

BEFORE THE  
STATE OF FLORIDA  
PUBLIC SERVICE COMMISSION

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ORIGINAL  
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Docket No. 91-0056-PU

IN RE:

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

DIRECT TESTIMONY OF  
CHARLES R. PARMELEE

DOCUMENT NUMBER-DATE

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ERVIN, VARN, JACOBS, ODOM & ERVIN TALLAHASSEE, FLORIDA

FPSC-RECORDS/REPORTING

1 Q: Please state your name and occupation.

2 A: My name is Charles R. Parmelee and I am an  
3 independent utility consultant, Principal of  
4 Parmelee & Associates, 1025 Princeton Walk,  
5 Marietta, Georgia, 30068.

6

7 Q: What is your educational and business  
8 background related to utility rate matters?

9 A: I graduated from Georgia State University in  
10 1970 with a Bachelor of Arts degree in  
11 Mathematics. I have worked in the Rate  
12 Departments of both Florida Power & Light  
13 Company and Georgia Power Company. I was  
14 employed as a utility rate consultant by  
15 Ebasco Services Incorporated for 11 years,  
16 doing rate design, rate analysis, cost of  
17 service, and load research for a number of  
18 clients in the United States and abroad. I  
19 began my own utility consulting business in  
20 February, 1991. My full resume is attached as  
21 Exhibit C.P. - 1.

22

23 Q: Have you testified as an expert witness before  
24 any regulatory bodies?

1       A:    I have testified as an expert witness in the  
2            areas of rate analysis, rate design and cost  
3            of service on several occasions.    I have  
4            testified five times before the Public Service  
5            Commission of South Carolina, once before the  
6            Commission in Arkansas, and once before the  
7            Public Utility Commission in Bermuda.

8  
9        Q:    What is the purpose of your testimony?

10       A:    I was asked to review the Complaint of  
11            Consumer John Falk, the Service and  
12            Maintenance Agreement of H. Geller Management  
13            Company, utility cost summaries of H. Geller  
14            Management Company, and Florida Public Service  
15            Commission rules pertaining to measuring  
16            customer service. The purpose of my testimony  
17            is to give an opinion of the applicability of  
18            the Florida Public Service Commission's  
19            electric and natural gas metering rules to  
20            the Service and Maintenance Agreement of H  
21            Geller Management Company.

22  
23        Q:    Do you think that the Florida Public Service  
24            Commission Electric Service Rule 25-6.049,  
25            Measuring Customer Service, is applicable in

1           this case, specifically those parts relating  
2           to individual metering versus master metering  
3           and allocation of electric costs to other  
4           parties?

5           A:   No, I don't think it is applicable.

6  
7           Q:   Why?

8           A:   It is my opinion that the parts of the rule  
9           pertaining to individual metering versus  
10          master metering, and allocation of electricity  
11          costs to third parties, only apply to electric  
12          service to occupancy units, as defined in the  
13          rule. This would exclude electric service to  
14          common use areas and shared facilities such as  
15          recreation centers, swimming pools, and  
16          outdoor lighting. In the commercial setting  
17          of the shopping center or office complex, it  
18          would not apply to common areas, or outdoor  
19          lighting. The service and maintenance fees  
20          collected by H. Geller Management Company, do  
21          not include any costs associated with electric  
22          service to occupancy units, since each  
23          condominium unit is separately metered, and  
24          each occupant is directly billed by Florida  
25          Power Corporation. Therefore, I don't think

1 the rule applies.

2

3 Q: Why do you think the rule is limited to  
4 occupancy units?

5 A: I believe this rule is designed to encourage  
6 electric utilities and property owners to  
7 separately meter occupancy units, such as  
8 apartments, condominiums, mobile homes, or  
9 shops. It is generally accepted that  
10 individual metering of occupancy units  
11 promotes conservation of energy and this may  
12 have been a consideration in the design of the  
13 rule. Rule 25-6.049(6) limits electricity  
14 fees or charges collected from third parties  
15 to the actual cost of electricity. This rule  
16 effectively eliminates financial incentive as  
17 a motive for master metering occupancy units  
18 and therefore encourages individual metering,  
19 and conservation.

20

21 Q: If we ignore the occupancy unit limitation, do  
22 you think that Rule 25-6.049(6) would apply to  
23 the Service and Maintenance Agreement?

24 A: No, I still don't think the rule applies in  
25 this case.

1

2 Q: Why?

3 A: The rule is set in the context of individual  
4 metering versus master metering and allocation  
5 of electric costs to third parties based on  
6 sub-metering or other reasonable apportionment  
7 methods. The Service and Maintenance  
8 Agreement does not include any mechanism for  
9 allocating the actual cost of the electricity  
10 billed to H. Geller Management Company, since  
11 the agreement does not base any charges on the  
12 amount of electricity actually used each month  
13 in the facilities. The management company has  
14 assumed the responsibility, and therefore the  
15 risk, for fluctuations in energy consumption  
16 due to factors such as weather and facility  
17 usage levels. Although the agreement contains  
18 an adjustment mechanism tied to increases in  
19 the electric rates applied by Florida Power  
20 Corporation, this mechanism does not allow any  
21 maintenance fee adjustment for levels of  
22 energy consumption, and has not been applied  
23 since 1983.

24 This adjustment is also very simple, and  
25 obviously was not intended to allocate

1 increases in electricity costs with any degree  
2 of accuracy. For example, the adjustment  
3 allows an increase in the monthly service and  
4 maintenance fees for each 5% increase in  
5 Florida Power Corporation's applicable rates.  
6 Therefore, a 4.9% rate increase would result  
7 in no adjustment.

8 Another major consideration is that the  
9 Service and Maintenance Agreement does not  
10 directly address electricity as a service to  
11 be provided, but only as an element which may  
12 be necessary to provide other services covered  
13 by the agreement. The management company has  
14 agreed to provide services such as  
15 recreational centers, swimming pools, and  
16 maintenance of common areas, and providing  
17 these services requires the company to  
18 purchase electricity. The electricity cost is  
19 incidental to the provision of the services,  
20 just as the cost of electricity is incidental  
21 to the provision of many services and  
22 products.

23 For example, a Florida manufacturing company  
24 could enter into a long term agreement to  
25 supply electronic components to another party.

1           That contract could include an escalation  
2           clause to make some adjustment to the product  
3           price for increases in the manufacturer's  
4           energy costs.    If Rule 25-6.049(6) were  
5           applied to such a contract, the manufacturer  
6           could be required to allocate total  
7           electricity costs to various products and show  
8           that the costs were not over-recovered.    I  
9           don't think this is the intention of the rule.  
10          Another example is the apartment complex owner  
11          who provides recreational facilities and  
12          maintains common areas of the complex.    The  
13          owner is billed for electricity required for  
14          swimming pool pumps, for heating and air  
15          conditions of recreational facilities, and for  
16          house lighting in hall ways and other common  
17          areas.    The cost of this electricity is  
18          included, but usually not specified, in the  
19          rental fee for each rental unit.    The owner  
20          will increase those fees to reflect increases  
21          in electricity costs, and other costs, at the  
22          expiration of each lease, possibly each year.  
23          This example is virtually the same, with  
24          respect to electricity cost, as the case  
25          before this Commission.    In both cases, the

1 electricity cost is part of a flat monthly fee  
2 which does not vary with the actual amount of  
3 electricity used in the facilities. The only  
4 difference is that the 14 year term of the  
5 Service and Maintenance Agreement makes  
6 explicit cost adjustment factors necessary.  
7 I don't think Commission Rule 25.6-049(6)  
8 applies to my example of an apartment rental  
9 fee, and therefore, I don't think it applies  
10 to the H. Geller Management Company's service  
11 and maintenance fees either. In neither case  
12 do the fees charged constitute fees or charges  
13 collected for electricity.

14

15 Q: Could you describe circumstances where you  
16 think Rule 25-6.049(6) is clearly applicable,  
17 disregarding issues regarding the point in  
18 time the rule became effective?

19 A: Yes. The rule is clearly applicable to  
20 circumstances where a number of occupancy  
21 units are metered collectively with a master  
22 meter, and the cost associated with the  
23 electricity billed from that meter is  
24 recovered from the individuals or businesses  
25 using the occupancy units, using an allocation

1 method which recognizes changes in energy  
2 consumption levels. The rule would be  
3 applicable regardless of the use of sub-  
4 metering for the individual occupancy units.

5

6 Q: Is the rule clearly applicable in any other  
7 circumstances?

8 A: No, I can't say that it is.

9

10 Q: If we assume that Commission Rule 25-6.049(6)  
11 did apply to the Service and Maintenance  
12 Agreement, how would you define pertinent fees  
13 and costs as used in Rule 25-6.049(6) in order  
14 to determine whether H. Geller Management  
15 Company complies with this rule?

16 A: I have reviewed the Service and Maintenance  
17 Agreement. The only service and maintenance  
18 fees to any degree identifiable as electricity  
19 charges are the adjustments which the  
20 agreement allows for increases by the Florida  
21 Power Corporation in the electricity rate.  
22 These adjustments presently average \$3.13 per  
23 month per unit for the Jefferson Building.  
24 There are no other fees or charges billed by  
25 Geller Management or paid by the residents

1           which are identifiable as electricity charges.  
2           In fact, I also understand that the  
3           adjustments are not separately stated on any  
4           billing. They are added to the maintenance  
5           fee, and the residents pay the single monthly  
6           fee.

7           The total electric cost paid by Geller  
8           Management, per month, per unit, for the  
9           calendar year 1990 was \$6.14. This figure is  
10          based on the total consumption for all  
11          buildings and facilities divided by the total  
12          of 1700 units in the community.

13          It is impossible to calculate an accurate cost  
14          figure for the Jefferson Building including  
15          its fair share of the common facilities, since  
16          the electric metering for some of the other  
17          buildings in the community include electricity  
18          usage related to common facilities which are  
19          not separable from the building usage.  
20          However, a minimum cost can be calculated by  
21          taking the Jefferson Building electric cost  
22          and adding a per unit proportional share of  
23          those common facilities which are separately  
24          metered. This minimum cost, for 1990, is  
25          \$4.37 per unit per month and does not include

1 any share of the common facilities included in  
2 building meters. Since both the average cost  
3 figure of \$6.14 and the Jefferson building  
4 minimum cost of \$4.37 per unit per month are  
5 greater than the identifiable electricity  
6 charges of \$3.13 per unit per month, the H.  
7 Geller Management Company would be in  
8 compliance with the rule, if it were  
9 applicable.

10  
11 Q: Did you also review the estimated budget  
12 document from the Jefferson Building  
13 prospectus?

14 A: Yes, I did. It is obvious that most of the  
15 individual items in the budget document are  
16 rough estimates, since most of the figures are  
17 rounded to the nearest quarter of a dollar.  
18 The only figures from this budget contained in  
19 or referenced by the Service and Maintenance  
20 Agreement are the total monthly maintenance  
21 fees for the various categories of condominium  
22 units, and the ten dollar management fee. The  
23 individual expense items are not addressed by  
24 the agreement and there is no implication that  
25 the total maintenance fee represents a dollar

1           for dollar pass through of utility costs, or  
2           any other expense.  
3           Therefore, I don't think that any item in this  
4           estimated budget represents a fee or charge  
5           for that specific service, with the exception  
6           of the \$10.00 per month management fee, which  
7           is specifically addressed, and broken down, in  
8           the Service and Maintenance Agreement.  
9           Undoubtably, many organizations and  
10          businesses, including condominium  
11          associations, apartment owners, and shopping  
12          center managers frequently prepare estimated  
13          budgets and those budgets may include a line  
14          item entitled "electricity expense." In many  
15          instances those budgets will be used to  
16          develop fees, charges, or prices for  
17          facilities provided, services or products sold  
18          by the business. If the existence of such a  
19          budget establishes a fee or charge for  
20          electricity, then any over estimation of the  
21          electricity expense would violate Commission  
22          Rule 25-6.049(6), and any customer of the  
23          business could seek compensation for the  
24          alleged overcharge.

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21          electricity expense would violate Commission  
22          Rule 25-6.049(6), and any customer of the  
23          business could seek compensation for the  
24          alleged overcharge.

1           This could put the business at a great  
2           disadvantage, since other expense items in its  
3           budget may have been under estimated, by  
4           amounts which more than offset the electricity  
5           over estimate, and the business may already be  
6           operating at a loss. Yet providing the  
7           facilities, product or services at a loss  
8           would still constitute an overcharge for  
9           electricity, if one accepts the premise that  
10          the existence of a budget establishes a fee or  
11          charge for electricity.

12          I believe this example shows that using a  
13          budget to establish a fee or charge for  
14          electricity is neither fair or practical. It  
15          would force budgeting businesses to either  
16          under estimate electricity costs consistently  
17          and absorb the losses, or to develop a system  
18          to constantly adjust fees or prices, and  
19          refund over estimates.

20

21          Q: Does that conclude your testimony?

22          A: Yes.

Test-Par.Pld

**CHARLES R. PARMELEE**  
Utility Consultant  
1025 Princeton Walk  
Marietta, GA 30068  
(404) 973-1386

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**PERSONAL:** Born in Dallas, Texas; December 5, 1946  
Married 21 years, three children

**EDUCATION:** Georgia State University, B.A. (Mathematics), 1970  
Georgia Institute of Technology, 1964 - 1968,  
Mechanical Engineering (no degree)  
Miami-Dade Junior College, 1971 - 1972,  
Courses in Accounting, Business, and Business Law

**EXPERIENCE:**

1980-1991 Ebasco Business Consulting; Senior Project Consultant. Major areas of expertise are rate analysis and rate design for retail and wholesale applications, cost of service studies, and load research administration. Has performed market analysis for valuation of several electric generating stations.

Clients for whom work has been performed include:

Tennessee Valley Authority - Developed a wholesale rate design package and assisted in design of retail rates.

Union Gas System, Inc. - Prepared cost of service study for rate filing.

Arkansas Electric Cooperative Corporation - Developed a wholesale rate design proposal for submittal to cooperative members and for review by state commission.

Jacksonville Electric Authority - Advised JEA Rate Division regarding tariff modifications to incorporate flat rates and time-of-day rates in response to a Florida Public Service Commission Order. Reviewed final rate design. Project Manager for Cost of Service and Rate Design project.

International Paper Company - Assisted in review of Bonneville Power Authority rate proposals and preparation of testimony for BPA hearings.

Mississippi County Electric Cooperative, Blytheville, Arkansas - Developed an alternative wholesale rate proposal for presentation to Arkansas Commission. Testified before Commission.

City of Marietta, Georgia - Designed retail electric rates and made rate design presentation to the Board of Lights and Water for approval.

Savannah Electric and Power Company - Advised and assisted SEPCO management and staff in design and implementation of major modifications to retail rate structure.

**EXPERIENCE:**  
**(Continued)**

Lockhart Power Company - Designed retail rates, including major tariff modifications, and testified before South Carolina Public Service Commission in 5 cases.

China Light & Power Company, Ltd., Hong Kong - Conducted one week cost of service seminar, made recommendations for cost of service structure, systems development, and processing. Assisted CLP staff in converting cost of service study to a micro-computer system.

National Rural Utilities Cooperative Finance Corporation - Evaluation of adequacy of the electric rates of a generation and transmission cooperative electric utility.

National Rural Utilities Cooperative Finance Corporation - Evaluation of capital, operating, and maintenance costs of certain coal electric generating units.

Pacific Gas & Electric Co. - Conducted cost of service seminar for PG&E management and staff.

Nantahala Power and Light Company - Assisted in the preparation of cost of service study and retail rate design.

Talquin Electric Cooperative, Inc., Quincy, Florida - Designed retail rates in accordance with Florida Public Service Commission specifications.

Fayetteville Public Works Commission - Designed retail rates and made rate design presentation to the Public Works Commission for approval.

Jamalca Public Service Company, Kingston, Jamaica - Conducted load study and assisted in retail rate design for national electric utility.

Bermuda Electric Light Company, Hamilton, Bermuda - Conducted rate study including load analysis, cost of service, and rate design. Assisted management with testimony preparation. Testified before Bermuda Price Ministry.

National Energy Commission, Santiago, Chile - Member of Ebasco project team which conducted a nationwide electric utility distribution cost study which was used to establish rates for all Chilean electric utilities.

Oglethorpe Power Corporation, Atlanta, Georgia - Developed special cogeneration rates for compliance with PURPA regulations.

CVG Electrification del Caroni C.A. (EDELCA), Caracas, Venezuela - Conducted cost of service and rate design studies for the national hydroelectric utility.

Florida Power & Light Company, Miami, Florida - Directed development of innovative general service demand rates.

**EXPERIENCE:**  
**(Continued)**

- Confidential client - Conducted a study of U. S. electric utility regulatory practices for a foreign utility to use in the development of regulatory structure proposals to their government.
- 1979-1980 Metropolitan Life Insurance Company; Group Representative - Group Insurance and Pensions Department. Duties included full responsibility for all aspects of administration and sales for six large group insurance policyholders. Activities ranged from resolving claim complaints to the presentation of proposals, financial statements, and rate adjustments.
- 1978-1979 Georgia Power Company; Rate Design Specialist-Rates and Research Department. Primary responsibility was the development and documentation of revenue forecasts for rate case filings and company budgeting. Assisted in rate design and testimony preparation for both state and federal rate filings.
- 1975-1978 Florida Power & Light Company; Load Research Analyst-Rates and Research Department. Responsible for development, implementation and administration of the Florida Power & Light Company load research program. This involved working with several departments within the Company, including Data Processing, Sales, and Operations. Responsibilities included the preparation of reports used in cost of service studies, load forecasting, and rate studies. Designed rates for both state and federal rate filings.
- 1972-1975 Florida Power & Light Company; Programmer. Responsibilities included systems and EDP design, program development, system enhancements and system maintenance. Experience in COBOL, Assembly, and Fortran languages. Worked in engineering and financial areas on applications such as Payroll, Utility Rate Analysis, Power Plant Maintenance Cost Accounting, Inventory, and Distribution Work Order System.
- 1971-1972 James G. Thompson, Inc.; Assistant Accountant. Assisted Corporate Accountant in general contractor's office. Was responsible for payroll, union reporting, quarterly tax reports, job accounting, corporate federal income tax filings, and bank reconciliations. Worked with bookkeepers on company journal and ledgers.
- 1969-1970 Lockheed-Georgia Company; Engineering Technician. Worked in wind tunnel model design, flight manual preparation, and the L-1011 project. Work included mechanical design, drafting, and assisting engineers and scientists in technical studies.
- 1965-1968 Georgia Power Company; Draftsman. Worked two summers assisting Distribution Engineers by preparing drawings and estimates for field work.