

**Dorothy Menasco**

**From:** Merchant, Tricia [MERCHANT.TRICIA@leg.state.fl.us]  
**Sent:** Friday, January 11, 2013 4:51 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** Andrew Maurey; Bart Fletcher; Reilly, Steve; 'Marty Friedman (mfriedman@sflaw.com)'; 'kpratt@pluriscompanies.com'; Ana VanEsselstine; 'kethompson@psc.state.fl.us'; Patti Daniel; Shannon Hudson; James McRoy; Melinda Watts; Michael Lawson  
**Subject:** RE: Docket 120152-WS, Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc. - OPC's 2nd Letter to Staff  
**Attachments:** Dkt 120152 Pluris Wedgefield OPC 2nd Letter to Staff.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  
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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 5 pages.

e. OPC's 2<sup>nd</sup> Letter to Staff  
(See attached file: Dkt 120152 Re Pluris Wedgefield OPC 2<sup>nd</sup> Letter to Staff.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  
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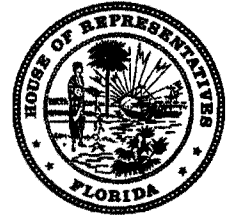
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OFFICE OF PUBLIC COUNSEL



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January 11, 2013

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. – OPC 2<sup>nd</sup> Letter to Staff

Dear Ms. VanEsselstine,

The Office of Public Counsel has reviewed the Utility’s responses to Staff’s 3<sup>rd</sup> Data Request and has additional 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. 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  
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- 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. **Common Affiliate Owners and Employees.** In response to Question 1.b., Pluris stated that Pluris Holdings, LLC (Pluris), Stockdale Investment Group, Inc. (SIGI), and Primoris Services Company (PRIM) “have no formal or legal relationship” but “There are common owners in all three companies.” OPC believes that it is necessary to be provided all owners of Pluris Holdings, LLC, and which owner(s) are common to each of the above companies, including the names and positions of all common officers, directors and staff.
2. **Officer Compensation.** Schedule E-6 of the PSC Annual Report form for Class A or B Water and Wastewater Utilities under the category of Compensation of Officers it states: “For each officer, list the time spent on respondent as an officer compared to time spent on total business activities and the compensation received as an officer from the respondent.” On the Pluris Wedgefield 2011 Annual Report, it states that Maurice Gallarda spends 16% of his time as president and Kenneth Pratt spends 20% as vice president of Pluris Wedgefield, and none of the officers receive compensation as an officer. In its response to Staff’s 3<sup>rd</sup> Data Request, the company requested confidential treatment of the compensation paid to its officers, including salaries, benefits and payroll taxes. OPC believes that it is necessary to obtain the following information:
  - a. Please confirm or deny that the answer provided on the 2011 annual report addressed only the amount of allocated compensation to Pluris Wedgefield and the percentages of time shown did not provide the actual percentage of time spent on Pluris Wedgefield compared to the total business activities for each officer. Please explain your answer.
  - b. If the answer to question a. above is that the annual report reported only the allocated percentage of time, please provide the actual number of hours per week that each officer spent on Pluris Wedgefield business in 2011 and 2012.
  - c. Please provide a list of all other companies and business activities in which each Pluris officer is involved.
  - d. Please state the number of hours each week that Mr. Gallarda spends working on Pluris Holdings along with the number of hours per week spent on other business activities during 2011 and 2012.
  - e. Based on an internet search, Mr. Kenneth Pratt is an active real estate professional who is the Vice President of Stockdale Investment Group and is associated with Allie Beth Allman & Associates Real Estate Firm. Please state the number of hours per week that Mr. Kenneth Pratt spent working as Vice President of SIGI and working for the Allman Real Estate Firm in 2011 and 2012. Please list any other companies or businesses to which Mr. Kenneth Pratt performs professional business services and the number of hours worked per week for each company or business during 2011 and 2012.

3. Officer Compensation. OPC believes that it is necessary for the company to explain whether any allocation of the pro forma salary of Mr. Dan Winters for his accounting and financial duties for Pluris was allocated to Pluris Southgate and if not, why not. Also, please explain which company is Mr. Winters' employer and whether he performs any other professional business activities for SIGI, or PRIM. If he does perform any services for any business or organization other than Pluris Holdings, please provide the number of weekly hours worked for each company during 2011 and 2012.
4. Automobile Expenses. In its response to Question 6 of Staff's 3rd Data Request, the company provided a detailed list of the Pluris automobile expenses which are allocated to the Pluris subsidiaries. OPC would like to obtain an explanation if Pluris Holdings pays 100% for the vehicle costs for Mr. Gallarda and Mr. Pratt. Please explain if these vehicles are used solely for Pluris Holdings work, whether the vehicles are driven home each day, whether the officers are allowed to use the vehicles for personal use and if so how many miles per month are used for personal purposes. Also explain whether the vehicles are used for any other business purpose such as real estate investment or sales.
5. Automobile Expenses. OPC would like to know why it is reasonable for the Pluris Wedgefield to pay a share of the cost to pay off Mr. Kenneth Pratt's old Land Rover lease, and what value the old Land Rover contributed to the provision of utility service to customers.
6. Travel Expenses. Upon review of the travel expenses incurred which were provided in response to Staff's 3<sup>rd</sup> Data Request, many of the flights taken were for first class tickets, had insufficient documentation, related to acquisition costs, contained extra in-flight services, were premium car rental costs, and travel costs for moving including those for Mr. Gallarda's spouse. Unless the company can provide a reasonable allowance for non-acquisition related business directly related to the provision of utility services to Pluris Wedgefield, OPC believes that majority of the travel costs allocated to Wedgefield should be disallowed. Sufficient justification should include the business purpose of the trip, the length of the trip, and an explanation of each item including adjustments to show the non-premium level of travel costs.
7. Corporate Insurance. OPC believes it is necessary to obtain the amount of insurance charged to Pluris related to automobiles, liability, any umbrella excess liability or director and officer liability insurance. Please explain whether any of the insurance coverage extends to PRIM or SIGI operations or personal liability of the officers of Pluris, PRIM or SIGI.
8. Rent Charged to Pluris Holdings (Question 6.k.) In its response to Staff's 3rd Data Request, Pluris stated that the office lease was in the name of Stockdale Investment Group (SIGI) and Pluris occupies and was charged 50% of the \$51,844 in rent charged. 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. OPC believes the following questions regarding rent should be answered by the company:

- a. The diagram attached to the data response was so small that the majority of the print was illegible. Please provide a larger copy of the diagram, with color print so that the print detail is legible.
  - b. Please provide a copy of the lease agreement referred to in response to Staff's 3<sup>rd</sup> Data Request No. 6.k. If the lease is a sublease from PRIM, also please provide a copy of the lease to PRIM.
  - c. Please provide an explanation of the total office layout provided on the diagram, including the number of offices and common space, the square footage of each office and common space, which person uses each office and common space, and identify the company or companies which each person serves.
  - d. If there are common officers and employees, please provide what percentage of time is spent on each company on a weekly basis for 2011 and 2012.
9. Telephone Expense. Please explain whether the listed telephone expenses of \$58,264 represent 100% of the total charges or are an allocation between any bills charged or shared between Pluris and SIGI or PRIM. If 100% of the bills are charged to Pluris Holdings, please explain whether any of the expenses are used for any personal or other business purpose, and whether there is any allocation of telephone expense charged to either SIGI or PRIM, or other business entities. Please provide a breakdown of the telephone expenses incurred specifically by Mr. Gallarda and Mr. Kenneth Pratt.
10. Income Tax Returns. Upon review of the company's response to Staff's 3<sup>rd</sup> Data Request, OPC believes that additional questions and documentation requirements regarding the reasonableness of accounting/tax fees are necessary. Pluris has requested recovery of \$24,535 in total accounting/tax fees, \$9,940 of which was for preparation of 2010 income tax returns from three vendors. Upon review of the supporting documentation for travel, the \$600 expense to LTS&P CPAs corresponds to the invoice from LTSP CPAs sent to Maurice & Deborah Gallarda for preparation of their 2010 federal and California personal income tax returns. OPC believes that preparation of personal income tax returns are not reasonable business expenses which should be paid for by the customers. In order to substantiate the other accounting and tax fees requested, OPC believes that it is appropriate to obtain a copy of the each invoice in order to support the inclusion of the costs for rate recovery.
11. New SCADA System for Water Treatment Facility -MIEX Plant. In its response to staff engineer James McRoy, Pluris addressed staff's concerns about the retirement and subsequent purchase of a new SCADA system for the water treatment plant.

- a. Please explain whether Pluris had any communications with Utilities, Inc., (the former owner of the Wedgefield system) regarding the SCADA system purchased. If so, please describe what questions were asked and what information was communicated back to Pluris regarding any problems encountered or solutions implemented by Utilities Inc. Did the Southgate system have similar problems with its SCADA system and if so what solutions did Pluris undertake?
- b. Please explain whether Pluris Holdings or any of its officers, shareholders, or employees has any affiliation with E&R Mechanical other than purchasing this software. Affiliation includes but is not limited to relationships such as common ownership, shareholders, or family members and/or any existing contractual relationships between Pluris Holdings, PRIM, and/or SIGI.
- c. Please provide the dollar amount of plant, accumulated depreciation and depreciation expense for the new SCADA system that was installed, including the date installed.
- d. Please provide the dollar amount of plant, accumulated depreciation and depreciation expense, and any 2011 operating expenses for annual software maintenance incurred for the old SCADA system that was retired from the books when the new SCADA was installed.
- e. Did Pluris perform any type of analysis to compare the reasonableness and cost of fixing the old system compared to abandoning the old system and purchasing the new system. If so, explain the basis and provide any documentation to support Pluris' decision to abandon the old system and purchase the new system.
- f. Please provide what efforts were undertaken by Pluris to enforce any warranties or collect for any damages which were caused by the failure of the old SCADA system to work properly or caused by the failure of the prior vendor to help resolve the problems.