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BEFORE THE
STATE OF FLORIDA
PUBLIC SERVICE COMMISSION

Docket No. 91-0056-PU

IN RE:

Complaint of Consumer John Falk)
regarding resale of electricity and)
gas by H. Geller Management Company)

**ORIGINAL
FILE COPY**

DIRECT TESTIMONY OF
SUSAN TUCKER

DOCUMENT NUMBER-DATE

03110 MAR 29 1991

1 Q: Please state your name and business address.
2 A: My name is Susan Geller Tucker, and my
3 business address is 8141 54th Avenue North,
4 St. Petersburg, Florida 33709.
5
6 Q: What is your business position?
7 A: I am secretary-treasurer of H. Geller
8 Management Corp., which I will refer to as
9 Geller Management. In that capacity, I
10 directly supervise all financial matters
11 involving the company in its management
12 contract for the Terrace Park - Five Towns
13 condominium development.
14
15 Q: What is your educational and business
16 background?
17 A: I attended the University of Miami, graduating
18 in 1965 with a degree in Education. After
19 college I worked in California. In 1986 I
20 began work at Geller Management with my
21 father, Herm Geller, where I continue at the
22 present time. As secretary-treasurer, I am
23 responsible for all office, bookkeeping and
24 accounting operations as well as supervisory
25 responsibility for day to day operations in

1 the project. You might say I am my fathers'
2 right hand woman.

3

4 Q: What has been your role in responding to the
5 complaint filed by Mr. Falk in this matter?

6 A: Mr. Falk has made numerous allegations and
7 conclusions based on his so-called "audit" of
8 Geller Management's contract with the
9 Jefferson Building homeowner's association and
10 certain information and records of Geller
11 Management. I have tried to review our
12 records to evaluate the claims made by Mr.
13 Falk in order to present information from the
14 records which is pertinent to these matters.

15

16 Q: Explain the initial areas that you have
17 reviewed.

18 A: The principal Commission Rule in question,
19 Rule 25-6.049 was apparently adopted in
20 October 1988. Therefore, I initially tried to
21 focus on the past three years to see some of
22 the implications of application of the rule to
23 the Terrace Park - Five Towns development and
24 to the Jefferson Building particularly.

25

1 Q: Do you have an exhibit to your testimony
2 marked as Exhibit S.T. - 1?
3 A: Yes. Exhibit S.T. - 1 entitled "Effects of
4 Electric Rate Increases if effective for 1989
5 and 1990" is designed to analyze what effect
6 an increase in the Florida Power Corporation
7 electric rates would have on Jefferson
8 Building residents. The exhibit first takes
9 the 1989 total electric cost of Geller
10 Management for the Terrace Park - Five Towns
11 project, \$123,975.42 and then assumes
12 hypothetical Florida Power Corporation rate
13 increases ranging from 5% to 9 3/4%. The
14 projections assume a flat level of electric
15 consumption. An even 5% increase in electric
16 cost, or \$516.58 increase per month for the
17 whole project, will result in a total increase
18 in maintenance fees for all residents of
19 \$567.00. Such a result leads to a surplus to
20 Geller Management of \$50.42 per month. An
21 increase of 5 1/2% in electric cost however,
22 would result in a shortfall to Geller
23 Management each month of \$1.24. Indeed, any
24 Florida Power Corp. increase from 5 1/2% to
25 9.9% would result in a net shortfall to Geller

1 Management as a result of Article VI(d) of the
2 contract.

3

4 Q: What would be the result of a 4% increase in
5 Florida Power Corporation rates?

6 A: A 4% increase in 1989 electric costs would
7 have resulted in an increased cost of
8 \$4,4959.18 to Geller Management. Under the
9 Management Contract there would be no increase
10 in the maintenance fee. That is obviously one
11 of the risks assumed by Geller Management
12 under the Terrace Park - Five Towns plan.

13

14 Q: With reference to the information on Exhibit
15 S.T. - 1, what is the effect of a 5% plus
16 increase in electric rates under Article VI(d)
17 of the Jefferson Building Management Contract?

18 A: A 5% increase in electric rates results in a
19 \$15.00 increase in the total Jefferson
20 Building maintenance fee. Spread across the
21 48 units that comes to an average of 31 cents
22 per unit per month. A few units would pay
23 slightly less, and few would pay slightly
24 more.

1 An even 5% increase in electric rates would
2 thus increase the average Jefferson Building
3 maintenance fee by 31 cents, compared to the
4 average increase in electric cost of 30 cents
5 per unit. Virtually any increase in rates
6 greater than 5% will result in an increase in
7 cost per unit greater than 31 cent, while the
8 increase in Jefferson Building maintenance fee
9 remains 31 cents for any increase between 5%
10 and 9.9%. This too is a risk that Geller
11 Management assumes under its contract with the
12 Jefferson Building.

13 In 1990 the actual electric costs were
14 slightly higher, \$125,178.64. The exhibit
15 also shows the effects of hypothetical
16 electric rate increase based on the 1990 level
17 of consumption and cost. The results for 1990
18 are similar, with the shortfall of Geller
19 Management being greater.

20
21 Q: Have you prepared a similar exhibit showing
22 the effects of hypothetical increases in the
23 cost of gas?

24 A: Yes. Exhibit S.T. - 2 entitled "Effects of
25 Gas Rate Increases if implemented in 1989 or

1 1990" shows the actual gas costs of Geller
2 Management for the project for 1987 though
3 1990, with the effects of a hypothetical 5%
4 increase in gas rates during any of those
5 years. Based upon the 1989 gas costs, a 5%
6 increase in gas rates would result in an
7 annual shortfall to Geller Management of
8 \$2,3690.64 per year. So as a result of the
9 contract provision, an increase in a gas rates
10 of any level will result in an immediate
11 shortfall to Geller Management; the additional
12 maintenance fees collected by the company will
13 be less than the increase in costs.

14

15 Q: Was there a recent increase in rates of
16 Peoples Gas?

17 A: Yes. In November 1990, Peoples Gas
18 implemented a 16.23% increase in its gas
19 charged to Geller Management. I met with a
20 representative of Peoples Gas and obtained
21 information on the increase directly from him.

22

23 Q: What will be the effect of that increase?

24 A: That increase represents three 5% increases in
25 the gas rates, so the contract calls for an

1 increase in the total Jefferson Building
2 maintenance fee of \$51.00 per month. Spread
3 equally among the 48 units it results in an
4 average monthly increase of \$1.06 per unit.
5 Based upon the actual 1990 consumption and
6 cost information, the Peoples Gas rate
7 increase will increase Geller Management's gas
8 cost for 1991 by \$35,094.13. Spread among all
9 of the units in the development that amount
10 represents an increase in gas cost of \$1.72
11 per unit each month. Based upon the Jefferson
12 Building contract, the increase in gas rates
13 will result in a monthly loss to Geller
14 Management for that one building of 66 cents
15 per month per unit.

16

17 Q: Your conclusions are based upon 1990
18 consumption and costs data. What will be the
19 result if gas consumption increases in 1991?

20 A: Again, none of the Management Contract
21 provisions are tied to consumption. In no
22 real sense are the residents being charged for
23 gas, or electricity, because neither the
24 maintenance fees or the indexed increase
25 factors are based upon consumption. That is

1 the other major risk assumed by Geller
2 Management; the residents are assured their
3 fixed maintenance fee regardless of
4 consumption. I believe the lower gas costs in
5 1989 and 1990 are a result of the mild winters
6 experienced in Pinellas County. But if
7 consumption increases in 1991 due to the
8 weather, the figures I gave will change to
9 result in higher gas costs to Geller
10 Management. The maintenance fees paid by the
11 residents, however, will not change.

12

13 Q: Have you prepared an exhibit to show the
14 number of units sold during the history of the
15 development, together with the project
16 electric cost?

17 A: Yes. Exhibit S.T. - 3 entitled H. Geller
18 Management Electric Expenses shows the total
19 project electric costs beginning with 1982,
20 together with the number of sold units. I
21 gathered this information directly from the
22 company's records.

23

24 Q: Do these figures include electricity used in
25 individual condominiums units?

1 A: No. The data shown on the exhibit reflects
2 usage of electricity in all of the common
3 areas of the project, hallways, exterior
4 lights, street lights, recreation buildings
5 and facilities and the like.
6

7 Q: What are the current maintenance fees paid by
8 Jefferson Building residents?

9 A: The present maintenance fees for categories A
10 through E identified in the Management
11 Contract are \$111.29, \$123.73, \$126.73 and
12 \$130.00, respectively. That is an average of
13 \$124.15.
14

15 Q: How much of that average maintenance fee
16 represents the \$3.00 annual increase called
17 for in the Management Contract?

18 A: The initial maintenance fee was an average of
19 \$71.50 per month. There have been 12 increases
20 of \$3.00, for a total of \$36.00. That brings
21 the total fee to \$107.50. Therefore, the
22 remaining \$16.65 of that fee has been added to
23 the average Jefferson Building maintenance fee
24 for all contract changes under Article VI
25 including the increases related to electric

1 rate increases.

2

3 Q: Have you determined how much the Jefferson
4 Building maintenance fees have been increased
5 as a result of the application of Article
6 VI(d) of the Management Contract relating to
7 electric rate increases?

8 A: Yes. Only two increases were implemented,
9 based upon the Florida Power Corporation rate
10 increases of March 1982 and April 1983. Those
11 increases resulted in a total of \$3.13 being
12 added to the maintenance fees of Jefferson
13 Building residents, spreading the increase
14 evenly among the 48 units.

15

16 Q: Have all of the increases in the maintenance
17 fee permitted by the Management Contract
18 actually been added to Jefferson Building
19 maintenance fees?

20 A: No. In reviewing the company's records for my
21 testimony I ascertained a total of \$21.65 in
22 increases, on a per unit average, that were
23 noticed to the residents as required by the
24 contract. When that figure is added to the
25 \$71.50 original base fee, plus the \$36.00 in

1 annual increases, the current maintenance fee
2 should be \$129.15. Yet, the amount being
3 charged is only \$124.15 per unit. Several of
4 the increases authorized by the contract were
5 not actually added to the maintenance fees.
6 Therefore, pursuant to the contract the
7 Jefferson Building residents are being under
8 charged by \$5.00 per unit per month. For the
9 48 units in the building that amounts to
10 \$240.00 per month or \$2,800.00 per year. That
11 amount substantially exceeds the alleged
12 overcharges claim by Mr. Falk.

13

14 Q: Do you have an exhibit concerning the 1990
15 electric costs of Geller Management for the
16 Terrace Park - Five Towns project?

17 A: Yes. Composite Exhibit S.T. - 4 entitled
18 "Jefferson Building Meter Electric Costs
19 October 1988 - December 1990" shows a monthly
20 breakdown of the costs for the electric meter
21 located in the Jefferson Building. These
22 figures do not show, however, the costs for
23 electricity used throughout the development.
24 I have prepared another Exhibit, S.T. - 5,
25 entitled "October 1988 - December 1990 Project

1 Electric Costs" which shows the actual
2 electric costs for all of the common areas and
3 facilities throughout the project on a monthly
4 basis. Of course, those facilities are
5 available to and used by all residents of the
6 project.

7 There are also a few other electric costs
8 which are omitted from the data on Exhibit
9 S.T. - 5. The electric meters servicing
10 several individual buildings also record
11 electricity used in common facilities. The
12 Emory and Radcliffe Building meters also
13 include nearby community swimming pools. The
14 Belmont, Syracuse and University Buildings
15 have sprinkler systems pumps connected to
16 their meters. For some reason these
17 facilities were connected to the building
18 meters; of course, since the Management
19 Company is responsible for all electric
20 expenses, and the unit owners are not
21 responsible for charges for their own
22 building's "house" meter, this metering system
23 is of no importance.

24 Q: For the years shown on Exhibit S.T. - 5, if
25 you allocate in the same way the common

1 facility electric costs to the Jefferson
2 Building, what are the total electric costs
3 associated with the Jefferson Building?

4 A: Of course, there is no way to actually
5 allocate the electric costs to any one
6 building. The common facilities are available
7 for and used by all 1700 residents. If,
8 however, you divide the total common area
9 costs by 1700 units, you get figures of
10 monthly per unit costs of \$2.37, \$2.57 and
11 \$2.44 for 1988 (last quarter), 1989 and 1990.
12 If you add to those figures the average per
13 unit costs for the Jefferson Building electric
14 meter, you get the following \$4.65 - 1988,
15 \$4.40 - 1989 and \$4.37 - 1990. I would point
16 out again the several building meters that
17 have sprinkler system pumps or pools tied into
18 them, so there are additional electric costs
19 that also should be allocated to the Jefferson
20 Building.

21

22 Q: Does that conclude your testimony?

23 A: Yes.

Test-Tuc.Pld

EFFECTS OF ELECTRIC RATE INCREASES
IF IMPLEMENTED IN 1989 OR 1990

YEAR	ANNUAL CONSUMPTION	%	INCREASE	INCREASED COST PER MONTH	AVERAGE PER UNIT	MAINTENANCE FEE INCREASE	AVERAGE FEE INCREASE PER UNIT	NET CHANGE TO GELLER MANAGEMENT PER MONTH	PER YEAR
1989	\$123,979.42	(5.00)	\$ 6,198.97	\$ 516.58	\$.30	\$567.00	\$.33	+ \$ 50.42	+ \$ 605.04
1989	"	(5 1/2)	6,818.87	568.24	.33	567.00	.33	- 1.24	- 14.88
1989	"	(7 1/2)	9,298.46	774.87	.46	625.00	.37	- 149.87	- 1,798.44
1989	"	(9 3/4)	12,087.99	1,007.33	.59	682.10	.40	- 325.23	- 3,902.76
1990	\$125,178.64	(5.00)	\$ 6,258.93	\$ 521.58	\$.31	\$567.00	\$.33	+ \$ 45.42	+ 545.04
1990	"	(5 1/2)	6,884.83	573.74	.34	567.00	.33	- 6.74	- 80.88
1990	"	(7 1/2)	8,768.76	730.73	.43	625.00	.37	- 105.73	- 1,268.76
1990	"	(9 3/4)	12,204.92	1,017.08	.60	682.10	.40	- 334.98	- 4,019.76

NOTES:

1. Any rate increase under 5% cannot be passed on to the Jefferson Building. Also any increase between 5% increments cannot be passed along.
2. Consumption figures are total project electric costs for 1989 and 1990.
3. Average per unit figures spread monthly increase in electric costs across all 1700 units of the project.
4. Maintenance fee increase figures are total amount of maintenance fee increases permitted by all contracts.
5. Average fee increase per unit spreads total increases by 1700 units.
6. Jefferson Building maintenance fee average increase per unit for each 5% electric increase is \$.31.

EFFECTS OF GAS RATE INCREASES
 IF IMPLEMENTED IN 1987 - 1990

YEAR	ANNUAL CONSUMPTION	5% INCREASE	INCREASED COST PER MONTH	AVERAGE PER UNIT	MAINTENANCE FEE INCREASE	AVERAGE FEE INCREASE PER UNIT	NET CHANGE TO GELLER MANAGEMENT PER MONTH	AVERAGE LOSS PER UNIT	LOSS FOR YEAR
1987	\$232,075.15	\$11,603.76	\$966.98	\$.57	\$697.20	\$.41	- \$269.78	- \$.16	- \$3,237.36
1988	236,314.86	11,815.74	948.65	.58	697.20	.41	- 287.45	- .17	- 3,449.40
1989	214,721.10	10,736.06	894.67	.53	697.20	.41	- 197.47	- .12	- 2,369.64
1990	216,230.05	10,811.50	900.96	.53	697.20	.41	- 203.76	- .12	- 2,445.12

NOTES:

1. Began with 1987 because that was when the project was almost 100% sold out.
2. Annual consumption figures are total project gas costs.
3. Maintenance fee increase figures are total amount of maintenance fee increases permitted by all contracts.
4. Average fee increase per unit figures spreads total increases by 1700 units.
5. Jefferson Building average cost per unit for each 5% gas rate increase .35 (.20 below what a 4-year average would actually cost H. Geller Management per unit).
6. There was a 16.23% gas increase in November 1990 which, based on 1990 consumption, represents a \$9,447.73 annual loss to H. Geller Management.
7. Any rate increase under 5% cannot be passed on to the Jefferson Building. Also any increase between 5% increments cannot be passed along.

H. GELLER MANAGEMENT ELECTRIC EXPENSES

Susan Tucker S.T. - 3
(1 of 1)

1982			1983				
CONSUMPTION	# UNITS	COST PER UNIT	CONSUMPTION	# UNITS	COST PER UNIT		
J	6724.87	1309	5.14	J	7236.52	1355	5.34
F	6367.13	1316	4.84	F	6133.54	1358	4.52
M	6743.22	1319	5.11	M	6731.06	1362	4.94
A	6578.32	1323	4.97	A	6747.62	1363	4.95
M	6863.64	1325	5.18	M	7322.40	1366	5.36
J	7390.19	1328	5.57	J	7766.18	1368	5.68
J	7403.77	1331	5.56	J	8472.68	1373	6.17
A	7270.33	1335	5.45	A	8233.23	1374	5.99
S	7766.33	1335	5.82	S	7814.63	1376	5.68
O	7068.76	1339	5.28	O	7551.16	1381	5.47
N	7403.55	1343	5.51	N	7897.42	1392	5.67
D	<u>7467.32</u>	<u>1350</u>	<u>5.53</u>	D	<u>7281.40</u>	<u>1394</u>	<u>5.22</u>
	85047.43	1329 *	5.33*		89187.84	1371*	5.41*

1984			1985				
CONSUMPTION	# UNITS	COST PER UNIT	CONSUMPTION	# UNITS	COST PER UNIT		
J	7500.62	1398	5.37	J	7180.13	1465	4.90
F	8901.13	1402	6.35	F	7794.80	1466	5.32
M	7222.15	1404	5.14	M	8762.35	1466	5.98
A	7583.90	1410	5.38	A	9255.47	1471	6.29
M	8175.19	1421	5.75	M	9951.43	1483	6.71
J	8490	1439	5.90	J	9439.93	1494	6.32
J	9243.17	1447	6.39	J	9865.04	1497	6.59
A	9060.86	1447	6.26	A	9553.67	1500	6.37
S	8117.14	1449	5.60	S	9032.49	1505	6.00
O	8618.58	1452	5.94	O	9795.10	1509	6.49
N	7740.45	1460	5.30	N	9564.34	1513	6.32
D	<u>9939.95</u>	<u>1461</u>	<u>6.80</u>	D	<u>11107.54</u>	<u>1522</u>	<u>7.30</u>
	100593.74	1432*	5.85*		111302.29	1490*	6.21*

1986			1987				
CONSUMPTION	# UNITS	COST PER UNIT	CONSUMPTION	# UNITS	COST PER UNIT		
J	8484.15	1529	5.55	J	8554.61	1592	5.37
F	8997.69	1533	5.87	F	8631.95	1594	5.42
M	10151.70	1534	6.62	M	9137.11	1597	5.72
A	10674.75	1538	6.94	A	9034.41	1604	5.63
M	10380.86	1540	6.74	M	9703.37	1614	6.01
J	11266.63	1544	7.30	J	10931.50	1615	6.77
J	12570.19	1544	8.09	J	9599.72	1622	5.92
A	11804.03	1569	7.52	A	10255.50	1626	6.31
S	10577.36	1575	6.72	S	11154.02	1632	6.84
O	10433.82	1579	6.61	O	10149.51	1645	6.17
N	10274.80	1582	6.49	N	10343.32	1658	6.24
D	<u>11486.52</u>	<u>1585</u>	<u>7.25</u>	D	<u>10413.60</u>	<u>1664</u>	<u>6.26</u>
	127102.50	1555*	6.81*		117908.62	1621*	6.05*

1988			
CONSUMPTION	# UNITS	COST PER UNIT	
J	8665.34	1664	5.21
F	8160.26	1668	4.89
M	9814.73	1672	5.87
A	9198.81	1675	5.49
M	10148.05	1678	6.05
J	9469.53	1687	5.61
J	9255.46	1688	5.48
A	10688.18	1694	6.31
S	9548.36	1694	5.64
O	8988.96	1695	5.30
N	8707.14	1698	5.13
D	<u>12030.58</u>	<u>1700</u>	<u>7.07</u>
	114675.40	1684*	5.68*

1989 124,333.38 ÷ 12 ÷ 1700 units = 6.10
 1990 125,178.64 ÷ 12 ÷ 1700 units = 6.14

Average for year

*HGM's cost per unit for 1983 through April was \$4.93 per unit compared to \$6.14 per unit for 1990. A 24.54% increase; yet no electric increase has been passed along since 4/1/83.

JEFFERSON BUILDING METER ELECTRIC COSTS

October 1988 through December 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
January		\$ 83.88	\$ 75.83
February		84.32	85.55
March		82.36	85.38
April		86.36	86.83
May		73.10	86.30
June		74.33	83.91
July		81.54	87.53
August		86.04	84.50
September		77.85	85.10
October	\$ 72.77	83.51	91.90
November	92.42	99.12	91.63
December	<u>134.82</u>	<u>139.44</u>	<u>146.56</u>
Total	\$300.01	\$1,051.85	\$1,091.02

PROJECT ELECTRIC COSTS

October 1988 through December 1990

	<u>1988</u>	<u>1989</u>	<u>1990</u>
January		\$ 3,797.28	\$ 3,969.13
February		3,910.01	3,873.53
March		4,044.74	4,055.25
April		4,662.57	3,061.89
May		4,433.14	4,414.76
June		4,788.56	4,594.61
July		4,663.69	4,539.09
August		4,880.98	4,426.71
September		4,523.42	4,517.74
October	\$ 3,632.78	4,851.90	4,402.11
November	2,739.03	4,004.29	3,940.72
December	<u>5,327.02</u>	<u>3,837.25</u>	<u>4,060.60</u>
Total	\$11,698.83	\$52,397.83	\$49,856.14

Note: The electric costs reflected above include all meters located throughout the project other than house meters located in individual buildings.