

MEMORANDUM

April 11, 1991

ORIGINAL  
FILE COPY

TO: DIVISION OF RECORDS AND REPORTING  
FROM: DIVISION OF AUDIT AND FINANCE (DOUD) *FD*  
RE: DOCKET NO. 910056-PU -- FLORIDA POWER CORPORATION  
INVESTIGATION INTO COMPLAINT FILED BY JOHN FALKNER

-----  
Forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit findings disclose information that may influence the decision process.

Please forward a complete copy of this report to:

Florida Power Corporation  
ATTN: Albert H. Stephens  
Post Office Box 14042  
St. Petersburg, Florida 33733-4042

FD/ss

Attachment

cc: Chairman Beard  
Commissioner Deason  
Commissioner Easley  
Commissioner Gunter  
Commissioner Wilson  
Bill Talbott, Deputy Executive Director/Technical  
Legal Services (Palecki)  
Division of Auditing and Financial Analysis (Devlin)  
Tallahassee District Office (Stallcup)

Mr. Don Hale  
Office of Public Counsel  
624 Fuller Warren Building  
202 Blount Street  
Tallahassee, FL 32301

DOCUMENT NUMBER-DATE

03500 APR 11 1991

PSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

APRIL 1, 1983 THROUGH DECEMBER 31, 1990

FIELD WORK COMPLETED

APRIL 10, 1991

FLORIDA POWER CORPORATION

ST. PETERSBURG, FLORIDA

PINELLAS COUNTY

COMPLAINT OF CONSUMER JOHN FALK REGARDING RESALE OF ELECTRICITY  
BY THE H. GELLER MANAGEMENT COMPANY

DOCKET NUMBER 910056-PU

AUDIT CONTROL NUMBER 91-064-1-1



PAUL STLLCUP  
AUDIT MANAGER

DOCUMENT NUMBER-DATE

03500 APR 11 1991

PSC-RECORDS/REPORTING

Report Purpose:

This report provides independent estimates of the amount that the H. Geller Management Company collected through increased Maintenance Contract Fees in response to the April 1983 rate increase of Florida Power, and the increase in electricity bills paid by the H. Geller Management Company in response to the same rate increase.

The estimates span a period of time from April, 1983 through December, 1990.

These two estimates represent an income item and an expense item to the H. Geller Management Company, and may be used to estimate the extent to which the H. Geller Management Company may have profited from the resale of electricity over the indicated time period.

At the heart of these calculations is the method used to calculate the change in electric rates. Since this is a legal issue, and not an auditable item, this report does not address which method of calculation should be used.

Background:

The H. Geller Management Company provides maintenance services to the Terrace Park of Five Towns condominium development. The development contains 32 separate condominium associations, each consisting of one or more buildings. Each condominium association has a separate Maintenance Contract with the H. Geller Management Company to provide maintenance services to the association. One of these maintenance services is to provide electricity to the common areas of the association (i.e. hallways, parking lots, club houses, etc.). There are 1700 individual units in the entire development.

A feature of these maintenance contracts stipulates that when electricity rates increase, the fee charged by the management company will increase by a prescribed amount. The terms defining the increase differ from one condominium association to another. The maintenance contracts do not specify any fixed proportion or amount that is collected for the purpose of paying for electricity. The contracts only specify how changes in electric rates are to be handled.

Mr. John Falk owns a condominium in the Jefferson Building, a condominium in the Terrace Park of Five Towns condominium development. Mr. Falk contends that in response to the rate increases granted to Florida Power Corporation, the H. Geller Management Company increased its maintenance fees in an amount in excess of its increased costs for electricity.

Mr. Falk contends that this represents the resale of electricity for profit.

The Florida Public Service Commission audit staff reviewed documents provided by the H. Geller Management Company in order to estimate the amount of a possible overpayment for electricity. These documents included the maintenance contracts between the management company and the condominium associations, and the electric bills actually paid by the management company to Florida Power Corporation.

Description of the Calculations:

Because the maintenance contracts do not specify any fixed proportion or amount as being collected to pay for electricity, it was not possible to determine a total amount received by the H. Geller Management Company for the purpose of supplying electricity to the common areas of the condominium associations.

However, the maintenance contracts did specify how the maintenance fees would change in response to a change in electric rates. Therefore, staff could compare the increase in maintenance fees to increase in electricity expenditures attributable to the increase in rates.

The resulting comparison would measure the extent to which the additional maintenance fees collected by the H. Geller Management Company may have exceeded their additional electricity expense.

Table 1 shows the calculations used to estimate the increase in maintenance fees attributable to the April 1983 rate increase by Florida Power Corporation.

Column (a) lists the condominium associations contained within the Terrace Park of Five Towns development. The six condominiums denoted by an asterisk were built after the rate increase. These condominiums were not subject to the change in fees and are excluded from the calculations.

Column (b) lists the number of units in each condominium association.

Columns (c), (d), and (e) summarize the terms of the maintenance contracts with respect to changes in electric rates. For example, the Amherst maintenance contract specifies that for each 5 percent increase in electric rates, the maintenance fee will increase by \$.35 per unit. Therefore, if electric rates were to increase by 12%, each unit would be charged an additional \$.70 per month. With 96

units in the building, this translates into a \$67.50 per month increase for the condominium association as a whole.

Columns (f) and (g) list the increase in maintenance fees for each condominium that resulted from the April 1983 rate increase. Column (f) lists the increase in maintenance fees as calculated by the H. Geller Management Company. These calculations use base rates to determine the size of the rate increase, and were the calculations actually used to increase the maintenance fees. Column (g) lists the increase in maintenance fees as calculated using Mr. Falk's method. These calculations use total rates to determine the size of the rate increase.

The totals at the bottom of columns (f) and (g) are the total monthly maintenance fee increases for the entire condominium development.

Because there are 93 months in the April 1983 to December 1990 time period, the monthly totals are multiplied by 93 to yield 93 Month Totals. These totals represent the additional amounts collected as a result of the April 1983 rate increase.

Note that H. Geller's method was the one actually used to increase the maintenance fees. Therefore, the increase in maintenance fees attributable to the 1983 rate increase is estimated to be \$311,247.75 over the period in question.

Note also that the calculation assumes that all units were occupied and paying their share of the increased maintenance fees.

Table 2 shows the calculations used to estimate additional expenses incurred by the H. Geller Management Company as a result of the April 1983 rate increase.

Column (a) lists 6 month time intervals spanning the time period of time in question. The first row represents a "base period" prior to the April 1983 rate increase.

Column (b) lists the actual amount paid by the H. Geller Management Company to Florida Power Corporation in each time period. This amount is the sum of the electric bills for all condominium association common areas, including those built after April 1983.

Column (c) lists the average number of units that were actually occupied in during each 6 month period. Of the 1700 units in the development, 1390 units were in buildings that were completed prior to the April 1983 rate increase, and 310 were in buildings completed after that date.

Column (d) lists the percentage of total units that were completed prior to April 1983. As newer buildings were completed, this percentage fell. This percentage is used in columns (i) and (k) to prorate total electric expenses back to only those units that were completed prior to April 1983.

Column (e) lists the total rates for electricity (\$/1000 KWH) charged by Florida Power Corporation. These rates were taken from the Fuel Adjustment files of the Bureau of Rates, Division of Electric and Gas, Florida Public Service Commission. The rates listed in the first row represent rates prior to the April 1983 rate increase, and are used as a base to determine the size of subsequent rate changes.

Column (f) lists the estimated actual KWH used for the entire development. It is derived by dividing the amount billed (column (b)) by the total rate (column (e)).

Column (g) lists the changes in total rates in each period compared to its value prior to the April 1983 rate increase. Each entry in the column is the difference between a period's total rate and the value of the total rate in the Oct 1982 - Mar 1983 time period.

Column (h) lists the portion of total electric expenses that resulted from a change in total rates since April 1983. It is calculated as total KWH (column (f)) multiplied by the change in total rates (column (g)) multiplied by the portion of total units that were completed prior to April 1983 (column (d)).

The total at the bottom of the Table 2 represents an estimate of the additional expenses incurred by the H. Geller Management Company as a result of rate changes since April 1983.

Table 1 - Increase in Maintenance Fees Attributable to April 1983 Rate Increase

(a) Building Name	(b) # Units	(c) (d) (e) Maintenance Contract Terms			(f) (g) Monthly Fee Increase	
		Rate Change	Fee Change	Basis	per Geller @ 35.77%	per Faulk @ 15.93%
Amherst	96	5%	\$0.35	per unit	235.20	100.80
Arlington	44	5%	\$0.30	per unit	92.40	39.60
Ast/Bel/Cam	28	1%	\$0.10	per unit	98.00	42.00
Bershire	96	5%	\$0.35	per unit	235.20	100.80
Concord	32	5%	\$0.30	per unit	67.20	28.80
Cornell	96	5%	\$0.35	per unit	235.20	100.80
Dartmouth	75	5%	\$0.35	per unit	183.75	78.75
Dorchester	32	5%	\$10.00	per building	70.00	30.00
Emory	75	5%	\$0.35	per unit	183.75	78.75
Exeter	32	5%	\$12.00	per building	84.00	36.00
Fairview	32	5%	\$12.00	per building	84.00	36.00
Fordham	75	3%	\$0.30	per unit	247.50	112.50
Georgetown	75	5%	\$0.35	per unit	183.75	78.75
Harvard	60	5%	\$0.30	per unit	126.00	54.00
Ivy	64	10%	\$0.35	per unit	67.20	22.40
Jefferson	48	5%	\$15.00	per building	105.00	45.00
Kenilworth	56	5%	\$20.00	per building	140.00	60.00
LVE	36	5%	\$0.30	per unit	75.60	32.40
LVW	36	5%	\$0.30	per unit	75.60	32.40
Lexington	56	5%	\$20.00	per building	140.00	60.00
Madison	56	5%	\$20.00	per building	140.00	60.00
Newport	56	5%	\$20.00	per building	140.00	60.00
Oxford	44	5%	\$20.00	per building	140.00	60.00
* Princeton	44	1%	\$0.10	per unit	N/A	N/A
* Quincy	56	1%	\$0.10	per unit	N/A	N/A
* Radcliff	54	1%	\$0.05	per unit	N/A	N/A
SVE	42	5%	\$0.30	per unit	88.20	37.80
SVW	42	5%	\$0.30	per unit	88.20	37.80
* Syracuse	54	1%	\$0.10	per unit	N/A	N/A
* Tiffany	54	1%	\$0.05	per unit	N/A	N/A
* University	48	1%	\$0.10	per unit	N/A	N/A
Andover	6	1%	\$0.10	per unit	21.00	9.00
	1,700			Monthly Fee Increase	3,346.75	1,434.35
				** 93 Month Total:	311,247.75	133,394.55
				@ 95% occupancy:	295,685.36	126,724.82

\* Built after 1983

\*\* For the period April, 1983 through December, 1990

Table 2 - Electricity Expenses Attributable to Rate Change of April, 1983

(a) Period	(b) Amount Billed	(c) Average # Units	(d) Percentage 1983 Units	(e) Total Rate	(f) KWH Used	(g) Change in Total Rate	(h) Impact on Amount Billed
Oct 1982 - Mar 1983	42,040.75	1351		70.56	595,816		
Apr 1983 - Sep 1983	46,356.74	1370	100.00%	73.24	632,943	2.68	1,696
Oct 1983 - Mar 1984	46,353.88	1395	99.63%	73.40	631,524	2.84	1,787
Apr 1984 - Sep 1984	50,670.26	1436	96.83%	75.96	667,065	5.40	3,488
Oct 1984 - Mar 1985	50,036.26	1462	95.10%	76.65	652,789	6.09	3,781
Apr 1985 - Sep 1985	57,098.03	1492	93.18%	80.58	708,588	10.02	6,616
Oct 1985 - Mar 1986	58,100.52	1523	91.25%	77.72	747,562	7.16	4,884
Apr 1986 - Sep 1986	67,273.82	1552	89.58%	82.12	819,214	11.56	8,483
Oct 1986 - Mar 1987	58,518.81	1588	87.52%	72.79	803,940	2.23	1,569
Apr 1987 - Sep 1987	60,678.52	1619	85.86%	70.12	865,353	(0.44)	(327)
Oct 1987 - Mar 1988	57,546.76	1662	83.64%	69.82	824,216	(0.74)	(510)
Apr 1988 - Sep 1988	58,308.39	1680	82.74%	66.80	872,880	(3.76)	(2,715)
Oct 1988 - Mar 1989	58,344.14	1699	81.82%	65.74	887,498	(4.82)	(3,500)
Apr 1989 - Sep 1989	64,169.20	1700	81.76%	70.56	909,427	0.00	0
Oct 1989 - Mar 1990	61,080.85	1700	81.76%	71.12	858,842	0.56	393
Apr 1990 - Sep 1990	62,882.40	1700	81.76%	70.82	887,919	0.26	189
Oct 1990 - Dec 1990	32,762.11	1700	81.76%	72.53	451,704	1.97	728
Totals:	890,180.69						26,561

Column Notes:

- (b) \$ Amount billed by Florida Power to H. Geller
- (c) average number of occupied units during the period
- (d) calculated as (number of units built before April 1983)/(number of occupied units)
- (e) obtained from FPSC Fuel Adjustment data
- (f) calculated as (column (b))/(column (e))
- (g) calculated as that row's entry in column (e) minus first row entry in column (e)
- (h) calculated as (KWH used) x (change in rates) x (percent 1983 units), or (column (f)) x (column (g)) x (column (d))



Commissioners:  
THOMAS M. BEARD, CHAIRMAN  
GERALD L. GUNTER  
MICHAEL WILSON  
BETTY HASLEY  
J. TERRY DEASON

State of Florida



STEVE TRIBBLE, Director  
Division of Records and Reporting  
(904) 488-8371

Public Service Commission

April 12, 1991

Florida Power Corporation  
ATTN: Albert H. Stephens  
Post Office Box 14042  
St. Petersburg, Florida 33733-4042

Dear Mr. Stephens:

Docket No. 910056-PU -- Florida Power Corporation  
Investigation of Complaint filed by John Falkner

The enclosed report is forwarded for your review.

The audit report and any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

Steve Tribble

ST/FD/ss  
Enclosure

cc: H. Geller Management Company  
Attn: Mrs Susan Tucker  
8141 - 54th Avenue North  
St. Petersburg, Florida 33709