

# I. Meeting Packet



**State of Florida**  
**Public Service Commission**  
**INTERNAL AFFAIRS AGENDA**  
**Tuesday, January 9, 2017**  
**Following Commission Agenda**  
**Room 105 – Gerald L. Gunter Building**

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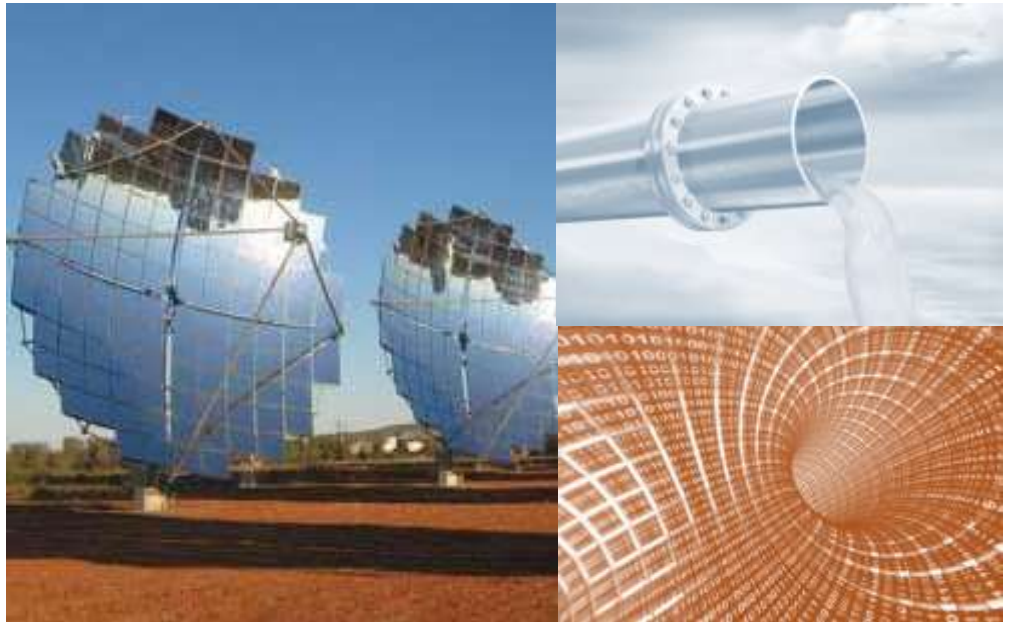
1. Public Utility Research Center 2017 Annual Report to the Florida Public Service Commission – Dr. Mark Jamison  
(Attachment 1)
2. Legislative Update
3. General Counsel's Report
4. Executive Director's Report
5. Other Matters

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ANY OF THE AGENDAED ITEMS SHOULD CONTACT THE  
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# Public Utility Research Center 2017 Annual Report to the Florida Public Service Commission



2017

## Update on PURC Research and Outreach

This update on PURC research and outreach is intended to serve as an overview for FPSC commissioners and professional staff. At the end of this summary is a list of recent research papers that are also available through the research papers search engine on the PURC website at [www.purc.ufl.edu](http://www.purc.ufl.edu). We truly appreciate the support of the FPSC and welcome opportunities for continued collaboration.

# Public Utility Research Center 2017 Annual Report to the Florida Public Service Commission

## UPDATE ON PURC RESEARCH AND OUTREACH

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# Public Utility Research Center 2017 Annual Report to the Florida Public Service Commission

## UPDATE ON PURC RESEARCH AND OUTREACH

### HIGHLIGHTS

#### **45<sup>th</sup> Annual PURC Conference**

The 45<sup>th</sup> Annual PURC Conference, “Securing the Future of Florida’s Utility Infrastructure” will examine what customers value and how they are being served.

#### **Courses on Executive Leadership, Electricity Pricing, and Regulatory Principles**

PURC provided courses in multiple countries. Topics included developing an effective leadership culture, key principles for effective regulation, and developing practical, yet economically meaningful prices in electricity.

#### **Online Course: Regulatory Impact Analysis**

PURC continues to offer its Comprehensive Regulatory Impact Analysis Online Course. In 2017, 24 professionals participated in the course in an effort to learn how to avoid the pitfalls that stifle utility regulatory decisions and gain support for difficult issues.

#### **Research Initiatives on Distributed Energy Resources, Incentive Regulation, and Competition**

PURC faculty and affiliates are engaged in research on behavioral changes of solar customers, demand charges, price cap regulation in energy, demand response, deregulation, anticompetitive conduct, and mergers.

#### **PURC/World Bank International Training Program on Utility Regulation and Strategy**

One hundred three people attended this two week program in 2017. Since its inception in 1997, this program has educated more than 3300 professionals representing 154 nations. Commissioner Ronald Brisé was a featured speaker in June.

## **PURC Advanced International Practices Program**

Twenty-four infrastructure professionals from around the world participated in this year's courses on energy pricing, benchmarking, and telecommunications.

## **Body of Knowledge on Infrastructure Regulation (BoKIR) web site**

PURC, in collaboration with the Public-Private Infrastructure Advisory Facility at the World Bank, expanded the BoKIR content to include fragile states in 2016. This new section includes an overview of how regulatory systems can be built in fragile situation, self-diagnostic tools, review of the best literature on the topic, FAQs, and an annotated reading list. In 2018, PURC will collaborate with the Governance team at the World Bank to create learning modules and training materials from a toolkit developed by the World Bank team.

## PRIMARY RESEARCH PROJECTS

### ENERGY

#### **Designing Compensation for Distributed Solar Generation: Is Net Metering Ever Optimal?**

Electricity customers who install solar panels often are paid the prevailing retail price for the electricity they generate. This paper demonstrates that this rate of compensation typically is not optimal. A payment for distributed generation that is below the retail price of electricity often will induce the efficient level of distributed generation when the fixed costs of centralized electricity production and the network management costs of accommodating intermittent solar are large, and when centralized generation and distributed generation produce similar (pollution) externalities. The payment for distributed generation can optimally exceed the retail price under alternative conditions. The optimal compensation policy varies considerably as industry conditions change.

#### **Solar Impacts: Does Distributed Production affect Consumption Choices?**

As the role of distributed generation grows in the electricity industry, this growth is accompanied by questions regarding its impact on the rest of the system, chiefly the impact on finances, environmental footprint and reliability. Unfortunately, analyses of these impacts assume, a priori, that generation from distributed resources displaces generation from “somewhere else”, usually centralized resources and a 1:1 basis. We examine the behavior of customers who install solar arrays on their homes and find that these customers increase consumption by 8-14%. That is, every 100 kWh generated by residential distributed solar displaces only 86-92 kWh from other sources. This result has profound impacts on the financial compensation of these resources, their role in reducing emissions, and their impact on system reliability.

#### **Creditworthiness of US Electric Utilities**

This paper examined how credit rating agencies evaluate risk from evolving utility business model and regulation. Each of the three major credit rating agencies -- Standard & Poor's, Moody's, and Fitch – place major importance on regulation, in particular how regulation affects a utility's prospects for recovering its costs. For example regulation makes up 25% of Moody's formula. The agencies generally consider regulated services to be less risky than unregulated services, such as competitive generation. It remains to be seen how the major agencies will view other changes to the utility business model, although Barclays Bank downgraded the bond market for US electric utilities based on the belief that the regulatory compact is hampering utilities' to adapt to changing technologies. This paper was presented at a state regulator workshop on utility finance in New York.

#### **The Effect of Renewable Portfolio Standards on State-Level Employment: An Ex Post Analysis**

Renewable Portfolio Standards (RPSs) programs which propose target levels of energy production or consumption that must come from renewable sources, have become a popular policy in state capitals across the



United States. As of 2010, 29 states and the District of Columbia had adopted programs which fall under the RPS umbrella. RPS are often times seen as a tool to foster economic development through job growth. This paper analyzes the effects of RPSs on state level employment in the whole economy. The paper finds RPS adoption does not lead to a statistically significant effect on overall employment.

### **The Economic and Political Realities of Regulation: Lessons for the Future**

As competition emerges for electricity utilities, it is important to keep in mind lessons from the past. One lesson is that actual data, rather than conjecture, is needed for anchoring decisions in reality. Another lesson is that economic incentives are powerful. For example, electric utilities in the UK revealed that they were able to make significant improvements in efficiency once they were allowed to profit from the improvements. Finally successful transitions require that regulators carefully pace the changes so that the system does not derail. Because so many stakeholders have to give up something during times of change, the work of regulation is often about disappointing people at a rate that they can endure.

### **Renewable Energy Incentives in Kenya: Feed-in-tariffs and Rural Expansion**

This paper examines efforts to expand electricity access through the use of renewable energy sources. It discusses the regulatory environment, policies, and tariffs used by the government of Kenya for this effort, focusing on two important programs: the feed in tariff scheme and the creation of the Rural Electrification Authority. These policies and the use of clear targets have increased access and the use of renewable energy. Current challenges, including access to financing and expansion to the rural poor, are also discussed.

## **TELECOM**

### **Regulating Regulators in Transitionally Competitive Markets**

Over the past 30 years of transformations in telecommunications, the US has gained considerable insights about how to design regulatory policy in the presence of developing competition. The insight to date has focused on how to harness competitive forces to motivate incumbent suppliers to serve the best interests of consumers. This paper stresses the importance of considering the incentives of regulators and explores the associated changes in standard recommendations for regulatory policy design in the presence of developing competition.

### **Economic Scholars' Summary of Economic Literature Regarding Title II Regulation of the Internet**

Much has been claimed about the economics of the FCC's 2014 decision to classify internet service as a Title II common carrier service, but little of what is said seems to relate to actual economic research. A group of scholars, led by PURC, summarized the economic research and provided this summary to the FCC in its Restoring Internet Freedom proceeding. In general the research shows that some of the activities prohibited by the FCC's decisions can actually be beneficial to customers, but not always.

### **Three Things Economists Wish the FCC Knew about Broadband Markets**

Three well-known lessons from economics are largely missing from recent FCC decisions. One is that technology competition drives the deployment of high-speed broadband more than any other incentive. The second lesson is that a high market share is generally not a market failure, but an indicator that the company is satisfying customers more than are its competitors. Lastly subsidies created to improve universal service rarely do so.

### **Beyond Net Neutrality: Policies for Leadership in the Information, Computing, and Network Industries**

This paper analyzes the FCC's struggles in developing coherent policies for net neutrality and concludes that the current regulations are counterproductive. It explains a multistakeholder approach that can be used to resolve intra-industry conflicts, which largely drive net neutrality issues, without imposing explicit regulatory constraints on a rapidly evolving technology ecosystem.

### **Identifying Market Power in Times of Constant Change**

This paper explains that traditional approaches to defining markets to investigate market power fail in times of constant change because demand and supply are in constant flux. The analyses rely upon historical data, the value of which degrades over time, possibly resulting in harmful regulatory decisions. This points to a need for a different approach to determining when regulation is an appropriate response to market power. The paper presents an approach that relies upon essential factors leading to monopoly (EFMs), such as control of essential facilities, which persist across generations of products. Market power analyses should be a search for EFMs and policy responses should focus on diffusing the market power without destroying value.

### **Adding Dimension to Merger Analysis**

Traditional merger analysis in the U.S. focuses on a single dimension, namely the combination of two or more firms that supply substitutable products. As such, merger analysis misses the fact that there are various types of mergers – e.g., hostile takeovers, friendly acquisitions, and mergers of equals – and that the differences among these types affect outcomes. Similarly missing is explicit consideration of merger-created synergies for future markets. We illustrate the effects of painting all mergers with the same brush on the propensity for firms to form beneficial mergers and we suggest means of changing merger analysis to reflect diversity in the natures of mergers and their future markets.

### **Technology Blogs**

Dr. Jamison blogs on technology issues for the American Enterprise Institute. He addresses issues of net neutrality, universal service, privacy, innovation, competition, and regulatory institutions. His blogs are available on the PURC website at <http://warrington.ufl.edu/centers/purc/research/directorsTake.asp> or at the American Enterprise Institute website at <http://www.aei.org/scholar/mark-jamison-2/>.

## WATER

### **Data Transparency as a Key Tool for Regulating Government-Owned Water Utilities**

Data collection and information incentives are key for regulating the water sector where government ownership and operation is often the case. The problems are compounded for fragile, conflict-affected, and low income states. Issues, potential actions, and supporting examples that arise when monitoring and evaluating infrastructure utility performance are offered by this paper.

### **Technical Inefficiency Effects in a Stochastic Production Function for Managerial Incentives in Public Water Utilities**

Performance of state-owned water utilities in developing countries is often weak. This study estimates the impact of managerial incentives upon efficiency using a stochastic frontier production function with revenue water as the output. The empirical analysis utilizes an unbalanced paneled data consisting of revenue water, connections, operating expenditure, water delivered and staff, from Uganda's nineteen NWSC sub-utilities for a nine-year period, 2002-2010. The inefficiency effects are modelled as a function of utility-specific variables: service coverage, level of financial incentives, target difficulty, and year of observation. While financial incentives and increased service coverage improve efficiency, targets (such as the reduction of non-revenue water) that are perceived as excessive by employees may reduce it. The findings suggest some policy implications: utility managers in the public water sector need to incorporate monetary incentives and increase service coverage to reduce non-revenue water. However, targets need to be set with great care and with transparency.

## MULTISECTOR

### **Stakeholders and Power Relations in Regulation**

Stakeholders play at least two roles in utility regulation: Some receive benefits, such as customers protected from monopoly power. Stakeholders also influence regulation by, for instance, commenting in proceedings. Most studies on stakeholder relations focus on engagement, such as through advisory groups and public hearings. Largely missing are analyses of power relationships. Some stakeholders, such as lawmakers, have formal authority over regulatory bodies. Others have little formal authority. Stakeholders also vary in how and the degrees to which regulators affect them. This paper examines these relationships and illustrates them with a survey of regulatory agencies in the Caribbean

## OUTREACH

### **Plans for the 45<sup>th</sup> Annual PURC Conference, Securing the Future of Florida's Utility Infrastructure**

Our U.S. energy and water supply systems are not ready for the future, according to some experts. The American Society of Civil Engineers (ASCE) graded the U.S. energy infrastructure as a D+ and our drinking water systems as a D in 2017, exactly the same as in 2001. Florida fared somewhat better but not well in 2017, with a C+ for drinking water infrastructure and a C- for energy. New technologies are changing wireless communications, energy production and storage options, and customers' expectations for service. Cyber threats are evolving and it is hard for state regulators to review the costs of preventative measures. The 2017 storm season brought renewed calls for new solutions and approaches to storm hardening, recovery, and customer relations. We have faced these challenges before so what holds us back from making significant progress?

Conference details are available online at <http://www.purc.ufl.edu>.

### **Safe, Reliable Service at Just and Reasonable Rates: The Economics of Storm Hardening**

In the wake of the devastation left by Hurricane Harvey in Texas and Louisiana, and Hurricane Irma in Florida, and mindful of the winter storms that will soon bring wind and snow to much of the country, anxious people everywhere worry about the impact these storms might have on their safety, comfort, and convenience. When it comes to their electricity service, people turn their attention to the power lines overhead and ask their utilities and regulators if their electricity service might be more secure if those lines were buried underground. But the answer is not that straightforward. Some of the issues that formulate decision-making were discussed by Ted Kury, Director of Energy Studies, during this webinar hosted by the National Regulatory Research Institute (NRRI).

### **Three Lessons for Improving Infrastructure Performance**

Drawing from forty-six years of teaching, research, and outreach, Dr. Sanford Berg shared in the keynote address at the 15<sup>th</sup> Annual OOCUR Conference, three themes that regularly emerge from his work. These relate to politics, information, and conflict-resolution. PURC has hosted over 3,500 regulators and managers from 153 nations over the past two decades in the PURC/World Bank International Training Program on Utility Regulation and Strategy. During the concluding session of each program, participants have shared their reactions to formal presentations and informal networking. Three key lessons they identify can be consolidated into three areas: drivers of regulatory decisions, the importance of quantification, and approaches to the resolution of stakeholder conflicts. In addition, these lessons build upon seven elements affecting the performance of the energy, water, and telecommunications sectors. These elements all begin with the letter "I", making it easy to remember themes that permeate regulatory systems.

### **When Regulators Lead: Resolving Your Toughest Challenges**

At PURC, we often refer to the job of a regulator as "disappointing people at a rate they can endure." The ability of a regulator to distribute losses among the stakeholders can be the difference between making progress in difficult issues and failure to move forward. "When Regulators Lead: Resolving Your Toughest Challenges" was the title of the presentation that Ms. Araceli Castaneda, Director of Leadership Studies at

PURC gave at the 15th Annual OOCUR Conference: Balancing the Interests – Lessons from Caribbean Regulators, held in Trinidad and Tobago, November 8 – 10, 2017. In this interactive presentation, Ms. Castaneda described the differences between formal and informal authorities, and introduced the PURC Strength and Stability Model.

### **What Actions Should Governments Take to Promote Economic Success in the New Digital Economy?**

That was the question discussed by a panel at the Jack Kemp Foundation Forum on Opportunity in the New Digital Economy. The panel examined how government can improve its efficiency and its effectiveness in serving citizens. One of the key takeaways is that government procurement practices are the biggest obstacle for improvement in the US. The panel also discussed competition issues for large tech firms. There was general agreement on the importance of liberal markets for technology development. Regarding developing entrepreneurship in the digital economy, the panel believed the main government role was to have as little regulation as possible to allow entrepreneurs to be profitable and nimble. PURC director Mark Jamison moderated the panel, which included Congressman Will Hurd of Texas, Commissioner Terrell McSweeney of the Federal Trade Commission, and Chris Liddell of the White House Office of American Innovation. The forum was held in Washington, DC on October 24, 2017.

### **The Growing Role of Distributed Generation in the Caribbean Electricity Sector**

The role of distributed generation is growing in the Caribbean electricity sector. However, this growth accompanies many assumptions about these resources, with impacts on system planning and reliability. At the 9th Caribbean Renewable Energy Forum in Miami, Florida, PURC Director of Energy Studies Ted Kury addressed the Utility Leaders Workshop regarding some research the PURC has conducted around some of these assumptions. The research suggests that consumer behavior might change when they install distributed generation, and this behavior has the potential to impact the way island nations plan their utility systems.

### **What's Missing from Discussions in the US about Broadband Deployment?**

What's missing from discussions in the US about broadband deployment? Any assessment of the costs and benefits. That was the basic message that PURC director Mark Jamison conveyed to participants of the Technology Policy Institute's Aspen Forum in August 2017. He explained that broadband subsidies take resources from other parts of the economy, such as education and healthcare, and careful thought should be given to what is being given up for more broadband. He also called participants' attention to studies that have shown that telecommunications subsidies for the poor make very little impact on the poor's consumption of telecommunications. Instead low-income households treat the subsidy as extra income. This implies that an income subsidy would be more beneficial than today's complex Lifeline program that has been subject to considerable fraud by telecom companies.

### **What Grade Should US Broadband Infrastructure Receive?**

What grade should US broadband infrastructure receive? None, or at least none from outsiders. This was the advice of PURC director Mark Jamison. Speaking on a panel at the July 2017 meetings of the National Association of Regulatory Utility Commissioners, Dr. Jamison explained that customers and broadband providers

are the only groups that can give valid grades for the infrastructure, and they do so on a daily basis. US customers seem pretty enthusiastic: Data traffic over mobile networks has increased over 300% over the past three years and employment in the app sector has increased at a compound annual growth rate of 30% over the past five years. Network providers seem enthusiastic, too: According to the Progressive Policy Institute, telecom and cable TV companies account for about 32% of all investment made by the top 25 US companies.

### **What Might Change with Net Neutrality in the US?**

What might change with net neutrality in the US? That was the subject of a panel that featured PURC director Mark Jamison. Speaking before the National Association of Regulatory Utility Commissioners' (NARUC) Committee on Telecommunications, Dr. Jamison explained that events are overtaking net neutrality in the US. Even though customers think they are accessing content on the internet, they are actually using private networks much of the time. A growing number of content providers have their own networks and are bypassing the public internet because its equal treatment approach does not work well for a lot of content services. Also it is ultimately damaging to customers to lock a dynamic industry into regulator-induced business models. He also advised that the net neutrality debate is in many ways a battle between competing businesses and that regulators should avoid getting caught up in struggle. This NARUC meeting was held in San Diego in July 2017.

### **Leadership for Innovation**

Innovation will be crucial to "Reimagine ICT as a Tool for National Growth and Development," which was the theme of the CANTO Conference held in Punta Cana, the Dominican Republic, July 16-19, 2017. During her presentation "Leadership for Innovation," Ms. Araceli Castaneda, PURC director of Leadership Studies described the three types of innovation to consider in the ICT world: innovation in what is known, innovation in what is knowable and innovation into the unknown. Ms. Castaneda also offered leadership tools to the industry representatives and regulators in the audience to promote an organizational culture that encourages innovation and is tolerant of potential failures.

### **How Should Regulators Address Network Security and Prepare Themselves for Future Regulatory Issues?**

Those were the topics of remarks that PURC Director, Mark Jamison, offered at the International Telecommunications Union meeting in Nassau, Bahamas in July 2017. Participating in two panels, Dr. Jamison pointed out that these two topics dovetail nicely. Regulators are to be independent in terms of bias, but interdependent in terms of cooperating with others. Network security requires coordinated efforts of customers, network providers, regulators, and other government officials. Several other issues came up during the panels. Regarding Bitcoin and blockchain technology, Dr. Jamison explained that the success of Bitcoin and this security technology is an indicator that people are not getting sufficient value from traditional currencies and banking systems. On net neutrality, Dr. Jamison explained that ex ante regulations stop good things from happening as well as bad things. He preferred that regulators focus on ex post regulations.

## **Telestrategies**

What can people expect from the new Federal Communications Commission? This was the topic of PURC Director Dr. Mark Jamison's presentation at the TeleStrategies' Communications Taxation Conference in Miami, Florida in May 2017. Dr. Jamison explained that the two Republican commissioners had written extensive and well-documented dissents during their times in the minority and that these dissents form a roadmap for their actions now that they will be in the majority.

## **Other Research Conferences**

At the International Industrial Organization Society Conference, PURC awarded its annual "Best Paper in Regulatory Economics" award. PURC researchers participated in several other international conferences, including the International Industrial Organization Society, the Telecommunications Policy Research Conference, and the Organisation of Caribbean Utility Regulators.

## **Results of the 44<sup>th</sup> Annual PURC Conference**

More than 90 key leaders in industry and government attended the 44<sup>th</sup> Annual PURC Conference, "Florida Utilities: Who's Driving the Future" in February. Speakers included Jerry Parrish of the Florida Chamber Foundation and former FERC Commissioner, Tony Clark of Wilkinson Barker Knauer, LLP. Speakers examined what customers value and how they are being served. Conference details are available online at <http://www.purc.ufl.edu>.

## **Body of Knowledge on Infrastructure Regulation (BoKIR) Web site**

PURC continues to update this valuable online resource to include more recent information in its sections. Currently, the web site provides tutorials, literature surveys, self-paced tests, and more than 500 downloadable references on utility regulation, as well as a regulatory glossary translated into several different languages. As of 2017, the glossary of terms is available in 11 languages including Bulgarian and Arabic.

## TRAINING AND DEVELOPMENT

### **41<sup>st</sup> and 42<sup>nd</sup> PURC/World Bank International Training Programs on Utility Regulation and Strategy**

One hundred and three infrastructure managers learned from each other and from leading experts during the January and June deliveries of this biannual, two-week program in Gainesville. The program is designed to enhance the economic, technical, and policy skills required to design and manage sustainable regulatory systems for infrastructure sectors. The participants studied ongoing infrastructure reform programs, networked with international speakers, and offered their own insights into regulatory policies.

### **2017 PURC Advanced International Practices Program**

PURC delivered three courses under its Advanced International Practices Program: Energy Pricing, Benchmarking Infrastructure Operations, and Advanced Topics in Telecom Policy and Regulation. In attendance were 24 participants from 14 nations. Participants of the energy course performed price reviews and analyzed financial statements for rate setting. Benchmarking participants assessed how information on trends in key performance indicators helps decision-makers. Telecom participants examined new technologies and services, customer demand, international trends and business challenges in ICT. Dr. Jamison, Dr. Berg, Dr. Kury, and Ms. Castaneda designed and delivered the courses during the 10-day program.

### **Practicing Leadership in a Political Environment: A One-Day Intensive Training Workshop for Emerging Leaders in Utility Policy**

In January and June, Dr. Jamison and Ms. Castaneda delivered leadership workshops for regulatory professionals, who examined the activities, behaviors, mindsets, and skills of a successful leader during this training workshop designed by PURC for emerging leaders in utility policy.

### **Comprehensive Regulation Impact Analysis**

PURC's online course provides tools and approaches for regulatory impact analysis (RIA), a systematic appraisal of the potential impacts of a regulatory decision to assess whether the decision is likely to achieve the desired objectives and at what cost. Through case studies, exercises, and lectures, course participants learn how to identify key questions, identify stakeholders and engage them in the analysis, use appropriate analytical techniques, and communicate their findings. In the spring and fall of 2017, this online course was led by PURC director of energy studies, Ted Kury, and PURC director of water studies, Sanford Berg.

### **Aqualectra Leadership Training and Coaching**

How can an executive team create a leadership culture? When Aqualectra CEO Darick Jonis posed this question to PURC, Mark Jamison and Araceli Castaneda designed a three-phase executive and leadership program for the utility. During Phase I of this program, these PURC faculty worked with the executive team to create an



innovative and business-mind leadership culture to help them thrive in their difficult context. This was achieved through a set of leadership workshops and executive coaching that melded three leadership frameworks: Servant leadership, adaptive leadership, and situational leadership. Phase I was delivered over a five-month period earlier this year. Phase I also included a seminar for the utility's board of directors. Phase II of this program is scheduled for 2017. Phase II embedded this type of leadership among the executives through experiences to deepen leadership habits, and extended this leadership style among the unit directors and company's upper management.

### **Follow-up Part I Regulatory Training Course for the Members of the Office and Senior Managers**

How can regulators adapt to changes in policy and technology on island systems? That was the subject of a recent PURC course held in Kingston, Jamaica for the Office of Utilities Regulation. PURC Director of Energy Studies Ted Kury and Senior Fellow Raj Barua conducted a two day program for the Members of the Office and key staff. The program addressed the changing role of the OUR in light of new legislation and a change in regulatory regime from a price cap to a revenue cap. The course built on an earlier program to incorporate the challenges faced by island systems, independent power producers, risk control and mitigation, and the regulatory process.

### **How Can a Regulator Prepare Itself for New Responsibility?**

This was the situation faced by the Egyptian water regulator, EWRA. PURC Director, Dr. Mark Jamison, and PURC Senior Fellows, Dr. Sanford Berg and Dr. Raj Baura, studied the regulator's context and laws and developed a training plan. Because the agency personnel had received extensive training in the past, the primary need was to refresh the knowledge and develop new professional habits. Drs. Jamison, Berg, and Baura recommended online approaches to sharpen a few skills, but emphasized partnering with educational institutions that could provide guided learning and development of new practices. The World Bank funded this effort.

## FACULTY RESEARCH FOCUS



**Mark A. Jamison, Director**

Dr. Jamison conducts studies on leadership in regulation, regulation and strategy in telecommunications, and regulatory institutions. In recent years, his research has been presented at meetings of the American Economic Association, Industrial Organization Society, Western Economic Association, Australian Competition and Consumer Commission, Telecommunications Policy Research Conference, the Caribbean Electric Utility Services Corporation, the Organisation of Caribbean Utility Regulators, and the National Association of Regulatory Utility Commissioners. He is the principal investigator on a National Science Foundation grant to examine barriers to adoption of solar technologies in developing countries. His current research examines market competition, adaptive regulation, and institutional change. He has conducted training programs for regulatory organizations in Africa, Asia, Australia, the Caribbean, Central America, Europe, North America, and South America.



**Ted Kury, Director of Energy Studies**

Dr. Ted Kury's research has focused on three current issues confronting energy markets: the efficacy of relocating power lines, the complexity in determining optimal levels of carbon dioxide abatement, and the effects of restructured electricity markets. The relocation of power lines is a complicated question because relocation is very expensive and does not necessarily reduce the damage associated with storm events. In areas more susceptible to storm surge and flooding, the relocation may even increase damages, leading to a waste of valuable consumer and utility resources. Understanding how the efficacy of undergrounding changes with location is critical to ensuring that customers are receiving safe, reliable electricity service at just and reasonable rates. In addition to his academic work, Dr. Kury has published a number of essays in the popular press on the topic. His work on carbon abatement includes insight into the marginal cost curves for abatement. Theoretically, we can equate the marginal cost with the marginal benefits of abatement to determine optimal levels of emissions. Economic theory provides clear guidelines on what constitutes optimal levels of production for any good – the point at which the marginal cost is equal to the marginal benefit. However, in practice, these curves are not always well-behaved, and this can lead to different characterizations of the optimum. So while an understanding of these costs and benefits is necessary to determine optimal levels, it is not sufficient, and public policy should take this into account. In addition, the sensitivity of these marginal abatement curves to the price of natural gas means that consumers suffer twice as natural gas prices increase. This question is critical as states decide how to comply with the EPA's Clean Power Plant Rule. Restructured electricity markets have led to more opportunities, but it is not clear how these opportunities are distributed. Dr. Kury's research has shown that the benefits of increased trade in transparent wholesale markets are not uniformly distributed, with larger and privately-owned utilities more apt to participate. He is also studying whether growth in distributed generation resources have an effect on consumption for consumers, impacting system planning and reliability.



**Lynne Holt, Policy Analyst**

Dr. Holt’s research agenda for 2017 included publishing a paper on utility-led community solar and producing a PURC working paper on state public utility commissions’ role in cybersecurity and physical security issues.



**Araceli Castaneda, Director of Leadership Studies**

Ms. Araceli Castaneda’s leadership work in 2017 has mostly focused on the continued work with a utility company that started over two years ago. This work was carried out jointly with Mark Jamison. The focus of “Phase II” of this leadership program has been two-fold: (a) to embed and deepen the innovative and business-mind leadership culture among the executives of the company through shadowing sessions, facilitated peer consulting activities, one-on-one coaching and self-assessments, and (b) the extension of the leadership training through three sets of two-day workshops customized for the directors of the different units and company’s upper management.

Ms. Castaneda presented “When Regulators Lead: Resolving Your Toughest Challenges” at the 15<sup>th</sup> Annual OOCUR Conference: *Balancing the Interests – Lessons from Caribbean Regulators*, held in Trinidad and Tobago, November 8 – 10, 2017. In this interactive presentation, Ms. Castaneda described the differences between formal and informal authorities, and introduced the PURC Strength and Stability Model.



**Sanford V. Berg, Senior Fellow**

Dr. Sanford (Sandy) Berg, PURC Senior Fellow, has been investigating internal and external governance mechanisms in the context of infrastructure reform. *Utilities Policy* published his paper, co-authored with Michelle Phillips, “Data Transparency as a Key Tool for Regulating Government-Owned Water Utilities” (December 2017, pp. 30-37). This article examines factors that are important for data collection and information initiatives in the water sector, where government ownership and operation is usually the case. Examples from developing countries are presented to illustrate the impacts of data availability on sector performance. His co-authored a paper on “Adaptive Leadership in Water Utility Operations: The Case of Uganda,” which builds on the work by Castaneda and Jamison, was published in the journal, *Sustainable Water Resources Management*. Berg was invited to deliver the Keynote speech at the 15<sup>th</sup> Annual Organization of Caribbean Regulators (OOCUR) Conference (in Trinidad and Tobago). His presentation, “Three Lessons for Improving Infrastructure Performance,” was published in the November OOCUR *Newsletter*. He continues to assist in the delivery of PURC eLearning and training programs for international participants.



**David Sappington, Lanzillotti-McKethan Eminent Scholar**

Professor Sappington's ongoing research focuses on the design of regulatory policies to: (i) limit peak electricity consumption by providing incentives for demand response; and (ii) promote efficient distributed generation of electricity via net metering and related policies.

## APPENDIX

### Public Utility Research Center

#### Recent Publications and Working Papers

**Belt, Juan A.B., Nicolas Allien, Jay Mackinnon, and Bahman Kashi.** 2017. "Cost Benefit Analysis of Power Sector Reform in Haiti" University of Florida, Warrington College of Business Administration, PURC Working Paper.

**Berg, Sanford V.** 2017. "Three Lessons for Improving Infrastructure Performance" University of Florida, Warrington College of Business, PURC Working Paper.

**Berg, Sanford V.** 2016. "Seven Elements Affecting Governance and Performance in the Water Sector" University of Florida, Warrington College of Business Administration, PURC Working Paper.

**Berg, Sanford V., and Michelle Phillips.** 2017. "Data Availability as a Key Tool for Regulating Government-Owned Water Utilities" University of Florida, Warrington College of Business Administration, PURC Working Paper.

**Berg, Sanford V., and Michelle Phillips.** 2016. "Data Transparency as a Key Tool for Regulating Government-Owned Water Utilities" University of Florida, Warrington College of Business Administration, PURC Working Paper.

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# III. Supplemental Materials for Internal Affairs

Note: The records reflect that there were no supplemental materials provided to the Commission during this Internal Affairs meeting.

# IV. Transcript

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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PROCEEDINGS: INTERNAL AFFAIRS  
  
COMMISSIONERS PARTICIPATING: CHAIRMAN ART GRAHAM  
COMMISSIONER JULIE I. BROWN  
COMMISSIONER DONALD J. POLMANN  
COMMISSIONER GARY F. CLARK  
  
DATE: Tuesday, January 9, 2018  
  
TIME: Commenced: 2:56 p.m.  
Concluded: 3:31 p.m.  
  
PLACE: Gerald L. Gunter Building  
Room 105  
2540 Shumard Oak Boulevard  
Tallahassee, Florida  
  
REPORTED BY: ANDREA KOMARIDIS  
Court Reporter and  
Notary Public in and for  
the State of Florida at Large

PREMIER REPORTING  
114 W. 5TH AVENUE  
TALLAHASSEE, FLORIDA  
(850) 894-0828

1 P R O C E E D I N G S

2 CHAIRMAN GRAHAM: All right. So, I've got  
3 3:56 [sic]. So, I think we're ready to bring this  
4 meeting to order.

5 This is Tuesday, January 9th. Once again,  
6 it's --

7 COMMISSIONER CLARK: 2:56.

8 CHAIRMAN GRAHAM: 2:56. Sorry. And this is  
9 the internal affairs. And the first thing on here  
10 is Dr. Jamison. Sir, please join us.

11 COMMISSIONER BROWN: Dr. J.

12 DR. JAMISON: Good to see you.

13 COMMISSIONER POLMANN: Hello. Welcome back.

14 DR. JAMISON: Thank you. Thank you.

15 Mr. Clark, I don't think we have met. Mark  
16 Jamison. I direct the Public Utility Research  
17 Center --

18 COMMISSIONER CLARK: Nice to meet you.

19 DR. JAMISON: -- at the University of Florida.  
20 So, thank you for taking the time to listen to  
21 what I have to say. I hope you've had a chance to  
22 review the -- the report we provided.

23 And I just also want to start out by  
24 expressing my gratitude and the gratitude of all  
25 people at PURC for the long-term support that the

1 FPSC has been provided. You've been involved with  
2 us since the early 1970s, when we first started.  
3 And it's always been our mission to not tell  
4 anybody how they should think about or vote on a  
5 particular issue, but help everyone get the  
6 analyses right. That's -- that's our mission.

7 And so, I would just like to summarize some of  
8 the things that we have been doing. Consistent  
9 with that, I'll focus first on some of the research  
10 topics that we have been doing and then talk about  
11 some of the -- our outreach and education programs.

12 Earlier, in your meetings, you were talking  
13 about some of the hurricane issues. We've been  
14 involved helping the utilities with the research  
15 agenda on that for a long time.

16 Recently, went through, again, the -- the  
17 model, computer model, that was developed on how do  
18 we understand the economics of hardening the  
19 infrastructure in different ways so people continue  
20 to -- to look to that model and use it. So, we're  
21 getting some more people up to speed on it.

22 And something that we've also observed over  
23 the past two years is that you and the utilities  
24 are reaching out to a lot more customers using  
25 social media. So, we have a -- had someone doing

1           some research project on how the customers are  
2           using social media, especially during the  
3           hurricanes. So, we'll be presenting some of that  
4           at our annual conference. We thought that might be  
5           interesting.

6           We have been working on distributed energy for  
7           some time; papers on -- on net metering, how that  
8           might or might not work in different types of  
9           situations; but also, then, working with some of  
10          the utilities on when customers are the ones with  
11          providing energy through solar panels, primarily --  
12          does that change how they behave; with their energy  
13          provider, are they more than just a customer. And  
14          I don't have the opt- -- opportunity yet to release  
15          the results, but the answer is yes. We'll talk  
16          about how some -- some point in the future.

17          And we're also just, on that same topic,  
18          wrapping up a National Science Foundation project  
19          on solar technologies. And we'll see if we can go  
20          further with that down the road.

21          We've also been involved in telecommunications  
22          work. For those of you that have looked at papers  
23          over the past year or so, you know there's a lot of  
24          noise about something called net neutrality.

25          The -- as -- as a center, we put together a

1 bunch of economists from around the country just to  
2 give information to the FCC on what does the  
3 economics research actually say. We can all  
4 conjecture about what we think, but then there's  
5 also a body of research. So, we just wanted to  
6 clarify that.

7           Been involved in universal service reform  
8 still going on at the FCC and talking with people  
9 about how we might reframe a communications act.  
10 The next piece on that will be, how can we make it  
11 more customer-friendly, starting with the customer,  
12 as opposed to what the industry interests might be.

13           Then, one of the things that's not in the  
14 report that we're just starting to step into is how  
15 some of the new technologies around things called  
16 block chain -- if you've been -- been watching that  
17 at all, it's an underlying technology for Bitcoin.

18           I've got a student out in Silicon Valley who's  
19 knee-deep into that. And he's getting us involved  
20 in looking at it. So, we're trying to think about  
21 how does that affect the electric industry at some  
22 point; how does that affect telecommunications  
23 industry. So, we're just stepping into that space  
24 of well -- as well.

25           Our research on water has been primarily on --



1 an ongoing program on how do we understand the  
2 efficiency of a water utility, doing -- different  
3 ways of doing that comparison.

4 And then, more broadly, in utilities, we  
5 recently did a paper on stakeholder interactions;  
6 not so much the regulator with the stakeholders,  
7 but, you know, who influences the stakeholders and  
8 how does that relate to what a commission can and  
9 can't do.

10 This was specifically done in the Caribbean.  
11 We did a research project down there on it that had  
12 some pretty interesting results that I'll leave you  
13 to look at at some point, if -- if you're  
14 interested. And just to point out, a good bit of  
15 our work is done outside of the U.S. So, sometimes  
16 our databases are -- are from other places as well.

17 Okay. So, then, in outreach -- we have an  
18 annual conference coming up in February. We've  
19 been having the annual conference since, like, our  
20 second year of existence. Hope everyone is able to  
21 attend that. We have some pretty interesting  
22 topics coming up, I think, in that.

23 The basic theme is going to be about how it is  
24 we are preparing our infrastructure for the future.  
25 Just teeing that up will be the Association for

1 Civil Engineers. They've been grading our  
2 infrastructure now as a "D"; countrywide as a "C,"  
3 in the U.S., for a long time. And so, one of the  
4 questions is why do they stay there. Because  
5 everyone agrees we should improve, but we don't.  
6 So, why not -- looking at that.

7 And then we'll also have a simulation, just to  
8 help people think through issues, a simulation of a  
9 cyber attack. And so, the audience will actually  
10 be in a position of making decisions as a utility  
11 executive whose infrastructure is under attack.  
12 And just to let people kind of have an opportunity  
13 to sit in that chair and see what it's like.

14 We start on Saturday. Our next two-week  
15 course on utility regulation -- we've been doing  
16 this now for about 20 years. 99 percent of people  
17 that attend this course are from outside the U.S.  
18 We cover all the basics, but as always, people from  
19 the FPSC and from our sponsors as well are invited  
20 to come and attend. We've had peop- -- members  
21 from the staff attend it before. We've had  
22 different of you be speakers at the program before.  
23 And it's -- it's always there as an opportunity.

24 We'll have probably about 80 people from about  
25 30 different countries this time. And so, it

1           should be -- should be pretty interesting, the  
2           different issues we'll be going through.

3           Also, something we've been doing now for a few  
4           years is an online course on how you do cost-  
5           benefit analysis. We'll be doing that again,  
6           launching that again here in -- sometime this  
7           spring. And we'll be doing that live as a five-day  
8           course in the fall. So, if you have interest in  
9           that, let us know.

10           COMMISSIONER BROWN: Do you get credits?

11           DR. JAMISON: Do you get credits? Well --

12           COMMISSIONER BROWN: Some type?

13           DR. JAMISON: That brings me to --

14           COMMISSIONER BROWN: Adult credits?

15           DR. JAMISON: -- the end of my list of things.

16           So, yes, we can arrange for those kinds of things  
17           for -- for continuing education credits, but  
18           something else we have done -- we started it about  
19           three years ago -- because we got so many requests  
20           for it -- we started what we called an Academy of  
21           Regulatory Professionals.

22           And actually it's more a discussion group of  
23           people that are just talking over issues. We've  
24           talked about, you know, privatization, ownership  
25           issues. We've talked about efficiency issues,

1 information-gathering issues.

2 It's a group of about 300 people right now  
3 from around the world. We're going to launch an  
4 expansion of that. And it offers certifications at  
5 different levels of expertise a person can achieve.

6 So, I need to talk with you folks about  
7 getting involved because people around the world  
8 would like to share thoughts with you. It's not us  
9 speaking as faculty about here is how you should  
10 think. We're trying to get people together solving  
11 problems. And we get some pretty interesting  
12 debates going sometimes amongst the -- the groups  
13 for that.

14 We do have an energy-pricing course that we'll  
15 be teaching again in August. This will be about  
16 our sixth or seventh time teaching that. And we'll  
17 be doing a course about the same time on  
18 benchmarking of utilities.

19 And as some of you know, we stepped into the  
20 space of trying to provide some insights on how do  
21 you practice leadership in this environment because  
22 when you are in the business of regulating a  
23 service that touches every voter in the state -- or  
24 in the country, depending upon where you are -- and  
25 a few people besides just those, the difficulty of

1 practicing leadership is -- is just different.  
2 There's just some issues that you face, challenges  
3 that you have to confront that are not the same as  
4 running the company or running a research center.

5 And so, we try to get people together to talk  
6 through those issues and share experiences. We've  
7 provided some workshops for the FPSC on that in the  
8 past. We'll be glad to do that again at any point.

9 And we've been doing some other workshops  
10 around the world. And that's based -- plus our  
11 normal cache of utility-regulatory issues as well.  
12 So, that's kind of a -- an overview of what we've  
13 been up to and what we are up to.

14 Be glad to answer any questions or receive  
15 feedback from you. Feedback is always valued.

16 CHAIRMAN GRAHAM: Well, thank you, Doc,  
17 number one, for coming down here and for your  
18 presentation.

19 Number two, evidently, my aid, Jim, has talked  
20 to you because you hit ten minutes dead on the  
21 head.

22 DR. JAMISON: I meant to go for seven. I  
23 apologize for being too verbose.

24 (Laughter.)

25 CHAIRMAN GRAHAM: A couple of things. I --

1           these mics keep going on and off.  What's up with  
2           that?

3                     (Simultaneous speakers.)

4           COMMISSIONER BROWN:  They're off.

5           CHAIRMAN GRAHAM:  That's like the third time  
6           it's happened.

7           MS. STAUFFER:  It's been --

8           CHAIRMAN GRAHAM:  Okay.  Met with one of the  
9           senators, Senator Brandes, yesterday.  He's got a  
10          bill coming up with -- with the picture of what  
11          things are going to look like in 2040.  I don't  
12          know if you've seen that.  You can talk to  
13          Katherine Pennington.  She can give you the  
14          specific bill.

15                    But you guys may want to look at that and  
16          give -- because he's looking for any input he can  
17          get as far as what things he may want to look for,  
18          how he wants to structure it, what have you.  I  
19          mean, just -- as he talked yesterday, he's like a  
20          sponge and -- anything you can offer.

21          DR. JAMISON:  Okay.  Sure.

22          CHAIRMAN GRAHAM:  He says they did it before.  
23          And -- and in 2001, Jeb Bush was in office, for the  
24          20- -- the 2020 --

25          DR. JAMISON:  2020, yeah.

1           CHAIRMAN GRAHAM: And so, just because of who  
2 you are and what you do, I'm sure he would be happy  
3 to entertain some of your ideas.

4           DR. JAMISON: Sure. Thank you.

5           CHAIRMAN GRAHAM: Oh, tell us, again, about --  
6 you said that you have, like, a round table  
7 discussion with open debates?

8           DR. JAMISON: Oh, the -- yes, we have an  
9 Academy of Regulatory Professionals. And since the  
10 people we work with are scattered all over the  
11 world, this is done largely online. We've been  
12 doing it through a Facebook group. But this coming  
13 year, we're going to launch it into its own  
14 website.

15           And basically, we get just people who are  
16 interested in -- in actually providing substantive  
17 discussion. We don't let people just kind of watch  
18 other people debate. They have to contribute or we  
19 push them out of the group.

20           COMMISSIONER BROWN: Good. I like it.

21           DR. JAMISON: And -- and we just raise issues.  
22 So, we started out with issues of how do you make  
23 decisions when you don't have enough data. We deal  
24 with issues of -- especially in water, the prices  
25 are so politically sensitive, you can't raise the

1 price of water. This is true in the U.S. and  
2 outside the U.S. as well. And that makes it even  
3 more politically sensitive. How do you get out of  
4 that -- that spiral.

5 CHAIRMAN GRAHAM: Well --

6 DR. JAMISON: Go ahead.

7 CHAIRMAN GRAHAM: It sounds like a great idea,  
8 but because of Sunshine issues and other issues  
9 about our stuff needs to be public domain -- if any  
10 of us can get involved, it can probably only just  
11 be one of us because then you can't keep people  
12 out, if you have more than one of us involved in  
13 that.

14 DR. JAMISON: Okay.

15 CHAIRMAN GRAHAM: But that sounds like a good  
16 idea.

17 DR. JAMISON: All right. Very good.

18 CHAIRMAN GRAHAM: Any -- yes.

19 COMMISSIONER BROWN: Just a couple of idea- --  
20 questions. So, you were appointed to an FCC  
21 commission by President Trump?

22 DR. JAMISON: To the transition team for it,  
23 yes.

24 COMMISSIONER BROWN: The transition team.  
25 Any -- anything come out of that? Any type of



1 recommendations or results that PURC supported  
2 or --

3 DR. JAMISON: So, ev- -- so, you probably  
4 heard that everybody involved had to sign non-  
5 disclosure agreements, so --

6 COMMISSIONER BROWN: Oh.

7 DR. JAMISON: On penalty of death --

8 COMMISSIONER BROWN: I did not hear that.

9 DR. JAMISON: Yes.

10 (Laughter.)

11 COMMISSIONER BROWN: I did not. And I  
12 appreciate non-disclosures.

13 DR. JAMISON: Yeah.

14 COMMISSIONER BROWN: So, I will -- I will  
15 leave it at that.

16 DR. JAMISON: Yeah.

17 COMMISSIONER BROWN: We just recently approved  
18 a tariff -- Peoples Gas came before us -- I think  
19 it was in the December agenda -- with a renewable  
20 natural gas tariff, really innovative program that  
21 is generating a lot of -- I mean, at least, the  
22 discussion is generating topics and -- at  
23 conferences and the sort.

24 Has PURC looked at researching renewable  
25 energy from a natural gas standpoint?

1 DR. JAMISON: Not from a natural gas  
2 standpoint, per se.

3 COMMISSIONER BROWN: GTI is very -- Gas  
4 Technology Institute is very involved in that. And  
5 it may be a nice topic for you all to look at and  
6 study because I think it's really an innovative  
7 topic and one that will be emerging over the next  
8 few years.

9 DR. JAMISON: Okay.

10 COMMISSIONER BROWN: You said in your comments  
11 about the United States has -- we've been labeled  
12 grade "C" infrastructure. Is that -- that's  
13 electric and water? How -- can you -- gas?

14 DR. JAMISON: Water and electric -- actually,  
15 it's -- Florida is rated "C;" the U.S. gets a "D"  
16 or "D+."

17 COMMISSIONER BROWN: Wow. Are we above -- so,  
18 we're above the national average.

19 DR. JAMISON: We're above -- well, we're above  
20 average for the U.S., yeah.

21 COMMISSIONER BROWN: Who graded it?

22 DR. JAMISON: It's the -- I may get the  
23 acronym wrong. It's basically a society of civil  
24 engineers.

25 COMMISSIONER BROWN: How did they grade it

1 on -- what did they base that on?

2 COMMISSIONER POLMANN: Yeah, as we're only  
3 a -- compare us to --

4 COMMISSIONER BROWN: Are you going to talk  
5 about that at PURC?

6 DR. JAMISON: Yes, we'll have the -- the  
7 representative of that association give the keynote  
8 address. And he'll explain how they -- how they  
9 assess that and -- and --

10 COMMISSIONER BROWN: And costs associated to  
11 get that.

12 What coun- -- is there any country that's an  
13 "A?"

14 DR. JAMISON: They actually just do it on the  
15 U.S.

16 COMMISSIONER POLMANN: Yeah, it's a U.S. --

17 DR. JAMISON: They don't grade other  
18 countries.

19 COMMISSIONER POLMANN: It's an American  
20 society.

21 COMMISSIONER BROWN: Okay.

22 COMMISSIONER POLMANN: But they do it -- I  
23 don't know if they do it by each state or each  
24 state does their own. I'm not sure.

25 COMMISSIONER BROWN: All right.

1 DR. JAMISON: That I couldn't tell you. Each  
2 state is done, but I don't know --

3 COMMISSIONER POLMANN: Yeah.

4 DR. JAMISON: -- if they have subgroups that  
5 do it or not.

6 COMMISSIONER BROWN: "C" -- "C" is not good.

7 COMMISSIONER POLMANN: It's a very sad --

8 COMMISSIONER BROWN: "C" is not good.

9 DR. JAMISON: "C" is not good, but it's way  
10 above most people.

11 COMMISSIONER BROWN: Yeah. I'd be curious  
12 to -- I'm looking forward to it --

13 DR. JAMISON: Okay.

14 COMMISSIONER BROWN: -- and hoping -- hoping  
15 to make PURC. Thank you for your time and --

16 DR. JAMISON: Oh, sure. A pleasure.

17 COMMISSIONER BROWN: -- appreciate the reports  
18 and glad of those topics that you're looking at.

19 DR. JAMISON: All right. Thank you.

20 CHAIRMAN GRAHAM: As I tried to convince my  
21 parents, "C" is average.

22 (Laughter.)

23 COMMISSIONER BROWN: "C" is average -- that's  
24 what our son says.

25 CHAIRMAN GRAHAM: Give us, again, so -- for

1 the people watching -- the dates and times for  
2 PURC.

3 DR. JAMISON: Yeah, 21st and 22nd of February,  
4 we'll be at the Hilton conference center in  
5 Gainesville. The program starts 1:00 or 1:30 on  
6 the 21st. We end with lunch on the 22nd.

7 CHAIRMAN GRAHAM: Anything else?

8 COMMISSIONER POLMANN: I -- I've got a couple  
9 of comments. I'm just looking through your report.  
10 Very interesting to me that the first item under  
11 distributed solar generation identifies -- it says  
12 net -- net metering is not optimal.

13 DR. JAMISON: Uh-huh.

14 COMMISSIONER POLMANN: And it talks about most  
15 customers who install solar panels receive retail  
16 price for the electricity, but that's not  
17 necessarily the optimal price --

18 DR. JAMISON: Right.

19 COMMISSIONER POLMANN: -- you know, according  
20 to the costs and so forth. They may well deserve a  
21 higher price than -- or be paid more than retail.  
22 Of course, on the flip side, they might deserve  
23 less --

24 DR. JAMISON: That -- that is true.

25 COMMISSIONER POLMANN: -- which is --

1 DR. JAMISON: And that's one of the  
2 difficulties, yeah.

3 COMMISSIONER POLMANN: It -- it's hard to  
4 explain to someone why they would not be paid  
5 retail.

6 DR. JAMISON: Yeah.

7 COMMISSIONER POLMANN: It's like, I -- I pay  
8 you retail for my electricity, then you should pay  
9 me.

10 DR. JAMISON: Yeah.

11 COMMISSIONER POLMANN: You know, it's an even  
12 swap. So, I could imagine all kinds of  
13 circumstances where that would not be the right  
14 price.

15 DR. JAMISON: Yeah.

16 COMMISSIONER POLMANN: But it would be so  
17 difficult to explain to somebody.

18 DR. JAMISON: Little -- little hard to  
19 explain. The analogy I always use is you can buy a  
20 tomato from Publix for \$1.75, but you can't sell it  
21 to Publix for that.

22 COMMISSIONER POLMANN: Right. Right. So, it  
23 would be interesting how -- how this result would  
24 have any effect. How -- how would that be  
25 implemented any place that you could actually

1 convince people to take some price other than?

2 DR. JAMISON: Ah, well, convincing people is a  
3 whole other matter.

4 COMMISSIONER POLMANN: Right. Exactly.

5 DR. JAMISON: Yeah.

6 COMMISSIONER POLMANN: Exactly. So, even  
7 though the -- the research shows that that's the  
8 right thing to do, do you ever get to implement  
9 that?

10 DR. JAMISON: Oh, the implementation --

11 COMMISSIONER POLMANN: Right.

12 DR. JAMISON: -- is the job of the  
13 professionals.

14 COMMISSIONER POLMANN: Yeah.

15 DR. JAMISON: Yeah.

16 COMMISSIONER POLMANN: Yeah. The other thing  
17 on this first page was -- you know, we often hear  
18 from the utility -- and I think we understand the  
19 impact of decisions in the credit market.

20 DR. JAMISON: Yes.

21 COMMISSIONER POLMANN: That -- that the  
22 utility needs to be strong, stable, in order to  
23 have access to capital, in terms of how we set  
24 rates and -- and so forth. And the consequence to  
25 them -- and I think this -- this particular bit of

1 research demonstrates that, but it's so hard for  
2 the customer to understand.

3 DR. JAMISON: It is. It is.

4 COMMISSIONER POLMANN: They -- they just don't  
5 accept that. They don't believe it, in many cases.

6 DR. JAMISON: Sure.

7 COMMISSIONER POLMANN: And it's nice to see  
8 some work here to kind of substantiate that --

9 DR. JAMISON: Yeah. This was a very well-  
10 received paper.

11 COMMISSIONER POLMANN: Yeah.

12 DR. JAMISON: Len Holt, who was the primary  
13 author of it, actually went to New York and  
14 presented it to -- at a Wall Street event. So,  
15 it's --

16 COMMISSIONER POLMANN: Yeah. Yeah. So --

17 DR. JAMISON: It's been well-done, well-  
18 received.

19 COMMISSIONER POLMANN: I really appreciate  
20 that that -- that type of work that really -- that  
21 reinforces what we're doing. Very helpful. Very  
22 helpful.

23 DR. JAMISON: Thank you.

24 CHAIRMAN GRAHAM: Doc, thank you very much.

25 DR. JAMISON: All right.



1 COMMISSIONER BROWN: Thank you.

2 DR. JAMISON: My pleasure. Thank you all very  
3 much.

4 COMMISSIONER POLMANN: Yeah. Thank you.  
5 (Applause.)

6 CHAIRMAN GRAHAM: All right. No. 2,  
7 legislative updates. We were just speaking of you.

8 MS. PENNINGTON: (Unintelligible) 10:38.

9 DR. JAMISON: 10:38. Okay.

10 COMMISSIONER BROWN: Where's your sidekick?

11 MS. PENNINGTON: My sidekick is downtown --

12 MR. BAEZ: Kicking sides.

13 MS. PENNINGTON: -- talking down --

14 COMMISSIONER BROWN: All sorts of --

15 MS. PENNINGTON: -- information.

16 Good afternoon.

17 COMMISSIONER POLMANN: Good afternoon.

18 MS. PENNINGTON: It is kind of lonely here.

19 Welcome back, Mr. Chairman.

20 CHAIRMAN GRAHAM: Thank you.

21 MS. PENNINGTON: Today is the first day of the  
22 legislative session, as you know. We are --  
23 we're -- Adam and I are back at it. We're tracking  
24 a number of bills.

25 The one thing I want to tell you, just in

1 regard to this week is that, tomorrow, the Senate  
2 Communications Utility and -- whatever -- Energy  
3 and Public Utilities Committee is taking up some  
4 storm-hardening issues. And they're doing -- Tom  
5 Ballinger is doing a presentation on storm  
6 hardening. I believe I sent you a copy of his  
7 presentation last night. So, we look forward to  
8 that with bated breath.

9 And there are -- we're tracking about 20  
10 bills, 20, 22 bills, that are, what we call, on our  
11 A-list, that are a priority for us that potentially  
12 could require us to change our regulatory authority  
13 or come up with new rules or whatever.

14 Up to 15 of these bills have to do with  
15 nursing homes, restoration, prioritization of that  
16 issue. For now, we just have them all on our  
17 A-list because we don't yet know which one may or  
18 may not move. So, we're watching all of those  
19 bills. Some of those bills require action by the  
20 Public Service Commission. Others require action  
21 by Division of Emergency Management. And others  
22 require action by AHCA. So, we're just kind of  
23 waiting to see -- none of those have been heard  
24 yet.

25 The select hurricane committee was meeting --

1           was supposed to meet yesterday. They, apparently,  
2           got -- received so many -- so much feedback over  
3           the holidays from the agencies and from the  
4           committee members that they needed a little more  
5           time to reconcile their recommendations. So, they  
6           are, now, scheduled to meet Tuesday morning.  
7           Perhaps we'll know a little bit more at that time  
8           what direction the house may be heading.

9                        So, other than that, we -- we are providing  
10           information to you. We are in contact with your  
11           advisers. So, if you ever need anything, please  
12           let us know. And I'm here to answer any questions  
13           that you might have about anything you might have  
14           heard.

15                   CHAIRMAN GRAHAM: No.

16                   COMMISSIONER POLMANN: Not yet.

17                   MS. PENNINGTON: Okay.

18                   COMMISSIONER BROWN: Thank you for everything  
19           you're doing.

20                   MS. PENNINGTON: Thank you. Hope my --

21                   COMMISSIONER BROWN: Busy time.

22                   MS. PENNINGTON: -- sidekick will be back next  
23           time.

24                   CHAIRMAN GRAHAM: So --

25                   MS. PENNINGTON: Yes, sir.

1           CHAIRMAN GRAHAM: I just want to make sure I  
2           had the correct dates. What -- where are we now as  
3           far as the nominating council for our -- our  
4           missing person? What --

5           MS. PENNINGTON: Yes, sir, I understand that  
6           applications close on the 12th.

7           CHAIRMAN GRAHAM: Okay.

8           MS. PENNINGTON: That there is a meeting of  
9           the council on the 16th.

10          CHAIRMAN GRAHAM: Is that mid- -- middle of  
11          the day or end of the day?

12          MS. PENNINGTON: Usually by 5:00 p.m., sir.

13          CHAIRMAN GRAHAM: Okay.

14          MS. PENNINGTON: I understand there's a  
15          meeting on the 16th to determine who will be  
16          interviewed. And my understanding is that  
17          interviews will be on the 18th.

18          COMMISSIONER BROWN: Quick.

19          MS. PENNINGTON: So, by the 19th, at the  
20          latest, a list of at least three will go to the  
21          Governor. By statute, he has 30 days, but we've  
22          heard he might not take 30 days.

23          CHAIRMAN GRAHAM: Okay.

24          COMMISSIONER BROWN: Yeah.

25          MS. PENNINGTON: For you all, probably --

1           COMMISSIONER BROWN:  And then that person  
2           would go get confirmed with -- this session.

3           MS. PENNINGTON:  They're hoping.  That's what  
4           they're hoping.

5           COMMISSIONER BROWN:  With -- like friends --

6           MS. PENNINGTON:  But you know, there's a lot  
7           of work behind the scenes that has to be done, but  
8           they're hoping to meet that time frame.  And that's  
9           one of the reasons they've kind of condensed this  
10          process is trying to hopefully get that person  
11          confirmed.

12          COMMISSIONER BROWN:  Okay.

13          CHAIRMAN GRAHAM:  Now, I guess -- and maybe  
14          this is more of a legal question -- I know, if that  
15          person was in position before the start of session  
16          and did not get confirmed, then the process started  
17          all over again.

18                 Does that -- does that account this time?  
19          Because we're well into -- I can't say we're well  
20          into session, but we will be well into session by  
21          the time that person gets identified.

22          MS. PENNINGTON:  I -- I believe so, but I  
23          think that's a legal question.  You're right.

24                 (Laughter.)

25          MS. PENNINGTON:  Sorry.  I --

1 MR. FUTRELL: I'll get back on you on that.

2 CHAIRMAN GRAHAM: Well, we don't -- we don't  
3 need the answer now.

4 MR. HETRICK: Thank you.

5 CHAIRMAN GRAHAM: All right. Thank you very  
6 much.

7 MS. PENNINGTON: Thank you.

8 CHAIRMAN GRAHAM: Okay. General counsel's  
9 report.

10 MR. HETRICK: General counsel's report. We're  
11 going to be brief and simply say I'm going to be  
12 getting with each of you just to give sort of a  
13 quick snapshot of what we accomplished in 2017 and  
14 a forecast for 2018 and two pages of bullet points  
15 for you so you can have a good overview and ask any  
16 questions about where we're going on any particular  
17 cases. And I'll be getting with each of you  
18 individually to kind of run through that in -- in  
19 the next couple of days.

20 That's it for me.

21 CHAIRMAN GRAHAM: See, I can tell you're not  
22 in private practice because that would have been,  
23 like, another six hours.

24 COMMISSIONER BROWN: Billing --

25 CHAIRMAN GRAHAM: Billable hours.

1 COMMISSIONER BROWN: Billing time.

2 MR. HETRICK: I've learned from the best.

3 (Laughter.)

4 CHAIRMAN GRAHAM: Executive director's report.

5 MR. BAEZ: Thank you. Welcome back,  
6 Mr. Chairman, again.

7 And it's funny you mentioned quarterback early  
8 in the day because today I get to be quarterback  
9 and hand -- hand the ball off to Tom Ballinger.

10 As you may know, we have been trying to --  
11 we've been reaching out to -- to your advisers  
12 regularly trying to keep them abreast of our  
13 progress in terms of our open docket on -- on the  
14 hurricane-performance review. And we took the  
15 opportunity that it fell today to -- to just go  
16 ahead and skip over your fine advisers and talk to  
17 the horse's mouth directly.

18 COMMISSIONER BROWN: Are we the horses?

19 MR. BAEZ: You're the horse's mouth. And fine  
20 mouths you are, sirs, and madam.

21 But -- so, I'll just pass over to Tom so he  
22 can give you the update of where we are and what  
23 we've been doing to date.

24 MR. BALLINGER: Good afternoon.

25 COMMISSIONER BROWN: Hi.

1           MR. BALLINGER: I'll give you the quick update  
2           and just kind of a rundown of --

3           MR. FUTRELL: You're on.

4           CHAIRMAN GRAHAM: You were on.

5           MR. BAEZ: You're on now.

6           MR. BALLINGER: I was trying to get closer  
7           without killing the court reporter.

8           As you know, we opened the docket October 3rd.  
9           And currently, we have five technical staff working  
10          on this from three divisions. Six days after the  
11          docket was opened, we opened a portal on our  
12          website to take in customer comments. To date,  
13          we've had about 400 comments come in. There are  
14          some duplications, and we're trying to sort those  
15          out and we're going through that as well.

16          On November 14th, we sent out our first data  
17          request. It was 37 questions to all 57 utilities.  
18          And it was gathering data from five storms, not  
19          just Irma because Irma affected everybody, but some  
20          storms affected some others. And we wanted to make  
21          sure we captured everyone to get experiences and  
22          get some comparisons.

23          Five storms are Hermine, Matthew, Irma, Maria  
24          and Nate. Some of these storms, there's no impact;  
25          some, there are. And we're just trying to get a



1 good gathering of data.

2 Most responses came in December 15th. There  
3 were some extensions requested. Some of the topics  
4 in this first thing were staging of mutual aid,  
5 damage-assessment process, staffing, material  
6 considerations that utilities face, customer  
7 communications, restoration process, and how to  
8 just harden and non-harden facilities.

9 On December 18th, we sent out our second data  
10 request, again, to all 57 utilities, about 11  
11 questions. Responses are due on the 18th of this  
12 month. Those topics were about trends in  
13 underground and overhead construction, where the  
14 utility has been going the last few years, any  
15 formal forensic studies that have been done or will  
16 be done, and when we can expect those results, and  
17 the utilities' coordination with local governments,  
18 and also the performance of distributed solar  
19 facilities as well as utility solar facilities --  
20 how they fared when power was interrupted.

21 On December 19th, we sent out a request to  
22 other stakeholders, local governments, businesses,  
23 advocacy groups, things of this nature, to get  
24 their input and suggested practices and policies on  
25 vegetation management, underground-ing facilities,

1 identification of critical infrastructure, and  
2 customer-communication issues. And those responses  
3 are due February 20th.

4 This Thursday, I'm having another staff  
5 meeting with the technical staff to discuss a  
6 possible third data request to targeted utilities.  
7 I think now we're focusing on trying to identify  
8 areas that we have good data on and -- and look at  
9 ways to improve.

10 So, we're going to find of focus our attention  
11 there; follow up to any customer comments, try to  
12 sort those out and see is there necessary follow-up  
13 from the utilities' side, was there a specific  
14 problem identified by a customer, and also topics  
15 to discuss at the upcoming workshop in April, kind  
16 of how to formulate that, staff presentation,  
17 utilities, things of that nature.

18 If there's anything to help you with, let me  
19 know. Any questions?

20 CHAIRMAN GRAHAM: When you said you reached  
21 out to local government, 67 counties or several  
22 hundred cities?

23 MR. BALLINGER: We sent it to the Chamber  
24 of Commerce, the League of Cities --

25 MR. HETRICK: Associated Industries of

1 Florida.

2 MR. FUTRELL: Association of counties.

3 CHAIRMAN GRAHAM: Okay. So, you hit the big,  
4 organized groups. And it's their job to  
5 disseminate out to the --

6 MR. BALLINGER: Yeah, correct.

7 MR. BAEZ: Mr. Chairman, we found that it  
8 would be a little bit more efficient --

9 CHAIRMAN GRAHAM: No.

10 MR. BAEZ: -- to -- to work through the  
11 association --

12 CHAIRMAN GRAHAM: Yeah. No.

13 MR. BAEZ: And so, we reached out that way.

14 CHAIRMAN GRAHAM: It's better to work smarter  
15 than harder.

16 MR. BAEZ: I certainly believe that.

17 COMMISSIONER BROWN: Tom -- Tom thank you.  
18 This is great overview, too, for the public to  
19 hear.

20 Office of Public Counsel's input with regard  
21 to the workshop -- have they provided you any  
22 feedback or comments or areas or any other public  
23 interest groups that are interested in this and  
24 what -- how -- topics they would like to address --  
25 maybe that meeting that you're -- I said -- you

1           said something about after the third data request  
2           that -- talking about what topics kind of  
3           formulating or refining.

4           MR. BALLINGER: I think we're waiting to see,  
5           will they respond to the request of the  
6           stakeholders. I would include Public Counsel in  
7           the group. They have intervened in the docket. I  
8           don't think, to date, they've provided any comments  
9           or suggestions, to date, but we would like to reach  
10          out to them to get their input at the workshop to  
11          see whether they -- I don't know if they are going  
12          to be a participant or not.

13          COMMISSIONER BROWN: So -- Chairman -- with  
14          regard to the -- see -- it's always been -- it's  
15          been helpful. Do you think it would be maybe  
16          duplicative of this workshop? Or is there an area  
17          how we can utilize resources and streamline them  
18          through this workshop maybe? Since that would be  
19          in April and the workshop or the round table is  
20          usually in May -- it's a lot of --

21          CHAIRMAN GRAHAM: Don't we have -- one of the  
22          Commissioners are in charge of this, correct?

23          COMMISSIONER BROWN: That's cute. Very funny.

24          CHAIRMAN GRAHAM: I will allow for that  
25          Commissioner to use her best judgment.

1 (Laughter.)

2 COMMISSIONER BROWN: Braulio? I'm sorry.

3 MR. BAEZ: If -- if I can -- if I can add two  
4 cents; perhaps, maybe even less. I see them -- I  
5 see them as having different purposes. Clearly,  
6 this -- this is -- this is more -- has a more-  
7 official taste to it, clearly. And -- and it's a  
8 performance review. It has -- you know, there's  
9 a -- there's a -- there's a more-formal process to  
10 it.

11 The -- the round table has -- that's become  
12 more traditional over the years. Just -- just one  
13 person's opinion, I see it more as a -- for me, at  
14 least, it has become, you know, like the  
15 official -- the official marker of -- of -- of  
16 preparedness.

17 I mean, it -- it's sort of the Commission's  
18 inviting the -- the utilities to -- to have a  
19 public discussion and -- and discuss or present on  
20 their preparedness, on their efforts for preparing  
21 for this upcoming season. So, it sort of serves  
22 two different -- two different purposes. I don't  
23 know if that --

24 COMMISSIONER BROWN: Mr. Chairman, if I may.

25 CHAIRMAN GRAHAM: One is offense, one is

1 defense?

2 COMMISSIONER BROWN: That was more than two  
3 cents, by the way.

4 MR. BAEZ: I'm sorry.

5 COMMISSIONER BROWN: But -- but --

6 MR. BAEZ: I'd like some change back --

7 COMMISSIONER BROWN: -- we'll talk about it a  
8 little bit more and figure out what makes sense.  
9 There's a lot of other dockets that are ongoing,  
10 too.

11 MR. BAEZ: Yeah, I --

12 COMMISSIONER BROWN: It may be a little bit --

13 MR. BAEZ: I would agree with you that we --  
14 we shouldn't -- we'll always watch out and not be  
15 repetitious, so we --

16 COMMISSIONER BROWN: It may be --

17 MR. BAEZ: We would certainly love to  
18 streamline whatever we can.

19 CHAIRMAN GRAHAM: Yes.

20 COMMISSIONER POLMANN: Regarding the round  
21 table -- you didn't say it, so I will. I was  
22 almost thinking perfunctory. You know, they --  
23 they come on an annual basis and they -- they talk  
24 about preparedness. And they do it in a way that  
25 it's -- you know, this is our plan and it's -- kind

1 of like by subject matter. You know, here's the  
2 subject and this is what we've got. I don't want  
3 to trivialize it, by any means. It's not. It's a  
4 big issue and there's a lot of work behind it.

5 But is -- is there a -- is there a seed that  
6 we can plant -- and it's just a -- just -- just a  
7 thought that we can kind of lay out for them that  
8 -- and you know, the Commission can think on it and  
9 maybe individually talk to you about it -- that we  
10 would like to hear something in particular, in  
11 addition to what they're doing; like, for example,  
12 what did you learn last year that is -- that --  
13 that's inspired you to do some thinking on --  
14 whatever.

15 MR. BAEZ: I -- that's a good question. I --  
16 I think if -- I think if you look back -- and we've  
17 always taken the opportunity to have a more-  
18 specific or more-targeted call of the question,  
19 so -- so, I think if you look back over the  
20 presentations that have been given, they've --  
21 they've all had a slightly different orientation.  
22 They've been general. No -- no question about it  
23 because I think it shouldn't surprise anyone that  
24 the -- that a utility would come in and give as  
25 broad a presentation and present as broad a picture

1 of preparedness as -- as they can. No surprise  
2 there.

3 However, I think at -- at the Chairman's  
4 direction, or certainly at the Commission's  
5 direction, we've -- we've always tried to, in our  
6 direction to the IOUs to -- to also -- or rather to  
7 utilities because it is a -- it's a broader  
8 audi- -- it's a broader invitation that happens --  
9 to try and have a slight focus, at least, that they  
10 should, you know, either talk about communication  
11 or talk about some other -- some other type of --  
12 of subject that they -- that they emphasize, if you  
13 will.

14 COMMISSIONER POLMANN: Okay. So --

15 MR. BAEZ: So, I think your point is taken --

16 COMMISSIONER POLMANN: No, that's great. I've  
17 only seen one, so --

18 MR. BAEZ: I apologize.

19 COMMISSIONER POLMANN: No. No.

20 MR. BAEZ: But that -- that -- I think your  
21 point is well-taken. That is something we look to  
22 do because I think it cuts down on the presentation  
23 time as well. It doesn't -- it's more value for  
24 you.

25 COMMISSIONER POLMANN: Okay. Well, thank you.



1 CHAIRMAN GRAHAM: Anyone else?

2 Tom, thank you.

3 COMMISSIONER BROWN: Good luck tomorrow.

4 MR. BALLINGER: Christmas came again.

5 COMMISSIONER BROWN: Christmas --

6 COMMISSIONER POLMANN: Let me ask Tom one  
7 question, if I may.

8 CHAIRMAN GRAHAM: Sure.

9 COMMISSIONER POLMANN: We received a copy of  
10 your presentation. And I don't -- I don't want you  
11 to go through it, but is there a particular -- just  
12 one or two highlights or points that you might --  
13 and again, don't feel compelled -- that you might  
14 want to share with us? Is there something that you  
15 anticipate might be a hot-button issue? And if  
16 not, then, you know, I get it --

17 MR. BALLINGER: I've learned, with the  
18 Legislature --

19 COMMISSIONER POLMANN: And just a minute or  
20 two.

21 MR. BALLINGER: -- to expect the unexpected,  
22 so --

23 COMMISSIONER POLMANN: Okay.

24 MR. BALLINGER: I don't know what to expect,  
25 to be honest with you.

1 COMMISSIONER POLMANN: Okay.

2 MR. BALLINGER: We've been asked to provide  
3 information about our process, where we are, some  
4 information about cost recovery of the different  
5 things.

6 COMMISSIONER POLMANN: Okay.

7 MR. BALLINGER: But my experience has been  
8 usually there will be questions out of left field.  
9 And we have to do our best to --

10 COMMISSIONER POLMANN: Okay. All right.

11 MR. BALLINGER: That's --

12 COMMISSIONER POLMANN: Yeah, just thought I  
13 would ask. Thank you. Thank you.

14 MR. BALLINGER: You're welcome.

15 CHAIRMAN GRAHAM: Executive director?

16 MR. BAEZ: Nothing else.

17 CHAIRMAN GRAHAM: Other matters?

18 MR. BAEZ: Thank you.

19 CHAIRMAN GRAHAM: Seeing none, we're  
20 adjourned. Travel safe.

21 (Whereupon, proceedings concluded at 3:31  
22 p.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA )  
COUNTY OF LEON )

I, ANDREA KOMARIDIS, Court Reporter, do hereby  
certify that the foregoing proceeding was heard at the  
time and place herein stated.

IT IS FURTHER CERTIFIED that I  
stenographically reported the said proceedings; that the  
same has been transcribed under my direct supervision;  
and that this transcript constitutes a true  
transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative,  
employee, attorney or counsel of any of the parties, nor  
am I a relative or employee of any of the parties'  
attorney or counsel connected with the action, nor am I  
financially interested in the action.

DATED THIS 18th day of January, 2018.



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ANDREA KOMARIDIS  
NOTARY PUBLIC  
COMMISSION #GG060963  
EXPIRES February 9, 2021