

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. W-1305, Sub 12

In the Matter of

PLURIS HAMPSTEAD, LLC

Application for Rate Increase

PRE-FILED DIRECT TESTIMONY

of

DANIEL J. WINTERS

**Chief Financial Officer
Pluris Holdings, LLC**

On behalf of

PLURIS HAMPSTEAD, LLC

January 22, 2020

1 Q. PLEASE STATE YOUR NAME FOR THE RECORD.

2 A. My name is Daniel J. Winters.

3 Q. PLEASE STATE THE NAME AND BUSINESS ADDRESS OF YOUR
4 EMPLOYER.

5 A. I am Chief Financial Officer of Pluris Holdings, LLC, which is a holding
6 company that owns limited liability companies that are public utility
7 operating entities. In North Carolina those operating entities are Pluris
8 Hampstead, LLC, Pluris, LLC, and Pluris Webb Creek, LLC. My business
9 address is 5950 Berkshire Lane, Suite 800, Dallas, Texas 75225.

10 Q. WHAT IS YOUR CURRENT ROLE WITH REGARD TO PLURIS
11 HAMPSTEAD, LLC?

12 A. I provide accounting support and supervision as well as financial oversight
13 as to Pluris Hampstead, LLC ("Pluris" or "Utility").

14 Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL
15 BACKGROUND.

16 A. I hold a Bachelor of Science Degree in Accounting and Management from
17 Pensacola Christian College, and an MBA in Finance from Dallas Baptist
18 University. I have worked for both private and publically traded companies
19 in various areas of accounting and finance since I graduated in 2001. I have
20 been working with Pluris and practicing utility accounting since 2012.

21 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

22 A. No.

23 Q. WHAT ROLE DO YOU PLAY IN PLURIS'S UTILITY OPERATIONS?

1 A. I support our operations through financial oversight of all expenditures, both
2 capital and operating. I regularly keep our managers up-to-date on budget
3 performance, assist with vendor management, review and research payroll
4 and benefits, and work with our outside audit firm to ensure that our internal
5 controls are adequate in order to provide an accurate financial
6 representation of the utility operations.

7 Q. WHAT ROLE DID YOU PLAY IN CONNECTION WITH THE FILING OF
8 PLURIS'S APPLICATION FOR RATE INCREASE IN THIS DOCKET?

9 A. My role was to complete the Commission's form Application for Rate
10 Increase ("Application") and prepare the Minimum Filing Requirements
11 ("MFR") schedules attached to the Application, including schedules of rate
12 base, cost of capital, income taxes and pro forma operating income and to
13 develop the requested revenue requirement and rates.

14 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

15 A. My testimony supports Pluris's request for the rate relief requested in the
16 Application. My testimony specifically sponsors and supports the schedules
17 attached to the Application, which were prepared in developing Pluris's
18 requested rates.

19 Q. WHAT TEST YEAR DID PLURIS USE IN ITS RATE APPLICATION?

20 A. The twelve month period ending September 30, 2019.

21 Q. WERE PLURIS'S APPLICATION FOR RATE INCREASE AND THE
22 FINANCIAL SCHEDULES ATTACHED TO THE APPLICATION PREPARED
23 BY YOU OR UNDER YOUR DIRECTION?

1 A. Yes.

2 Q. PLEASE DESCRIBE THESE SCHEDULES.

3 A. Attached to my testimony is a Table of Contents listing all the schedules
4 attached to the Application. These schedules develop the revenue requirement
5 requested by Pluris in this proceeding. They consist of schedules of Rate Base
6 and Adjustments; Cost of Capital; Proforma Statement of Operations and
7 Adjustments; Income Taxes and Present and Proposed Rates.

8 Q. PLEASE EXPLAIN HOW TEST YEAR EXPENSES WERE ADJUSTED.

9 A. Test year Operation & Maintenance (“O&M”) expenses were adjusted for the
10 known and measurable changes related to the increased costs associated with
11 the operation of Pluris’s membrane bioreactor (“MBR”) wastewater treatment
12 plant, which was placed in service in February 2016. O&M expense was also
13 increased for amortization of the estimated rate case costs necessary to file
14 this rate case. Depreciation expense was adjusted for proforma capital
15 additions. Taxes other than income were adjusted for the increased Public
16 Utility Regulatory Fees associated with the requested revenue increase. Also,
17 a provision for income taxes was calculated assuming the company is taxed
18 as a C Corporation.

19 Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO UTILITY PLANT IN
20 SERVICE.

21 A. A proforma increase in plant of \$122,286 is requested for the addition of a lift
22 regional station midway along Pluris’s approximately 11.5 mile force main on
23 US Highway 17. Invoices for this new lift station were received and processed

1 in October and November 2019, after the Test Year closed. Pluris also
2 removed \$1,463,896 from plant, which represents 50% of the original cost of
3 the 11.5 mile force main. This adjustment is consistent with the agreement
4 Pluris reached with the Public Staff when Pluris's initial (and current) rates
5 were established in 2015 in Docket No. W-1305, Sub 0, that such an
6 adjustment would be made with Pluris reserving the right to request this
7 amount be included in rate base in the future when it is deemed to be used
8 and useful.

9 Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO ACCUMULATED
10 DEPRECIATION.

11 A. A decrease in Accumulated Depreciation of \$38,236 is required as a result of
12 the above-referenced reduction in plant of 50% of the force main, offset by the
13 required increase for the addition of the new lift station.

14 Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO CUSTOMER DEPOSITS.

15 A. An increase in the Customer Deposit liability of \$13,150 is requested to
16 properly account for the activity between December 2018 and September
17 2019. Since this account is reconciled annually, the adjustment had not yet
18 been recorded on the books as of the end of the Test Year.

19 Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO DEPRECIATION EXPENSES.

20 A. Depreciation expense was adjusted in accordance with the Accumulated
21 Depreciation adjustments described above.

1 Q. PLEASE EXPLAIN YOUR ADJUSTMENTS TO O&M EXPENSE.

2 A. As set forth in the MFRs, O&M expense was adjusted for the additional
3 expenses associated with operation of the new MBR wastewater treatment
4 plant. These estimates of additional operating costs were made by Pluris
5 management and are as follows: Purchased Power (\$15,483); Sludge
6 Removal (\$-42,385); Meter Readings (\$-1,540); Consulting Fees (\$-22,500);
7 Utilities (\$2,024); Bond Expense (\$3,387); Bank Fees (\$1,407); Travel
8 (-\$2,124); Donations (-\$8,600); Salaries/Payroll Taxes/Benefits (\$10,431);
9 Corporate Management Expense (-\$124,393); and Direct Utility Expense
10 (\$-23,076). These adjustments total \$-191,886. Also, O&M was increased for
11 amortization of estimated rate case expense, which is discussed separately
12 below.

13 Q. PLEASE DESCRIBE THE ADJUSTMENTS FOR WORKING CAPITAL.

14 A. Working capital is based on the formula approach of $\frac{1}{8}$ th (12.5%) of O&M
15 expense. Thus, working capital was adjusted to 12.5% of total proforma O&M
16 expense of \$425,338 and totals \$53,167.

17 Q. PLEASE DESCRIBE THE ADJUSTMENTS FOR INCOME TAXES.

18 A. The provision for income taxes was based on the expected proforma net
19 income to be provided by the proposed rate base and rates, assuming the
20 utility is taxed as a C Corp. The provision was based on the combined effective
21 State and Federal tax rate of 22.975% and calculated to be \$39,793, as shown
22 in the MFRs.

1 Q. PLEASE DESCRIBE THE ADJUSTMENTS FOR TAXES OTHER THAN
2 INCOME TAXES.

3 A. Taxes other than income taxes were increased for the Public Utility Regulatory
4 Fee on the increase in revenue requested in this proceeding. The increase
5 amounted to \$650 using the rate of these taxes of 0.13%.

6 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO RATE CASE EXPENSE.

7 A. Rate case expense for this proceeding was estimated to be \$67,500, broken
8 down as follows: for legal (\$37,500), Company personnel not included in the
9 corporate expense allocation (\$25,000), and Company out-of-pocket for
10 notices, printing, travel and miscellaneous (\$5,000). The total was
11 amortized over 5 years and O&M expense was increased by \$13,500.

12 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO REVENUE.

13 A. Revenue was adjusted to account for a known and expected increase in
14 customer growth. Pluris has received tap fees for 150 homes that have either
15 not yet been built or have not been connected to the system. Once these
16 homes are connected, they will generate \$115,110 in annual revenue at
17 existing rates (150 homes x \$63.95 monthly residential flat rate x 12 months).
18 This revenue has been added to the Test Year revenue to arrive at Proforma
19 Revenue. Pluris believes that excluding this revenue would unfairly burden
20 existing customers with making up this shortfall in rates above what the
21 Company has requested in this filing.

1 Q. WHAT IS THE REVENUE REQUIRED BY PLURIS TO REALIZE A FAIR
2 RATE OF RETURN AND RECOVER ITS PRUDENT AND NECESSARY
3 OPERATING EXPENSES?

4 A. The revenue required by Pluris to realize a fair rate of return investment and
5 recover its prudent and necessary operating expenses is \$907,361.

6 Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

7 A. Yes.

**Pluris Hampstead, LLC
Application for Rate Increase
Test Year Ended September 30, 2019**

Table of Contents

	Page
Pluris Schedule 1a Comparative Balance Sheet	1
Pluris Schedule 1b Comparative Income Statement	4
Pluris Schedule 2 Trial Balance	6
Pluris Schedule 3a,b,c Debt, Preferred Stock and Equity - Pluris Hampstead, LLC	9
Pluris Schedule 3d Debt, Preferred Stock and Equity - Pluris Holdings, LLC - Parent	10
Pluris Schedule 3d Debt, Preferred Stock and Equity - Pluris Holdings, LLC - Consolidated	11
Pluris Schedule 4a General Office Accounts	13
CONFIDENTIAL Pluris Schedule 4b Corporate Allocation By Utility	14
Pluris Schedule 5 Requested Monthly Account Balances	18
Pluris Schedule 6 Customer Deposits	20
Pluris Schedule 7 Utility Systems Acquired or Operated Since Last Rate Case	21
Pluris Schedule 8 Utility Plant and Reserve Accounts by Month (Format 8)	23
Pluris Schedule 9a,b Acquisition of Utility Plant as an Operating Unit or System	25
Pluris Schedule 10a Workpapers for Rate Adjustments to Revenue, Expense, Investment and Reserve Accounts Rate Base	26
Pluris Schedule 10b Workpapers for Rate Adjustments to Revenue, Expense, Investment and Reserve Accounts Proforma Adjustments to Rate Base - 1	27
Pluris Schedule 10b Workpapers for Rate Adjustments to Revenue, Expense, Investment and Reserve Accounts Proforma Adjustments to Rate Base - 2	28
Pluris Schedule 10c Workpapers for Rate Adjustments to Revenue, Expense, Investment and Reserve Accounts Proposed Cost of Capital	29
Pluris Schedule 10d Workpapers for Rate Adjustments to Revenue, Expense, Investment and Reserve Accounts Proforma Statement of Operations	30
Pluris Schedule 10e Workpapers for Rate Adjustments to Revenue, Expense, Investment and Reserve Accounts Adjustments to Proforma Statement of Operations - 1	31
Pluris Schedule 10e Workpapers for Rate Adjustments to Revenue, Expense, Investment and Reserve Accounts Adjustments to Proforma Statement of Operations - 2	32

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Jan 22 2020

**Pluris Hampstead, LLC
Application for Rate Increase
Test Year Ended September 30, 2019**

Table of Contents

		Page
Pluris Schedule	10f Workpapers for Rate Adjustments to Revenue, Expense, Investment and Reserve Accounts Present and Proposed Rates	33
Pluris Schedule	11 Comparative Balances in Revenue Accounts (Format 11)	34
Pluris Schedule	12a Comparative Balances in Operating Expense Accounts	35
Pluris Schedule	12b Comparative Operating Expense Accounts: Test Year and Preceding 3 Years	40
Pluris Schedule	13a Tax Data for Test Year	41
Pluris Schedule	13b Analysis of Other Operating Taxes	42
Pluris Schedule	13c Calculation of Deferred Income Taxes	43
Pluris Schedule	13d Reconciliation of Beginning and Ending Deferred Income Taxes	44
Pluris Schedule	13e Calculation of Investment Tax Credits for the Test Year	45
Pluris Schedule	14a Lobbying Activities	46
Pluris Schedule	14b Investments in Subsidiaries, Joint Ventures and Nonutility Divisions	47
Pluris Schedule	14c Schedule of Utility and Non Utility Accounts	48
Pluris Schedule	15 Analysis of Retained Earnings Account	49
Pluris Schedule	16 Annual Reports to Stockholders and Subsequent Quarterly Reports	50
CONFIDENTIAL Pluris Schedule	17 Employee Data for Test Year	51
Pluris Schedule	18 Additional Information Not Incorporated in Filed Testimony and Exhibits	52
Pluris Schedule	19 Detailed Monthly Income Statement for Each Month After Test Year	53
Pluris Schedule	20 Developer Contracts	54
Pluris Schedule	21 Customer Connections and Prepaid Tap Fees	55
Pluris Schedule	22 CIAC Summary	56
Pluris Schedule	23 Reimbursement to Developers	57
Pluris Schedule	24 Organizational Chart	58
Pluris Schedule	25 System List	59
Pluris Schedule	26 Customers and Usage by Meter Size	60