

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: January 14, 2013
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Ana VanEsselstine, Regulatory Analyst II, Division of Accounting & Finance *AV*
RE: Docket No. 120152-WS, Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.

Please include the attached e-mail into the docket file referenced above. The e-mail and supporting documentation is a response to OPC's additional information request submitted by Maurice Gallarda on behalf of Pluris Wedgefield, Inc.

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Ana VanEsselstine

From: Maurice Gallarda [mgallarda@plurisusa.com]
Sent: Monday, January 14, 2013 11:18 AM
To: Ana VanEsselstine; Bart Fletcher; James McRoy
Cc: 'Martin Friedman (MFriedman@sfflaw.com)'; Dan Winters; Kenneth Pratt
Subject: Additional OPC Questions
Attachments: Additional OPC Questions - Pluris Response 111131013 AM.pdf

Good morning Ms. VanEsselstine, Mr. Fletcher and Mr. McRoy,
Please see the attached PDF which includes the OPC's requests sent late Friday, along with Pluris's responses. As always the question is followed by a response highlighted in blue. I trust that you have received the FedEx from Friday which includes a larger print of the Pluris office layout. Please advise otherwise.

Sincerely,
Maurice Gallarda

Maurice W. Gallarda, PE
Managing Member and Principal Engineer



Pluris Holdings LLC

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1/14/2013

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.

Presented in the following is a table listing common owners in Pluris, SIGI and Primoris

Names	Pluris Membership %	SIGI Membership %	Primoris Ownership % (NASDAQ: PRIM)
Brian Pratt	84.0	55.5	35
Melissa Pratt	5.5	19.2	<1
Ken Pratt	5.5	22.6	<1
Maurice Gallarda	2.5	0	0
Peter Moerbeek	2.3	0	<1
Joe Pastora	0.0	2.7	<1
Tom Tekulve	0.2	0	<1

Brian Pratt – President, CEO, Chairman of the Board of Primoris. Majority owner Pluris and SIGI.

Melissa Pratt – Minority owner SIGI (Managing Member) and Pluris (non-active).

Ken Pratt – Minority owner Pluris (Managing Member) and SIGI (non-active).

Maurice Gallarda – Minority owner Pluris (Managing Member).

Peter Moerbeek - CFO of Primoris. Minority owner Pluris (non-active).

Joe Pastora - Minority owner SIGI (Managing Member).

Tom Tekulve – VP Finance, Primoris. Minority owner Pluris (non-active).

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 3rd 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.

The percentages reflect the approximate time spent during a 40 hour work week in the Wedgefield utility for the officers as employees.

- 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.

Corporate expense including employee compensation is allocated per the PSC rules by calculating the percentage of equivalent dwelling units ("EDUs") in each utility and dividing by the total EDUs of the combined utilities. There was no additional compensation paid to officers in Pluris above the salary compensation as employees. The allocations reasonably reflected the actual hours spent for Mr. Gallarda and Mr. Pratt.

- c. Please provide a list of all other companies and business activities in which each Pluris officer is involved.

Maurice Gallarda – None

Ken Pratt – None

Brian Pratt – Pluris and SIGI

- 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.

In 2011 and 2012 Mr. Gallarda averaged between 60 and 70 hours a week on Pluris. No hours were spent on other business activities.

- 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.

Mr. Pratt held an active real estate license in California before the move to Texas. Mr. Pratt handled the SIGI/Pluris office lease and was required to register with a Texas real estate firm to be legal. There were no commissions paid to Mr. Pratt and Pluris along with rate payers were the benefactors of this. Mr. Pratt did assist his father Brian Pratt in like manner in his father's purchase of a residence in Dallas. Mr. Pratt works at least 40 hours a week on Pluris business. He may provide advice occasionally to his sister's company, SIGI, when requested to do so, for which he is not paid and he does so "on his own time". This is not unlike Commission attorneys who work a 40 hour week but probably are asked legal questions by friends and family.

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.

Mr. Winters was hired on July 2, 2012 and is a full time Pluris employee. Mr. Winters works between 45 and 60 hours per week and all of his time is spent on Pluris. Since Sarasota County requires actual time records for officers instead of utilizing an ERC allocation, Pluris Wedgefield deducted the amounts included in the Southgate rate case before making the allocation of officer salaries on an ERC basis to its other systems.

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.

Pluris pays 100% of the vehicle costs for company vehicles and both Mr. Gallarda and Mr. Pratt are provided company vehicles. Automobile expenses are allocated per the PSC rules by calculating the percentage of equivalent dwelling units ("EDUs") in each utility and dividing by the total EDUs of the combined utilities. The company allows Mr. Gallarda and Mr. Pratt to drive the vehicles to and from work. Both Mr. Gallarda and Mr. Pratt have privately owned vehicles for their personal use. The company vehicles are not used for any other business purpose.

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.

Pluris is allowed to allocate corporate costs as described in 2.b. above. Lease rates are based on estimated annual mileage driven and rates are less on fewer miles driven and higher when annual mileage is estimated to be higher. Pluris attempts to get the lowest rate possible and pays the difference at the end of the lease period, should there be any mileage overage. There is no material difference between paying a higher upfront lease rate with a higher annual mileage allotment vs a lower upfront lease rate with a lower annual mileage allotment that requires a mileage payoff amount at the end of the lease.

6. Travel Expenses. Upon review of the travel expenses incurred which were provided in response to Staff's 3rd 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.

Pluris policy for all employees is travel coach class on airlines. Pluris employees are allowed to upgrade with miles used on Airline programs. The extra in-flight services were solely related to internet access when available in-flight. This service allows an employee to have continuous access to emails and the company server. This in-flight service is a valuable tool particularly with the amount of travel conducted by both Mr. Gallarda and Mr.

Pratt. Pluris policy requires employees to stay at reasonable lodging establishments. Nearly all stays by employees have been at the Marriott hotel chains of Courtyards, Fairfield Inns, and Springhill Suites. This is done as there are benefits of meals included in the rates. Very seldom do employees stay at full service Marriott hotels. Pluris policy also requires employees to rent no more than a mid-size vehicle on trips and this typically includes vehicles such as a Chevrolet Impala, Ford Focus or Nissan Altima. Pluris has provided the PSC staff with travel detail.

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.

Insurance information has been provided to the PSC staff. No Pluris insurance extends to Primoris or SIGI operations or personal liability of the officers of Pluris, Primoris 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.

Pluris has prepared 11" x 17" prints of the diagram and FedEx'd them to the PSC on Friday, 1.11.13.

- b. Please provide a copy of the lease agreement referred to in response to Staff's 3rd Data Request No. 6.k. If the lease is a sublease from PRIM, also please provide a copy of the lease to PRIM.

Pluris already provided a copy of the 71 page lease to the PSC.

- 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.

This information is provided on the diagram and can be clearly seen in the larger version.

- 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.

The only "common officer" to Pluris is Brian Pratt and Mr. Pratt spends approximately 2 to 3 hours per week on Pluris business and does not receive compensation for his service.

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.

100% of the \$58,264 in telephone expenses are solely related to Pluris and are allocated to the utilities on the basis of ERCs, previously discussed. A complete break out of the telephone costs have been provided to the PSC.

10. Income Tax Returns. Upon review of the company's response to Staff's 3rd 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.

Pluris has provided the PSC with a break out of the accounting firm charges for tax preparation. It is common for management employees in companies to have tax preparation provided as a benefit and part of compensation, especially if a change in state residency is made at the request of the company.

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?

At the time of the acquisition Utilities, Inc. ("UI"), exceeded the Florida Department of Environmental Protection ("FDEP") limits on TTHMs and HAA5s. Pluris met with UI as well as the manufacturer of the MIEX system who provided the SCADA tie-in with the existing operation systems of the water treatment plant (pre-MIEX period equipment). There were a number of operational and non-operational issues surrounding not just the SCADA system but system integration; not necessarily the result of anyone's negligence, but that of improving the system.

Pluris addressed the SCADA system in detail in a prior interrogatory. In its November 30, 2012 letter to Mr. James McRoy of the PSC Pluris wrote;

"In accordance with your request, Pluris is providing a brief summary of the reasons for Pluris having to replace the original SCADA system provided by ORICA, the manufacturer of the magnetic ion exchange treatment plant ("MIEX®") the former owner added to the existing water treatment plant.

Pluris acquired the Wedgefield system from Utilities Inc. ("UI") in November, 2009. Over the next 12 months following the acquisition, Pluris identified a number of operational items with the ORICA SCADA system, including but not limited to SCADA software not communicating with many different nodes important in operating valves, motors and procedures for backwashes and resin regeneration cycles.

Pluris placed numerous calls to Orica personnel in an attempt to rectify the issues referenced. ORICA's response varied with each call from software licensing agreements needed to be entered into and paid annually, to not being able to solve the operational items with the current ORICA software.

ORICA personnel resisted any onsite field trips to solve the items and instead initially attempted to effect repairs remotely through internet connection only and this did not solve any of the identified issues. Pluris staff continued to press Orica for answers and corrections only to be delayed by one reason or another. Through continued and blunt discussions, ORICA did arrange to have a repair technician travel to the facility in an attempt to solve the issues outlined by Pluris staff. The ORICA technician spent twelve hours at the facility only to inform Pluris that he was unable to correct the issues and that Pluris would need to have another repair company come in to investigate the issues.

Pluris immediately contacted E&R Mechanical ("E&R"), an electrical contractor well respected and experienced in SCADA systems to perform onsite diagnostics to identify the issues and recommend solutions. E&R's technician identified the issues within ½ hour of being on site. In order to integrate SCADA seamlessly across the MEX component and the total water plant, the company's recommendation was to have ORICA amend its software or to install new software.

Based on ORICA's resistance to work with Pluris on solutions and the concern that ORICA could not solve the issues with the current software and would have to amend its own software, Pluris discussed potential SCADA solutions further with E&R.

Pluris knew it had to make a decision and key items influencing this decision included the following;

- 1. An amending of the existing SCADA system and/or installation of a new SCADA system was necessary to address operational items that may not have been known during the original design in 2006.*
- 2. Pluris had substantial concern that ORICA would use the issues to increase costs for amending software to address the new issues. This would not be fair to rate payers if another company would be more cooperative and competitive in a new SCADA system.*
- 3. E&R guaranteed that a new SCADA system would allow Pluris staff to make adjustments to operational procedures to enhance the performance of the MEX treatment system.*
- 4. E&R guaranteed that the SCADA system would provide seamless integration across the entire water treatment plant.*
- 5. E&R committed to providing ongoing service calls to cover their system in a timely manner following any requests for service from Pluris. ORICA would take several days to a week to respond.*

Based on the aforementioned, Pluris made the decision to install the E&R SCADA system in lieu of amending the ORICA system to insure complete integration."

Pluris believed it acted in the best interest of customers with the new SCADA system.

- 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.

There are no such relationships or affiliations. E&R was one of two companies that provided proposals for "non-proprietary" software. E&R was selected on the basis of technical support and cost.

- 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.

This information has already been provided to the PSC.

- 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.

This information has already been provided to the PSC.

- 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.

See 11.a. above.

- 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.

The primary reason for installing new software was due to the expense of ORICA insisting on annual software licensing and maintenance agreements before providing service. The cost of annual renewal and the maintenance agreements were determined to be more expensive than the onetime upfront cost for the "non-proprietary" software offered by E&R Electrical and their cooperation with Wedgefield staff to resolve any issues. The rate payers benefit from the "non-proprietary" software in both cost and technical service support.