Pluris Holdings incurred a loss of \$2,386 on the sale. This should not have been assessed to Holdings and the amount of $0.2001 \times \$2,386 = \477 is withdrawn.

- 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.**

The allocated amount of $0.2001 \times \$121,267 = \$24,266$ is withdrawn.

- q. **An explanation of why the corporate income tax expense from Pluris Holdings, LLC of \$116 should be charged to ratepayers.**

The allocated amount of $0.2001 \times \$116 = \23 is withdrawn.

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.

Pluris Wedgefield, Inc. does not record deferred income taxes because the Company has historically operated in a net loss position and does not expect to pay these taxes; therefore, any calculated deferred income taxes have been fully reserved.

- 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.

The calculated deferred income taxes for 2009 represent a liability of \$2,293; for 2010, this calculation results in an asset of \$5,472. Combined with the amount calculated on Schedule C-5(a) of the MFRs under the "Utility Adjusted" column for 2011 (liability of \$26,400), the total deferred income taxes would be a liability of \$23,221.

- c. What is the cost rate for the advance from associated companies from Brian Pratt?

The cost rate for the advance from Brian Pratt is 0%.

- 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).

The advance from Brian Pratt is not included in the Cost of Long-Term Debt schedule D-5(a) since it has a 0% cost rate. When excluded from Total Long-Term Debt on the Balance Sheet, the average balance of debt matches the balance reflected on MFR Schedule D-5(a) of \$3,967,212.

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.

At this time Pluris does not have an explanation of the specific items that make up the wastewater organization costs. We will attempt to retrieve this information from the prior owners of the utility.

Should you or Staff have any questions, please do not hesitate to contact me.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/der
Enclosures

cc: Maurice Gallarda (via email)
Dan Winters (via email)
Ana Van Esselstine (via email)
Bart Fletcher (via email)