

State of Florida



Public Service Commission

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DATE: November 19, 2012
TO: Office of Commission Clerk
FROM: Patti Daniel, Chief of Auditing, Office of Auditing and Performance Analysis
RE: Docket No.: 120152-WS
Company Name: Pluris Wedgefield, Inc.
Company Code: WS929
Audit Purpose: A1f File and Suspend Rate Case
Audit Control No: 12-212-2-1

Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of this memo and the audit report. If the Utility desires to file a response to the audit report, it should send a response to the Office of Commission Clerk. There were no confidential work papers associated with this audit.

PD/th

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

DOCUMENT NUMBER-DATE
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State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tampa District Office

Auditor's Report

Pluris Wedgefield, Inc.
PAA Rate Case Audit

Twelve Months Ended December 31, 2011

Docket No. 120152-WS
Audit Control No. No. 12-212-2-1
November 15, 2012

Handwritten signature of Tomer Kopelovich in blue ink.

Tomer Kopelovich
Audit Manager

Handwritten signature of Simon O. Ojada in blue ink.

Simon O. Ojada
Audit Staff

Handwritten signature of Kathy Welch in blue ink.

Kathy Welch
Audit Staff

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Linda Hill-Slaughter
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting and Finance in its audit service request dated July 27, 2012. We have applied these procedures to the attached schedules prepared by Pluris Wedgefield, Inc. in support of its filing for rate relief in Docket No. 120152-WS.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definition

Utility refers to Pluris Wedgefield, Inc.

Utility Information

Pluris Wedgefield, Inc. is a Class A Utility located in Orange County. The Utility provides water and wastewater services to approximately 1,598 and 1,567 customers, respectively. The water and wastewater systems were transferred from Wedgefield Utilities, Inc. to Pluris Wedgefield, Inc. in Order No. PSC-09-0610-FOF-WS, issued on September 8, 2009, in Docket No. 090232-WS; however, rate base was not set in that Order.

The Utility completed Minimum Filing Requirements (MFRs) for this proceeding in Docket No. 120152-WS for the twelve months ended December 31, 2011. Rate Base for water was last established as of June 30, 2007, in Order No. PSC-08-0827-PAA-WS, issued December 22, 2008, in Docket No. 070694-WS. Before rates were established in Docket 070694-WS, rates were established in Docket No. 991437-WU. Order No. PSC-00-1528-PAA-WU was issued August 23, 2000 in Docket No. 991437-WU. This order provided a schedule of rate base but the order was protested and the final order in that docket, Order No. PSC-02-0391-AS-WU, was a settlement and no rate base was established at that time. Rate Base for wastewater was last established as of December 31, 1995, in Order No. PSC-96-1241-FOF-WS, issued October 7, 1996, in Docket No. 960235-WS.

Rate Base

Utility Plant in Service

Objectives: The objectives were to verify that Utility Plant in Service (UPIS): 1) Consists of property that exists and is owned by the Utility, 2) Additions are authentic, recorded at original cost, and properly classified as a capital item in compliance with Commission rules and the National Association of Regulatory Commissioners' (NARUC) Uniform System of Accounts (USOA), 3) Retirements are made when a replacement item is put in service, and 4) Adjustments required in the Utility's last rate case proceeding were recorded in its books and records.

Procedures: We toured the Utility's plant site to determine the presence and condition of plant assets. We reconciled UPIS balances that were established in the applicable Orders as of June 30, 2007, and December 31, 1995, for water and wastewater, respectively, to the Utility's general ledger. We reviewed adjustments ordered by the Commission to adjustments actually booked by the Utility. We compiled a schedule of wastewater plant additions from January 1, 1996, through December 31, 2011, and a schedule of water plant additions from June 30, 2007, through December 31, 2011, using the general ledger and the Utility's annual reports. We judgmentally selected plant additions by account number and year for testing. We determined whether

retirements made were for the replacement or removal of capital items. We determined whether prior allocations from Utilities, Inc. to Wedgefield Utilities, Inc. for water and wastewater plant had been removed from plant balances. Our recommended adjustments to UPIS are discussed in Findings 1 and 2.

Land & Land Rights

Objectives: The objectives were to determine whether utility land is either recorded at original cost or is secured under a long-term lease, and if the adjustments required in the Utility's last rate case proceeding were recorded in its books and records.

Procedures: We reconciled Land and Land Rights balances that were established in the applicable Orders as of June 30, 2007, and December 31, 1995, for water and wastewater, respectively, to the Utility's general ledger. No additions or deletions to the land account were noted. Our discussion of Land and Land Rights is discussed in Finding 3

Accumulated Depreciation

Objectives: The objectives were to verify that: 1) Accumulated Depreciation accruals are properly calculated and recorded based on Commission rules and the NARUC USOA, 2) Retirements are properly recorded, and 3) Adjustments required in the Utility's last rate proceedings were recorded in its books and records.

Procedures: We reconciled the Accumulated Depreciation balances that were established in the applicable Orders as of June 30, 2007, and December 31, 1995, for water and wastewater, respectively, to the Utility's general ledger. We reviewed and sampled additions to Accumulated Depreciation for water July 1, 2007, through December 31, 2011, and for wastewater January 1, 1996, through December 31, 2011. We verified that retirements to Accumulated Depreciation were made when a capital item was removed or replaced. Our recommended adjustments to Accumulated Depreciation are discussed in Findings 1 and 2.

Contributions-in-Aid-of-Construction

Objectives: The objectives were to verify that Contributions-in-Aid-of-Construction (CIAC) are in compliance with the Utility's Commission approved service availability tariff and that the adjustments required in the Utility's last rate case proceeding were recorded in its books and records.

Procedures: We reconciled the CIAC balances that were established in the applicable Orders as of June 30, 2007, and December 31, 1995, for water and wastewater, respectively, to the Utility's general ledger. We reviewed additions to CIAC by reconciling the Utility's Tap Fees master file to the general ledger. No exceptions were noted.

Accumulated Amortization of CIAC

Objectives: The objectives were to verify that Accumulated Amortization of CIAC accruals are properly calculated and recorded in compliance with Commission rules and the NARUC USOA and if the adjustments required in the Utility's last rate proceedings were recorded in its books and records.

Procedures: We reconciled the Accumulated Amortization of CIAC balances that were established in the applicable Orders as of June 30, 2007, and December 31, 1995, for water and wastewater, respectively. We reviewed and sampled additions to Accumulated Amortization of CIAC for the period July 1, 2007, through December 31, 2011, for water and January 1, 1996, through December 31, 2011, for wastewater. No exceptions were noted.

Working Capital

Objective: The objective was to determine the Utility's working capital balance per Commission rule.

Procedures: We calculated the Utility's working capital allowance for the test year ended December 31, 2011, using one-eighth of Operation and Maintenance (O&M) Expense as required by Commission Rule 25-30.433(2), Florida Administrative Code (F.A.C.). No exceptions were noted.

Capital Structure

Objectives: The objectives were to determine the: 1) Components of the Utility's capital structure, 2) Cost rates used to arrive at the overall weighted cost of capital, and 3) Components of capital structure are properly recorded in compliance with Commission requirements.

Procedures: We verified that customer deposits are recorded in the Utility's General Ledger. We verified that the capital structure of the Utility reconciles to the water and wastewater rate bases. We requested and received copies of the Utility's long-term debt instruments. We verified that outstanding long-term debt instruments were in agreement with amounts recorded in the filing and that the filing balances agreed to the amount recorded in the Utility's trial balance. We recalculated the equity rate in accordance with the last Order No. PSC-12-0339-PAA-WS in which the Commission establish the leverage graph. No exceptions were noted.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether the Utility's test year Revenues are recorded in compliance with Commission rules and are calculated using Commission approved tariff rates.

Procedures: We compiled the Utility's Revenues for the twelve months ended December 31, 2011, by obtaining the monthly customer billing register. We recalculated and tested the Utility's Revenues using the billing register and Commission approved tariff rates. No exceptions were noted.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether O&M Expense is properly recorded in compliance with the NARUC USOA and Commission rules and verify that O&M Expense is representative of ongoing utility operations.

Procedures: We verified O&M Expense for the twelve months ended December 31, 2011, by tracing a sample of invoices to the original source documentation. We reviewed invoices and contracts for proper amount, period, classification, NARUC account, and recurring nature. Our recommended adjustments to O&M Expense are discussed in Findings 4 and 5.

Depreciation Expense

Objective: The objective was to determine whether Depreciation Expense is properly recorded in compliance with Commission rules.

Procedures: We verified the calculation of Depreciation Expense for the twelve months ended December 31, 2011, by recalculating a sample of expenses using the rates established by Commission Rule 25-30.140, F.A.C. Our recommended adjustments to Depreciation Expense are discussed in Findings 1 and 2.

CIAC Amortization Expense

Objective: The objective was to determine whether CIAC Amortization Expense is properly recorded in compliance with Commission rules.

Procedures: We verified the calculation of CIAC Amortization Expense for the twelve months ended December 31, 2011, by recalculating a sample of expenses using the rates established by Commission Rule 25-30.140, F.A.C. No exceptions were noted.

Taxes Other than Income

Objectives: The objectives were to determine whether Taxes Other Than Income (TOTI) Expense is properly recorded in compliance with Commission rules and that TOTI Expense is representative of ongoing utility operations.

Procedures: We verified the Utility's TOTI Expense for the twelve months ended December 31, 2011, by tracing the taxes to original source documentation. We reviewed the accuracy of the 2011 Regulatory Assessment Fee Returns. We reviewed the adjustments to the test year. Our recommended adjustment to TOTI is discussed in Finding 6.

Analytical Procedures

Objectives: The objectives were to perform an analytical review of expenses to identify unusual trends or amounts.

Procedures: We compared 2011 to 2010 expenses. Further follow-up was not required.

Audit Findings

Finding 1: Utility Plant In Service – Prior Order

Audit Analysis: Rate base was last set for the water system as of June 30, 2007 in Order No. PSC-08-0827-PAA-WS, issued December 22, 2008, in Docket No. 070694-WS. In that order, water plant was reduced by \$128,021 because the Utility could not provide supporting documentation for certain plant additions and prior period journal entries. A portion of the \$128,021 reduction to plant was to correct credit adjustments made by the Utility in error in 2002 to three water plant accounts in an attempt to respond to Order No. PSC-00-1528-PAA-WU. The credit entries in the 2002 ledger were to Accounts 307 – Wells and Springs (\$22,327), 343 – Tools, Shop, and Garage Equipment (\$34,636), and 311 – Pumping Equipment which had a credit of (\$109,435) and a debit of \$97,705 for a net credit of (\$11,730). It should be noted that Order No. PSC-00-1528-PAA-WU was protested and the final order in that docket, Order No. PSC-02-0391-AS-WU, was a settlement. The settlement order did not formally set rate base.

During this 2012 audit, after reviewing the Utility response to the 2008 audit and the Utility's general ledgers from 1999 through 2011, we determined that a portion of the \$128,021 reduction to water plant was based on costs associated with wastewater plant additions made prior to 2008, and therefore, should not have been included in the adjustment to water plant. The Utility subsequently made adjusting entries to the water plant accounts in April 2009 for the invoices that related to water. However, the Utility made errors in posting the adjustments. Since the Utility needed to remove the credits booked in error for Order No. PSC-00-1528-PAA-WU, debit entries should have been posted in 2009 when booking the \$128,021 adjustment. However, in 2009, the Utility booked these amounts as credits. In addition, in booking the adjustments resulting from the 2008 order, the Utility booked a credit for the 2007 missing wastewater items instead of the water item. No adjustments were made to the wastewater plant. During this audit, the Utility also found \$19,398.20 of the 2001 missing invoices to Account 380 and \$2,106.22 of the 2006 missing invoices to Account 380. The depreciation on these two items was calculated in Table 1-1. In Table 1-3 and 1-4 of this finding those items were removed from the adjustments made in this audit.

Table 1-1 shows the detailed plant account adjustments reflected in the \$128,021 adjustment in Docket No. 070694-WS. Order No. PSC-08-0827-PAA-WS also adjusted accumulated depreciation by \$33,327 for the depreciation related to the \$128,021 adjustment. However, the accumulated depreciation adjustment was based on water depreciation rates. Because a portion of the plant adjustment was related to wastewater plant, the \$33,327 accumulated depreciation adjustment was also incorrect. Table 1-1 also shows the adjustments related to accumulated depreciation and depreciation expense if the entries had been made retroactive to the date of the invoice through December 31, 2011. Depreciable lives used are from Rule 25-30.140, F.A.C. A half year convention was used.

Table 1-1

NARUC Acct.	Detailed Adjustment Per Docket No.	Date Entry Should Have Been Recorded	Depreciable Lives	Months From Entry to 12/31/11	Corrected Accumulated Depreciation as of 12/31/11	Corrected Depreciation Expense 2011
No.	NARUC Account 070694-WS					
304	Structures and Improvements	\$ (2,800)	2003	32	102 \$ 744	\$ (88)
304	Structures and Improvements	\$ (1,188)	2006	32	66 \$ 204	\$ (37)
304	Structures and Improvements	\$ (17,254)	2000	32	138 \$ 6,201	\$ (539)
307	Wells and Springs	\$ 22,327	2002	30	114 \$ (7,070)	\$ 744
311	Pumping Equipment	\$ 11,730	2002	20	114 \$ (5,572)	\$ 587
320	Water Treatment Equipment	\$ (22,245)	2004	22	90 \$ 7,584	\$ (1,011)
330	Distribution Reservoirs and Standpipes	\$ (12,739)	1999	37	150 \$ 4,304	\$ (344)
343	Tools, Shop, and Garage Equipment	\$ 34,636	2002	16	114 \$ (20,565)	\$ 2,165
	Total Water	\$ 12,467			\$ (14,171)	\$ 1,476
354	Structures and Improvements	\$ (26,577)	2005	32	78 \$ 5,398	\$ (831)
361	Gravity Mains	\$ (29,639)	2001	45	126 \$ 6,916	\$ (659)
380	Treatment and Disposal Equipment	\$ (2,082)	1999	18	150 \$ 1,446	\$ (116)
380	Treatment and Disposal Equipment	\$ (57,630)	2000	18	138 \$ 36,819	\$ (3,202)
380	Treatment and Disposal Equipment	\$ (19,698)	2001	18	126 \$ 11,491	\$ (1,094)
380	Treatment and Disposal Equipment	\$ (4,862)	2006	18	66 \$ 1,486	\$ (270)
	Total Wastewater	\$ (140,489)			\$ 63,556	\$ (6,171)
	Total Water and Wastewater	\$ (128,021)			\$ 49,384	\$ (4,695)
Invoices found during this audit:						
380	Treatment and Disposal Equipment	\$ 19,398	2001	18	126 \$ (11,316)	\$ 1,078
380	Treatment and Disposal Equipment	\$ 2,106	2006	18	66 \$ (644)	\$ 117
		\$ 21,504			\$ (11,959)	\$ 1,195

Table 1-2 shows the adjusting entries the Utility made to the water plant accounts in April 2009 for the invoices that related to water plant, as well as the accumulated depreciation and depreciation expense on these adjustments from the time the entry was booked until the end of the test year.

Table 1-2

NARUC Acct.	Detailed Adjustment Per Utility	Entry Recorded	Depreciable Lives	Accumulated Depreciation Entry Recorded 2009	Depreciation on Entry 2009-2011	Accumulated Depreciation Recorded Through 12/31/11	Depreciation Expense Recorded 2011
No.							
304	\$ (2,800)	2009	32	\$ 554	\$ 219	\$ 773	\$ (88)
304	\$ (4,196)	2009	32		\$ 328	\$ 328	\$ (131)
304	\$ (17,254)	2009	32	\$ 5,273	\$ 1,348	\$ 6,621	\$ (539)
307	\$ 22,327	2009	30	\$ (5,458)	\$ (1,861)	\$ (7,319)	\$ 744
311	\$ (11,730)	2009	20		\$ 1,466	\$ 1,466	\$ (587)
320	\$ (22,245)	2009	22	\$ 5,393	\$ 2,528	\$ 7,921	\$ (1,011)
330	\$ (12,739)	2009	37	\$ 3,558	\$ 861	\$ 4,419	\$ (344)
343	\$ (34,636)	2009	16	\$ 15,875	\$ 5,412	\$ 21,287	\$ (2,165)
	\$ (83,273)			\$ 25,195	\$ 10,301	\$ 35,496	\$ (4,120)

Table 1-3 shows the adjustment needed to correct the amounts the Utility recorded and to properly record the \$128,021 adjustment to water and wastewater plant.

Table 1-3

NARUC Acct. No.	NARUC Account	Adjustment Per Docket No. 070694-WS	Adjustment to Plant Recorded	Adjustment to Correct Balances
304	Structures and Improvements	\$ (2,800)	\$ (2,800)	\$ -
304	Structures and Improvements	\$ (1,188)	\$ (4,196)	\$ 3,008
304	Structures and Improvements	\$ (17,254)	\$ (17,254)	\$ -
307	Wells and Springs	\$ 22,327	\$ 22,327	\$ -
311	Pumping Equipment	\$ 11,730	\$ (11,730)	\$ 23,460
320	Water Treatment Equipment	\$ (22,245)	\$ (22,245)	\$ -
330	Distribution Reservoirs and Standpipes	\$ (12,739)	\$ (12,739)	\$ -
343	Tools, Shop, and Garage Equipment	\$ 34,636	\$ (34,636)	\$ 69,272
	Total Water	\$ 12,467	\$ (83,273)	\$ 95,740
354	Structures and Improvements	\$ (26,577)		\$ (26,577)
361	Gravity Mains	\$ (29,639)		\$ (29,639)
380	Treatment and Disposal Equipment	\$ (2,082)		\$ (2,082)
380	Treatment and Disposal Equipment	\$ (57,630)		\$ (57,630)
380	Treatment and Disposal Equipment	\$ 300		\$ 300
380	Treatment and Disposal Equipment	\$ (2,756)		\$ (2,756)
	Total Wastewater	\$ (118,384)	\$ -	\$ (118,384)
	Total Water and Wastewater	\$ (105,917)	\$ (83,273)	\$ (22,644)

Table 1-4 shows the adjustment needed to remove the booked entries to accumulated depreciation and depreciation expense and to record the correct Accumulated Depreciation and Depreciation Expense related to the plant balances in Table 1-3.

Table 1-4

NARUC Acct. No.	NARUC Account	Adjusted Accumulated Depreciation Per Audit Staff	Accumulated Depreciation Recorded	Adjustment to Correct Balances	Adjusted Depreciation Expense Per Audit Staff	Depreciation Expense Recorded	Adjustment to Correct Balances
304	Structures and Improvements	\$ 744	\$ 773	\$ (29)	\$ (88)	\$ (88)	\$ -
304	Structures and Improvements	\$ 204	\$ 328	\$ (124)	\$ (37)	\$ (131)	\$ 94
304	Structures and Improvements	\$ 6,201	\$ 6,621	\$ (420)	\$ (539)	\$ (539)	\$ -
307	Wells and Springs	\$ (7,070)	\$ (7,319)	\$ 248	\$ 744	\$ 744	\$ -
311	Pumping Equipment	\$ (5,572)	\$ 1,466	\$ (7,038)	\$ 587	\$ (587)	\$ 1,173
320	Water Treatment Equipment	\$ 7,584	\$ 7,921	\$ (337)	\$ (1,011)	\$ (1,011)	\$ -
330	Distribution Reservoirs and Standpipes	\$ 4,304	\$ 4,419	\$ (115)	\$ (344)	\$ (344)	\$ -
343	Tools, Shop, and Garage Equipment	\$ (20,565)	\$ 21,287	\$ (41,852)	\$ 2,165	\$ (2,165)	\$ 4,330
	Total Water	\$ (14,171)	\$ 35,496	\$ (49,667)	\$ 1,476	\$ (4,120)	\$ 5,597
354	Structures and Improvements	\$ 5,398		\$ 5,398	\$ (831)		\$ (831)
361	Gravity Mains	\$ 6,916		\$ 6,916	\$ (659)		\$ (659)
380	Treatment and Disposal Equipment	\$ 1,446		\$ 1,446	\$ (116)		\$ (116)
380	Treatment and Disposal Equipment	\$ 36,819		\$ 36,819	\$ (3,202)		\$ (3,202)
380	Treatment and Disposal Equipment	\$ 175		\$ 175	\$ (16)		\$ (16)
380	Treatment and Disposal Equipment	\$ 842		\$ 842	\$ (153)		\$ (153)
	Total Wastewater	\$ 51,596	\$ -	\$ 51,596	\$ (4,976)	\$ -	\$ (4,976)
	Total Water and Wastewater	\$ 37,424	\$ 35,496	\$ 1,929	\$ (3,500)	\$ (4,120)	\$ 621

No Averaging Adjustment is needed for Plant since no additions for 2011 were corrected.

Beginning and Ending Average Adjustment for Accumulated Depreciation

Water	Ending	\$ (49,667)	Wastewater	Ending	\$ 51,596
		\$ (5,597)			\$ 4,976
	Beginning	\$ (44,070)		Beginning	\$ 46,620
	Average	\$ (46,869)		Average	\$ 49,108

Effect on the General Ledger: The following entry is needed to correct the ledger as of December 31, 2011.

NARUC			
<u>Account No.</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
304	Structures and Improvements Water	\$ 3,008	
311	Wells and Springs	\$ 23,460	
343	Tools, Shop and Garage Equipment Water	\$ 69,272	
354	Structures and Improvements Wastewater		\$ 26,577
361	Gravity Mains		\$ 29,639
380	Wastewater Treatment and Disposal Equipment		\$ 62,768
108	Acc. Dep. Water Structures and Improvements		\$ 573
108	Acc. Dep. Wells and Springs	\$ 248	
108	Acc. Dep. Pumping Equipment		\$ 7,038
108	Acc. Dep. Water Treatment Equipment		\$ 337
108	Acc. Dep. Distribution Reservoirs		\$ 115
108	Acc. Dep. Tools Water		\$ 41,852
108	Acc. Dep. Wastewater Structures & Improvement	\$ 5,398	
108	Acc. Dep. Gravity Mains	\$ 6,916	
108	Acc. Dep. Wastewater Treatment and Disp. Eq.	\$ 39,282	
403	Dep. Exp. Water Structures	\$ 94	
403	Dep. Exp. Pumping Equipment	\$ 1,173	
403	Dep. Exp. Tools Water	\$ 4,330	
403	Dep. Exp. Wastewater Structures		\$ 831
403	Dep. Exp. Gravity Mains		\$ 659
403	Dep. Exp. WW Treatment		\$ 3,487
215	Retained Earnings	\$ 20,695	

Effect on the Rate Case: Increase average water plant by \$95,740. Decrease average wastewater plant by \$118,384. Increase average water accumulated depreciation (credit) by \$51,596 and decrease average wastewater accumulated depreciation (debit) by \$51,596. Increase water depreciation expense (debit) by \$5,597 and decrease wastewater depreciation expense by \$4,976 (credit).

Finding 2: Utility Plant In Service - Wastewater

Audit Analysis: We scheduled plant additions from January 1, 1996 through December 31, 2011, using the General Ledger and the Annual Reports. We judgmentally selected plant additions by account number and year for testing. The Utility was unable to provide support for plant additions totaling \$161,862. Detail by year and invoice are itemized as follows:

NARUC			
Account	Account Title	Description	Debit
<u>2003 CP ledger</u>			
	069*0649*1160202*20112	--LABOR/INSTALLATION/S	
354		03735*15292*REYNTECH	\$ 11,250
354		07820*15292*REYNTECH	\$ 8,200
354		23577*15292*REYNTECH	\$ 4,750
354		R/C R7715 V15292	\$ 4,150
<u>2006 CP ledger</u>			
	069*0649*1160203*20125	--TESTS/SOIL BORE--	
354		18645*16179*WHITAKER	\$ 3,880
354		26996*16179*WHITAKER	\$ 1,000
354		26996*16179*WHITAKER	\$ 1,300
<u>2007</u>			
354	STRUCT/IMPRV GEN PLT	001*AP.INVD*10*55	\$ 26,577
380	TREAT/DISP EQUIP TRT PLT	001*AP.INVD*01*47	\$ 3,492
<u>2009</u>			
354		Structures and Improvement	\$ 97,263
			<u>\$ 161,862</u>

The associated calculation of Accumulated Depreciation and Depreciation Expense follows:

NARUC		Depreciable Lives	2003 -							Avg. Balance
Account No.	Amount		2007	2008	2009	2010	Total 2010	2011	Total 2011	
354	\$ 28,350	32	\$ 4,435	\$ 887	\$ 887	\$ 887	\$ 7,096	\$ 887	\$ 7,983	\$ 7,540
354	6,180	32	486	193	193	193	1,065	193	1,258	1,162
354	26,577	32	832	832	832	832	3,328	832	4,160	3,744
354	97,263	32			3,044	3,044	6,088	3,044	9,132	7,610
Sub Total	158,370						17,577	4,956	22,533	20,055
380	3,492	18	194	194	194	194	776	194	970	873
Total	\$ 161,862		\$ 5,947	\$ 2,106	\$ 5,150	\$ 5,150	\$ 18,353	\$ 5,150	\$ 23,503	\$ 20,928

Effect on the General Ledger: The following entry is needed to correct the ledger as of December 31, 2011.

NARUC			
Account No.	Account Description	Debit	Credit
215	Retained Earnings	\$ 161,862	
354	Structures and Improvements		\$ 158,370
380	Treatment and Disposal Equipment		\$ 3,492
354	Accumulated Depreciation	\$ 22,533	
380	Accumulated Depreciation	\$ 970	
403	Depreciation Expense		\$ 5,150
215	Retained Earnings		\$ 18,353

Effect on the Filing: Reduce wastewater plant by \$161,862. Reduced average wastewater accumulated depreciation by \$20,928. Reduce depreciation expense by \$5,150.

Finding 3: Land

Audit Analysis: The Utility's MFRs reflected land balances of \$5,407 and \$96,500 for water and wastewater, respectively. Order No. PSC-08-827-PAA-WS established an average land balance for water of \$754 and an actual book balance of \$1,443. Order No. PSC-98-1092-FOF-WS established wastewater land balance of \$96,500. No new land additions were made.

In the Utilities, Inc. 2007 MFRs rate case filing in Docket No. 070694-WS, there was a utility adjustment of \$3,964 to reclassify land from water to wastewater. According to the Utility, the \$3,964 was not booked before the acquisition of Wedgefield Utilities, Inc. However, the wastewater land was established in Docket No. 960235-WS using actual acreage and the cost based on the documentary stamps of the deed. Therefore, the land should not be transferred to wastewater.

Effect on the General Ledger: The following entry is needed to correct the ledger as of December 31, 2011.

NARUC			
Account No.		<u>Debit</u>	<u>Credit</u>
215	Retained Earnings	\$ 3,964	
303	Water Land		\$ 3,964

Effect on the Filing: Reduce average water land by \$3,964.

Finding 4: Operation and Maintenance Expense

Audit Analysis: There is a contract for services for O&M Expense between the Utility and Utility Partners, LLC. Utility Partners is a non-related, private company that the Utility uses to manage and operate its facility. In reconciling invoices to the general ledger and to the contract schedule which outlines payment terms, it was noted that invoices paid totaled \$37,642 greater than the contract permitted. The Utility's representative stated in writing that a verbal modification was done to the contract and a revised contract had not yet been issued. The Utility split this difference between water (\$19,034) and wastewater (\$18,608) based on the percentage of each to total O&M Expense.

Effect on the General Ledger: None.

Effect on the Filing: We defer this issue to the analyst.

Finding 5: Rate Case Expense

Audit Analysis: The Utility requested, in its MFR Filing, a Rate Case Expense of \$107,600. We requested supporting documentation and received a list for each firm providing services for the Utility, the individuals for each firm assisting in the application, an estimate of the total charges to be incurred by each firm and a description of the type of services provided. In addition, we reviewed the amortization and allocation methodology used to support the charges. We verified actual invoices Rate Case Expense of \$106,137 as of September 30, 2012, which is less than the rate case expense requested in the MFR.

We traced the names of officers included in the Utility's rate case expense on Schedule B-10 of the MFRs to Schedule E-8 (Affiliation of Officers And Directors) of the annual report of Pluris Wedgefield, Inc. One of the officers is the majority owner in Stockdale Investment Group, Inc. and Pluris Holdings, LLC, in addition to being CEO and Chairman of the Board for Primoris Services Corporation. In addition, Pluris Holdings, LLC, Primoris Services Corporation and Stockdale Investment Group, Inc. have the same business address. Rate case expense included \$40,000 associated with several officers of the affiliated companies, including \$25,000 for Lu Ann Danley and \$15,000 for Cody Gallarda.

Effect on the General Ledger: None.

Effect on the Filing: We defer this issue to the analyst.

Finding 6: Taxes Other Than Income

Audit Analysis: The Utility did not take advantage of the early payment discount offered on its 2011 real estate taxes. As a result, the Utility paid \$108,593 in real estate taxes instead of \$104,249, a difference of \$4,344. The Utility allocated the \$108,593 in real estate taxes based on the percentage of water and wastewater plant to total plant. The difference of \$4,344 should be allocated based on the same percentage resulting in a decrease of \$2,085 for water and a decrease of \$2,259 for wastewater.

Effect on the General Ledger: Since this adjustment does not affect future periods, no entry is necessary.

Effect on the Filing: Reduce TOTI in Net Operating Income for water by \$2,085 and by \$2,259 for wastewater.

Exhibits

Exhibit 1: Rate Base Water

Schedule of Water Rate Base				Florida Public Service Commission	
Company: Pluris Wedgefield, Inc. Docket No.: 120152-WS Schedule Year Ended: December 31, 2011 Interim [] Final [X] Historic [X] Projected []				Schedule: A-1 Page 1 of 1 Preparer: Lu Ann Danley	
Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use. If method other than formula approach (1/8 O&M) is used to determine wor					
Line No.	(1) Description	(2) Balance Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service	\$ 7,386,858	\$ 44,665 (A)	\$ 7,431,523	A-5
2	Utility Land & Land Rights	5,407		5,407	A-5
3	Less: Non-Used & Useful Plant	-	(93,228) (B)	(93,228)	A-7
4	Construction Work in Progress	-		-	-
5	Less: Accumulated Depreciation	(2,250,019)	(1,608) (C)	(2,251,627)	A-9
6	Less: CIAC	(1,411,363)		(1,411,363)	A-12
7	Accumulated Amortization of CIAC	579,912	-	579,912	A-14
8	Acquisition Adjustments				-
9	Accum. Amort. of Acq. Adjustments				-
10	Advances For Construction				A-16
11	Deferred Taxes - Net		-	-	
12	Working Capital Allowance	72,894	4,152 (D)	77,046	A-17
13	Total Rate Base	<u>\$ 4,383,689</u>	<u>\$ (46,019)</u>	<u>\$ 4,337,670</u>	

Exhibit 2: Rate Base Wastewater

Schedule of Wastewater Rate Base				Florida Public Service Commission	
Company: Pluris Wedgefield, Inc.			Schedule: A-2		
Docket No.: 120152-WS			Page 1 of 1		
Schedule Year Ended: December 31, 2011			Preparer: Lu Ann Danley		
Interim [] Final [X]					
Historic [X] Projected []					
<p>Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use. If method other than formula approach (1/8 O&M) is used to determine wor</p>					
Line No.	(1) Description	(2) Balance Per Books	(3) A-3 Utility Adjustments	(4) Adjusted Utility Balance	(5) Supporting Schedule(s)
1	Utility Plant in Service	\$ 7,843,120	\$ 11,082 (A)	\$ 7,854,202	A-6
2	Utility Land & Land Rights	96,500		96,500	A-6
3	Less: Non-Used & Useful Plant	-	(264,027) (B)	(264,027)	A-7
4	Construction Work in Progress	-			-
5	Less: Accumulated Depreciation	(4,401,149)	(616) (C)	(4,401,765)	A-10
6	Less: CIAC	(3,997,722)		(3,997,722)	A-12
7	Accumulated Amortization of CIAC	1,723,879	-	1,723,879	A-14
8	Acquisition Adjustments				-
9	Accum. Amort. of Acq. Adjustments				-
10	Advances For Construction				A-16
11	Deferred Taxes - Net		-	-	
12	Working Capital Allowance	74,369	3,820 (D)	78,189	A-17
13	Total Rate Base	<u>\$ 1,338,997</u>	<u>\$ (249,741)</u>	<u>\$ 1,089,256</u>	

Exhibit 3: Capital Structure

Schedule of Requested Cost of Capital (Final Rates) Beginning and End of Year Average		Florida Public Service Commission			
Company: Pluris Wedgefield, Inc.		Schedule: D-1			
Docket No.: 120152-WS		Page 1 of 1			
Schedule Year Ended: December 31, 2011		Preparer: Lu Ann Danley			
Interim [] Final [X]		Subsidiary [X] or Consolidated []			
Historic [X] Projected []					
Explanation: Provide a schedule which calculates the requested Cost of Capital on a beginning and end of year average basis. If a year-end basis is used, submit an additional schedule reflecting year-end					
Line No.		(1) Total Capital	(2) Ratio	(3) Cost Rate	(4) Weighted Cost
1	Long-Term Debt	4,217,212	62.06 %	6.51 %	4.04 %
2	Short-Term Debt				
3	Preferred Stock				
4	Customer Deposits	19,771	0.29	6.00	0.02
5	Common Equity	2,558,471	37.65	11.16	4.20
6	Tax Credits - Zero Cost				
7	Accumulated Deferred Income Tax		-		
8	Other (Explain)				
9	Total	<u>6,795,454</u>	<u>100.00 %</u>		<u>8.26 %</u>

Exhibit 4: Net Operating Income Water

Schedule of Water Net Operating Income				Florida Public Service Commission			
Company: Pluris Wedgefield, Inc.				Schedule: B-1			
Docket No.: 120152-WS				Page 1 of 1			
Schedule Year Ended: December 31, 2011				Preparer: Lu Ann Danley			
Interim <input type="checkbox"/> Final <input checked="" type="checkbox"/>							
Historic <input checked="" type="checkbox"/> Projected <input type="checkbox"/>							
<p>Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.</p>							
Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedule(s)
1	OPERATING REVENUES	\$ 985,447		\$ 985,447	\$ 410,144 (D)	\$ 1,395,591	B-4
2	Operation & Maintenance	583,154	33,209 (A)	616,363		616,363	B-5, B-3
3	Depreciation, net of CIAC Amort.	194,207	(2,817) (B)	191,390		191,390	B-13, B-3
4	Amortization					-	B-3
5	Taxes Other Than Income	46,499	53,100 (C)	99,599	16,303 (E)	115,902	B-15, B-3
6	Provision for Income Taxes	3,734	-	3,734	109,910 (F)	113,644	B-3
7	OPERATING EXPENSES	827,594	83,492	911,086	126,213	1,037,299	
8	NET OPERATING INCOME	\$ 157,853	\$ (83,492)	\$ 74,361	\$ 283,931	\$ 358,292	
9	RATE BASE	\$ 4,383,689		\$ 4,337,670		\$ 4,337,670	
10	RATE OF RETURN	3.60 %		1.71 %		8.26 %	

Exhibit 5: Net Operating Income Wastewater

Schedule of Wastewater Net Operating Income				Florida Public Service Commission			
Company: Pluris Wedgefield, Inc.				Schedule: B-2			
Docket No.: 120152-WS				Page 1 of 1			
Schedule Year Ended: December 31, 2011				Preparer: Lu Ann Danley			
Interim <input type="checkbox"/> Final <input checked="" type="checkbox"/>							
Historic <input checked="" type="checkbox"/> Projected <input type="checkbox"/>							
Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.							
Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedule(s)
1	OPERATING REVENUES	\$ 731,559		\$ 731,559	\$ 203,459 (D)	\$ 935,018	B-4
2	Operation & Maintenance	594,951	30,556 (A)	625,507		625,507	B-6, B-3
3	Depreciation, net of CIAC Amort.	122,446	(24,011) (B)	98,435		98,435	B-14, B-3
4	Amortization					-	B-3
5	Taxes Other Than Income	143,052	(57,166) (C)	85,886	7,617 (E)	93,503	B-15, B-3
6	Provision for Income Taxes		-	-	27,600 (F)	27,600	B-3
7	OPERATING EXPENSES	860,449	(50,621)	809,828	35,217	845,045	
8	NET OPERATING INCOME	\$ (128,890)	\$ 50,621	\$ (78,269)	\$ 168,242	\$ 89,973	
9	RATE BASE	\$ 1,338,997		\$ 1,089,256		\$ 1,089,256	
10	RATE OF RETURN	--	%	--	%	8.26	%