

I. Meeting Packet



State of Florida
Public Service Commission
INTERNAL AFFAIRS AGENDA
Tuesday – January 23, 2024
9:30 AM
Room 105 – Gerald L. Gunter Building

1. Public Utility Research Center 2023 Annual Report to the Florida Public Service Commission by Dr. Mark Jamison. (Attachment 1)
2. Legislative Update
3. General Counsel's Report
4. Executive Director's report
5. Other Matters

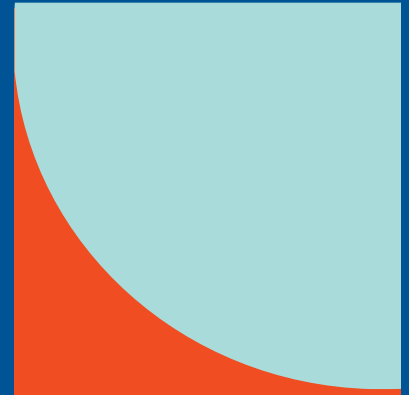
BB/aml

OUTSIDE PERSONS WISHING TO ADDRESS THE COMMISSION ON
ANY OF THE AGENDAED ITEMS SHOULD CONTACT THE
OFFICE OF THE EXECUTIVE DIRECTOR AT (850) 413-6463.

ANNUAL REPORT 2023

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. We truly appreciate the support of the FPSC and welcome opportunities for future collaboration.



PURC 2023 Annual Report to the Florida Public Service Commission

UPDATE ON PURC RESEARCH AND OUTREACH

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PURC 2023 Annual Report to the Florida Public Service Commission

UPDATE ON PURC RESEARCH AND OUTREACH

STATISTICS AND HIGHLIGHTS

Statistics

- 8 Training Courses providing 235.5 hours of in-person classroom instruction
- 31 blog posts
- 13 working papers, journal articles and book chapters
- 6 opinion editorials
- 14 presentations, panels, and events

Plans for 51st Annual PURC Conference, February 21 – 22, 2024

We are excited to host our 51st Annual Conference, *Beyond Convergence: Designing Florida's Utility Future*, in Gainesville, Florida. The conference will serve as a crucial platform for utility and regulatory professionals to engage in insightful discussions, share ideas for next practices, and explore strategies to navigate the complexities of technological adoption. We look forward to seeing you in Gainesville next month!

52nd and 51st PURC/World Bank International Training Program on Utility Regulation and Strategy

We hosted our flagship PURC/World Bank International Training Program on Utility Regulation and Strategy, October 16 – 25 and June 5 – 14, 2023. We welcomed 96 participants from 26 countries to Gainesville for these two programs. Since its inception in 1997, this program has educated more than 3600 professionals representing 156 nations. In addition, 53 participants completed the **PURC Leadership Workshop: Practicing Leadership in a Political Environment** on October 22 and June 11, 2023.



Student Engagement

As a research center at a top-ranking public university, PURC is committed to engaging students across disciplines. Students are invited to attend our annual conference each year at no-charge, and we sponsor students to attend the *Florida Women in Energy Leadership Forum* annually. Both events provide students the opportunity to network with leaders and learn about the robust utility industry. Both Mark and Ted are serving on the dissertation committee for Benjamin Morris, a doctoral student in business administration (DBA) exploring the connection between regulatory decisions and utility stock prices. PURC also employs two part-time student assistants who gain professional experience in office administration, event management, marketing, and social media.

Digital Markets Initiative (DMI)

DMI examines the business and regulatory implications of the growth of digital markets. In 2023, PURC faculty engaged with various media outlets and podcasts, which can be viewed online in the [Warrington newsroom](#). DMI research on competition between the Apple and Google app ecosystems became three working papers for the American Enterprise Institute. The papers were widely circulated on Capitol Hill and received top ten download awards from the Social Sciences Research Network (SSRN). Other research is examining how broadband subsidies affect school performance, how broadband adoption affects entrepreneurship and employment by gender and race, and guidance on broadband pricing. New work is examining privacy and data sharing issues.

Op-Ed Snapshot & Popular Blogs

- “Maine Voters Don’t Like Their Electric Utilities, but They Balked at Paying Billions to Buy Them Out,” The Conversation
- “Economics Lost: The Unraveling of Antitrust at the DOJ and FTC,” National Review
- “Maximizing Value and Minimizing Myths in Broadband Expansion,” RealClearPolicy
- “The Biden Administration Embraces a Backward Approach to Economics,” National Review
- “The Problems at the FTC Go Beyond Losing Merger Battles,” National Review
- “ Why Christine Wilson’s Resignation from the FTC Matters,” The Hill
- “Google’s Antitrust Trial Is a Misguided Crusade Threatening Innovation and Consumer Choice,” RealClearPolicy

PRIMARY RESEARCH PROJECTS

ENERGY

Preparing to Harden Electrical Resources for Hurricane Season

Communities that are likely to suffer effects of significant damage from named storms need to have confidence that cost estimates and projected benefits are reliable. This transparency to administrators, political leaders, and planners conveys a public message that utility hardening policies such as undergrounding cables and vegetation maintenance reflect a broad consensus among diverse experts. Collaboration among varied planners also ensures that widely noticed disparities among individual estimates do not confuse concerned public observers of the decision-making process.

Motivating the Optimal Procurement and Deployment of Electric Storage as a Transmission Asset

Examined the optimal choice between two means of relieving congestion in an electricity network: (1) traditional expansion of transmission capacity; and (2) storage as a transmission asset (SATA). Assuming the electric utility has unique knowledge of both the cost of implementing SATA and the likelihood of local network congestion, the optimal policy differs considerably from policies under active consideration, in part by paying the utility relatively little for implementing SATA. Despite the relatively limited compensation, the utility profits from its unique knowledge, particularly its knowledge of SATA implementation costs.

Load-Following Forward Contracts

Load-following forward contracts (LFFCs) are becoming increasingly popular in the electricity sector. A LFFC obligates an electricity supplier to deliver at a pre specified unit price a fraction of the buyer's ultimate demand for electricity. This paper shows that relative to more standard ("swap") forward contracts, LFFCs can increase the expected wholesale price of electricity and thereby reduce expected consumer and economic benefits.

Market Structure, Risk Preferences, and Forward Contracting Incentives

This paper examines the distinct impacts of forward contracting on generators and buyers of electricity. Increased forward contracting systematically reduces the variance of a generator's profit, but can increase the variance of a buyer's profit. Consequently, increased risk aversion or market uncertainty can lead buyers, but not generators, to prefer reduced levels of forward contracting. This paper examines how the extent of equilibrium forward contracting varies with industry conditions, including the number of generators, the number of buyers, their aversion to profit variation, and the structure of retail electricity prices.

Vertical Integration and Capacity Investment in the Electricity Sector

This paper examines the incentives for and the effects of vertical integration in the electricity sector. It finds that vertical integration often reduces retail prices and increases industry capacity investment, consumer surplus,

and total welfare. Unilateral vertical integration often is profitable. However, ubiquitous vertical integration can reduce aggregate industry profit.

Energy Blogs

Dr. Kury blogs on energy issues for The Conversation. He addresses issues of storm hardening, taxes, and grid security. His blogs are available at <https://theconversation.com/profiles/theodore-j-kury-406888/articles>.

ICT AND TELECOM

Broadband Pricing Under BEAD

This paper examines how price restrictions on broadband would impact broadband deployment and adoption. The federal government's preference for extensive price controls would be counterproductive as they would decrease investment, innovation, and new technology adoption. If states find themselves in situations where subsidized broadband providers are monopolies, deployment and adoption obligations would be more effective than price controls.

Comparison of Business Choice of Mobile Platforms: U.S., Japan, and India

This paper examines business preferences for choosing whether to use Apple's iPhone platform, Google's Android platform, or both. The research found that businesses find the platforms to be substitutes for each other, except in rare instances.

Platform Competition and Differentiation: Developer Choices in Mobile Platforms

This paper examines how app developers and other tech companies choose whether to build on the Apple platform, the Android platform, or both. It finds that the platforms compete for these businesses and differentiate primarily in "thin" markets where it is uneconomical for more than one platform to accommodate specialized needs.

Comments filed with states regarding competition and rules for broadband subsidies

PURC researchers participated in comments filed with various state broadband offices regarding their plans for broadband subsidies. The comments emphasized lessons from research regarding imposing price constraints and how to have effective competition for grants.

Regulatory and Broadband Industry Responses to COVID-19: Cases of Uganda, Peru, and the Caribbean

The COVID-19 pandemic was particularly challenging for developing countries because of pre-existing poverty and severe inequality. Governments tended to set public safety as a primary goal, but it could not be their singular goal. Broadband was an important feature of any policy solution. Business lockdowns, school closures, and social distancing led to an unprecedented acceleration in the demand for broadband. But the government restrictions on social and economic interactions made it difficult to maintain and expand broadband networks. Governments quickly grew to believe that it would need cooperative relationships among multiple government agencies and private businesses to answer what appeared to be a broadband shortage. Regulatory controls over broadband providers were quickly suspended in favor of developing common goals and coordinated efforts.

Net Neutrality in the USA During Covid-19

The COVID-19 pandemic provides an opportunity to review policy assertions about net neutrality. There was an expectation that without *ex ante* FCC net neutrality rules, there would be harmful demonstrations of market power and anticompetitive conduct. This paper offers a review of the evidence. Given that little to no incidence of net neutrality violations could be uncovered for the period, the paper suggests some explanations as to why broadband providers behaved opposite to predictions. Contrary to many policy assertions, broadband providers did not block or throttle service, nor did they increase prices arbitrarily or decrease quality. In fact, broadband providers appeared to take significant efforts to expand availability, lower broadband prices, and make more networks available, in many cases without charge.

Revealing Transactions Data to Third Parties: Implications of Privacy Regimes for Welfare in Online Markets

This paper examines the effects of privacy policies regarding transactions (e.g., price/quantity) data on online shopping platforms. Disclosure of transactions data induces consumer behavior that affects merchant pricing decisions and the welfare of platform participants. A profit-maximizing platform prefers the disclosure policy that maximizes social benefit. Although this policy benefits sophisticated consumers, it harms those who do not understand the implications of their behavior. Consequently, the welfare effects of alternative privacy policies, data breaches, willful violations of stated privacy policies, and opt-in/opt-out requirements differ sharply, depending on the level of consumer sophistication and on other factors such as the prevailing status quo.

Comments filed with the FCC regarding net neutrality

PURC researchers contributed to two sets of comments filed with the Federal Communications Commission regarding net neutrality. Both sets emphasized findings in the economics literature regarding the impacts of such regulations on consumers, investment, service quality, and service providers.

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 American Enterprise Institute website at <http://www.aei.org/scholar/mark-jamison-2/>.

WATER

Performance Assessment Using Key Performance Indicators (KPIs) for Water Utilities: A Primer

Key Performance Indicators (KPIs) are widely recognized as a basis for evaluating water utility operations in developing countries and for designing both regulatory and managerial incentives that improve performance. A number of methodologies can be used for assessing performance. However, regulatory oversight requires data analysis of trends, current performance, and realistic targets. Quantitative studies can provide clues regarding the extent of economies of scale, scope, and density, but policy-makers need much more detail and specificity than most scholars provide. Here, the focus is on information systems that provide accurate, reliable, and relevant data.

MULTISECTOR

Access Pricing in Mixed Oligopoly

Characterizes optimal access prices in mixed oligopoly where a private, profit-maximizing firm competes against a public enterprise after purchasing an essential input (e.g., network access). Optimal access prices tend to be lower for the private firm than for the public enterprise, and can be particularly low for a relatively efficient private supplier. The optimal access price for a private firm is the same whether it competes against another private firm or a public enterprise. Failure to tailor the prevailing access pricing policy to the objectives of the competing suppliers can reduce welfare substantially.

Principles and Strategies for Effective Leadership in the "New Normal"

To lead effectively during times of constant change and uncertainty, leaders should: (1) Lean into the uncertainty (Learning to live in the discomfort of uncertainty will free up some space for clearer thinking.); (2) Recognize that it is all about experimentation (It is about "next practices" rather than best practices.); (3) Embrace mistakes (Mistakes are a necessary part of this evolving process and need to be used as learning tools and experiments.); and (4) Lead with a focus on empathy and communication (In a time in which so many are struggling and uncertainty is king, we must ensure people know you are "there" for them.)

Inspiring Leadership for Innovation

This book chapter examines communication and cultural strategies for companies to provide industry-leading innovations.

OUTREACH

Broadband Barometer Project

PURC collaborated with the American Enterprise Institute to launch the Broadband Barometer Project. This initiative provides guidance to state broadband offices and issues report cards on the quality of their efforts. The program is overseen by scholars from PURC, Duke University, Pepperdine University, Stanford University, the University of North Texas, and the Technology Policy Institute. This 5-year project has conducted events on state broadband development and released videos and papers on best practices.

Regional Webinar on Electricity Price Determination Methodology

On November 23, NERSA (South Africa) hosted a regional webinar on the implications of their Electricity Price Determination Methodology. PURC Director of Energy Studies Ted Kury joined presenters from Denmark, Namibia, South Africa, and the US in addressing the implications of this methodology as Southern Africa transitions to a more liberal market for electricity. His own session focused on creating incentives for efficiency in generation, transmission, and distribution of electricity. He focused on understanding your definition of efficiency, crafting incentive mechanisms and how these mechanisms differ within the supply chain, and mitigating unintended consequences.

United States Energy Association Advanced Energy Technology Forum

On November 14, USEA held their 5th Annual Advanced Energy Technology Forum. PURC Director of Energy Studies Ted Kury moderated and presented in the University and National Lab panel. On the panel, he was joined by Rob Stoner from MIT, John Wagner from Idaho National Lab and Doug Arent from NREL in discussing the latest developments at the Universities and Labs. His presentation discussed the challenges and opportunities in AI-focused initiatives, but the broad scope of issues being addressed across the country will help to ensure that the future electricity system remains safe and reliable.

Powering the Community AI Design Contest

On November 9, UF's School of Engineering and Duke Energy hosted the Powering the Community AI Design Contest for area high school students. PURC Director of Energy Studies Ted Kury gave the keynote address before the student teams began their presentations. He talked about the challenges and tradeoffs in the electricity sector and how the skills they developed for the contest could be used to address not only the particular problem they faced, but related questions far beyond energy. The students then presented their algorithms for storm restoration focusing on customer characteristics, priorities, and needs of the system in their hometowns.

Net Neutrality: Revisiting the Repeal

On October 12, 2023, PURC's Mark Jamison hosted an event to discuss net neutrality following Federal Communications Commission (FCC) Chair Jessica Rosenworcel's proposal to reinstate the policy. Net neutrality mandates that internet providers treat all bits the same, and its repeal in 2017 alarmed advocates who warned the internet would no longer be fair, open, or safe. However, the internet thrived after the rollback, and US consumers experienced better broadband than did their counterparts in more regulated countries. The American Enterprise Institute sponsored the event.

Will Broadband Be Affordable? Assessing Regulations for Broadband Subsidies

On October 2, 2023, PURC's Mark Jamison hosted an AEI panel of experts to discuss how price controls would affect broadband affordability and ways to ensure broadband is affordable for all Americans. Dr. Jamison began with an overview of the National Telecommunications and Information Administration's (NTIA) low- and middle-income pricing requirements for broadband expansion. The panel then discussed the program's affordability; the Broadband Equity, Access, and Deployment (BEAD) Program's ability to attract private capital; ways of promoting structural competition; and the impact subsidies might have on accessibility. The panel concluded with each panelist offering advice to states dealing with the NTIA's price requirements, including building program assessment into broadband rollout, collecting accurate data, and sticking to a clear objective.

How Are States Managing the Broadband Billions?

On September 29, 2023, AEI's Mark Jamison hosted an expert panel of state broadband officers and academics to discuss states' plans for the billions of taxpayer dollars allotted to broadband expansion. Dr. Jamison kicked off the conversation with an overview of broadband initiatives, BEAD funding, and the political pressures and tight deadlines that can affect effective allocation. The state broadband officers unpacked their broad, overlapping concerns—including permitting, workforce, and affordability—and their plans to overcome obstacles such as working with local communities, encouraging competition among providers, and enforcing accountability and compliance measures.

Revising the Horizontal Merger Guidelines: The Path Forward

PURC's Mark Jamison and NRRI's Jeffrey Eisenach gathered economic and legal experts to discuss the Federal Trade Commission's (FTC) controversial proposed Draft Merger Guidelines. FTC Director of Bureau of Economics Aviv Nevo started the economics panel by outlining the merger guidelines' goals: to guide the FTC, inform businesses, and serve as a court reference. Sharing comparisons about the new guidelines versus the old ones, Carl Shapiro of the Haas School of Business expressed concerns about treating vertical and horizontal mergers under one framework, and Bruce Kobayashi of the Antonin Scalia Law School agreed that combining complements is inherently different than combining competitors. AEI's Robert Kulick added that the FTC's efforts to consider new sources of information might serve useful in adding rigor to antitrust. AEI hosted the event.

The Future of Independent Agencies: Fallout from Problems at the Federal Trade Commission

On May 25, 2023, PURC's Mark Jamison hosted an AEI panel discussion on the future of independent regulatory agencies in light of recent activity of the Federal Trade Commission (FTC), which is reversing decades of precedence and established procedures. The panel discussion featured former FTC Commissioner Maureen Ohlhausen, former Federal Communications Commission Commissioner Michael O'Rielly, and AEI's Adam J. White. Ms. Ohlhausen began by recalling that the FTC wasn't always like it is today. It formerly had a culture of consensus and a desire for bipartisanship in enforcing the law. In some sense, the agency is weaponizing legal uncertainty to prevent corporate mergers. Mr. White highlighted similar concerns with the Consumer Financial Protection Bureau, but these agencies' discretion may be diminished if the Supreme Court abolishes the Chevron doctrine. Mr. O'Rielly discussed how Congress hasn't necessarily helped due to it diminishing its lawmaking role and relying on oversight. Also, proximity to elections has had a chilling effect on relations between the administration and Congress. Reestablishing such relations would be crucial to steering independent agencies toward their actual goals. Dr. Jamison closed by making the point that regulators must carefully consider how regulation affects the perception of risk.

Where's the Broadband Money Going? Tracking Impact and Accountability

On May 24, 2023 PURC's Mark Jamison hosted an AEI panel discussion on keys to broadband program efficiency, transparency, and accountability, previewing a rubric for forthcoming work that grades states on their progress. The panel discussion featured University of North Texas's Janice Hauge, Pepperdine University's James Prieger, Stanford University's Greg Rosston, and the Technology Policy Institute's Scott Wallsten. Dr. Wallsten emphasized the efficiency of reverse auctions, explaining that states can get twice as much broadband per dollar using auctions instead of traditional grant systems. Dr. Prieger explained that the National Telecommunications and Information Administration's (NTIA) previous Broadband Technology Opportunities Program provided almost no incremental broadband. He also explained that regulating broadband prices and opening networks, which NTIA recommends, will decrease investment. Dr. Rosston described why low-income individuals do not respond to price discounts. Comcast's Internet Essentials program's adaptability and customer focus have been more effective. Dr. Hauge offered the tenets of the forthcoming rubric that will serve as a guide for states to implement their broadband plans. There's a lot at stake with this much funding, but there is hope that with such guidance, the money will be spent well.

AEI Section 230 Spring Summit

On April 19, the AEI Section 230 Spring Summit gathered together policy, economics, and legal experts to discuss the implications of the two recent Supreme Court cases regarding Twitter's and Google's alleged liability for hosting content posted by third parties. Section 230 of the Communications Decency Act is often referred to as the "26 words that created the internet." Now, those words are the subject of a growing debate about their application and efficacy. From Supreme Court cases to state and national legislative proposals, the future of Section 230 is in question. PURC's Mark Jamison moderated portions of the event.

Do Apple and Google Discriminate Against Rivals in Their App Stores?

Not according to research presented by Dr. Jakub Tecza at the Regulatory Law & Economics Workshop organized by the Center for Growth and Opportunity in Seattle in March 2023. The purpose of the ongoing

project of the Digital Markets Initiative is to understand how app markets respond to applications launched by mobile platforms such as Apple or Google. Results show that the introduction of Apple applications has mostly positive effects on rival apps in terms of downloads, active users and updates of existing apps, as well as on the development of new apps. In contrast, the introduction of Google applications has no economically meaningful negative or positive effects. The research findings suggest that vertical integration of mobile platforms is not harmful to competition in the mobile app markets, and sometimes has positive effects.

What Does Sustainable Mean in the Energy Sector?

It can mean doing the things we want to do, when we want to do them, for as long as possible. This was the subject of a talk that PURC director of energy studies Ted Kury delivered during a panel session organized by the Green Gators. He talked about not only the costs of using energy, but the costs of not using energy as well, and the impact they have on productivity, comfort, and convenience of society. He also talked about the need to study these costs objectively and in consideration of their interaction with other sectors. The consequences of not understanding these tradeoffs is potentially severe, but the benefit is that we get to keep doing what we want to do, when we want to, for a long time.

50th Annual PURC Conference – Getting to Zero: Creating New Ways Forward

Utilities and policy makers are making concrete plans to achieve three zeros: Zero (or net zero) carbon emissions; Zero Floridians without broadband; and Zero water problems. New technologies promise to make zero carbon emissions an economic reality. Florida's new broadband plans promise to offer connectivity to all Floridians. And the water sector is evolving to put quality and investment problems behind us. What are the paths forward for utilities and policy makers? "Getting to Zero - Creating New Ways Forward" was the focus of the 50th Annual PURC Conference, hosted in-person from February 22-23, 2023.

Neo-Brandeisian Antitrust: Repeating History's Mistakes

On February 1, 2023, PURC's Mark Jamison moderated an AEI discussion between former chairmen of the Federal Trade Commission, AEI's Timothy J. Muris and Deborah Platt Majoras, on how the Biden administration has returned to the neo-Brandeisian tradition of antitrust policy. Mr. Muris began by reflecting on his recently published research that analyzes the legal and intellectual path of antitrust policy and how the Biden administration's current reversion to the framework that dominated before the 1980s hurts consumers. Ms. Majoras expressed concern that if the FTC moves away from the consumer welfare standard that has been used for the past several decades and stops using an approach using economics, then the agency will have little grounding when enforcing antitrust policy. She then discussed the role that the employees of large companies play in enforcing antitrust law and how this reversion to an antitrust mindset that "big is bad" will turn into greater costs for companies and, thus, higher prices for consumers. Finally, Mr. Muris and Ms. Majoras fielded questions from the audience, particularly addressing concerns about large technology companies and Amazon. Mr. Muris emphasized that the antitrust policy should be focused on the consumer, not the competitor.

Annual PURC Award for Best Paper in Regulatory Economics

The 2023 Public Utility Research Center Prize for the best paper in regulatory economics was awarded to Phoebe Tian (Bank of Canada) and Chen Zheng (Brattle Group) for *Unintended Consequences of Policy Interventions: Evidence from Home Affordable Refinance Program*. Training and Development.

TRAINING AND DEVELOPMENT

Practicing Leadership in a Political Environment – A One-Day Intensive Training for Leaders in Utility Policy

Fifty-three (53) regulatory and utility professionals participated in our June and October 2023 Leadership Workshop. Throughout the workshops, they identified and developed their individual leadership profiles; examined personal practices of successful leaders to develop vision, resolve conflict and set priorities; analyzed what is different about practicing leadership in a political environment; and developed their own personal action plans and an accountability system to address their unique challenges.

52nd & 51st PURC/ World Bank International Training Program on Utility Regulation and Strategy

Ninety-six (96) regulatory and utility professionals from around the world travelled to the University of Florida for PURC's flagship program! The international training program is an intensive course specifically tailored to the professional requirements of utility regulators and regulatory staff. The course is designed to enhance the economic, technical, and policy skills required for implementing policies and managing sustainable regulatory systems for infrastructure sectors. This training was held in-person from October 16 – 25 and June 5 – 14, 2023.

Executive Retreat for the Utilities Regulation and Competition Authority (URCA)

How can an executive team design the best future for their institution, understand stakeholders, and ensure the organization is ready for this future? How can the executive team learn about its members' leadership styles, use everyone's strengths to support the organization, and plan their next steps? These are the challenges addressed by the Executive Team of the Utilities Regulation and Competition Authority (URCA) during the retreat conducted by PURC director of leadership studies Araceli Castaneda, and PURC director Mark Jamison in The Bahamas October 5 - 6, 2023.

Advanced International Practices Program: Benchmarking Infrastructure Operations course

We hosted thirteen utility and regulatory professionals from the energy and water sectors for an intensive four-day technical course in benchmarking. Participants analyzed the benefits, best practices and pitfalls of benchmarking utilities. After completing the course, participants were able to understand why benchmarking is essential for improving the performance of infrastructure organizations. They could analyze the implications of partial, limited, or incorrect information as well as assess how information on trends in key performance indicators helps decision-makers. They could understand how model specification and data outliers affect performance comparisons as well as identify the strengths and limitations of alternative quantitative

methodologies and how to communicate results. This course was held in-person on the University of Florida campus from August 7 – 10, 2023.

Advanced International Practices Program: Energy Pricing course

We hosted twenty-nine utility and regulatory professionals from the energy and water sectors for a week-long technical course in pricing. Participants discussed the challenges and best practices in pricing; the innovative ideas to addressing efficiency and environmental issues; and the core principles in pricing. After completing the course, participants were able to prepare for and perform price reviews, develop economic incentives appropriate for utilities in small economies, evaluate market competition and develop remedies for market failure, analyze financial statements for rate setting and evaluating sector performance, and develop innovative price structures that create incentives for consumers and producers to behave in a manner consistent with your utility policy. This course was held in-person on the University of Florida campus from July 31 – August 4, 2023.

Customized PURC Training in Water Regulation for ANA

Key personnel from the National Water and Sanitation Agency of Brazil (ANA) travelled to PURC for a customized 8-day training program designed to prepare them with the knowledge and skills needed to establish a water tariffing system. ANA is charged with setting guidelines for states and municipalities to follow when regulating water utilities. The program covered all aspects of ratemaking, from accounting systems to final prices. This program was delivered July 12 - 21, 2023 at the University of Florida.

FACULTY RESEARCH FOCUS



Mark A. Jamison, Director

Dr. Jamison conducts studies on regulation and strategy in telecommunications, information technologies, and energy. 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 Organization of Caribbean Utility Regulators, and the National Association of Regulatory Utility Commissioners. He is the director of the university's Digital Markets Initiative and was a co-principal investigator on a National Science Foundation grant to examine barriers to adoption of solar technologies in developing countries. His current research examines broadband development, market competition, innovation, antitrust, 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 four current issues confronting energy markets: the impacts of distributed generation, the efficacy of relocating power lines, the complexity in determining optimal levels of carbon dioxide abatement, and the effects of restructured electricity markets. Analyses on the impacts of distributed generation have exhibited notable gaps. First, current policy analysis makes the implicit assumption that distributed generation has no impact on consumption. Dr. Kury, along with Dr. Michelle Phillips and Dr. Mark Jamison, studied the impact of distributed generation on consumption in a single-utility sample and found that consumption increased 8-14% for customers that installed solar panels. While this result may not scale to larger samples, it certainly is evidence that the standard assumption that distributed generation has no impact on consumption is suspect. Further, as more countries move away from net metering as a compensation mechanism for distributed generation, they create an incentive for unregistered installations. Present detection methods involving satellite photos and image processing software are expensive with low detection rates. Dr. Kury is developing a machine learning algorithm for detecting unregistered installations from simple billing data. 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. 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.



Araceli Castaneda, Director of Leadership Studies

Ms. Castaneda contributed to a number of PURC in-person programs through the delivery of training sessions such as Effective Independence, Country Lessons from the Pandemic, Thinking Strategically, Balcony Perspectives in ICT Strategies, or Taking a Balcony View Point on Energy Pricing. She ran peer consulting groups to address participants' pressing issues and leadership challenges. Ms. Castaneda also co-delivered PURC's one-day leadership workshop Practicing Leadership in a Political Environment in June and October of 2023.



Sanford V. Berg, Senior Fellow

Dr. Sanford (Sandy) Berg, PURC Senior Fellow, continues to examine internal and external governance mechanisms in the context of infrastructure reform. After the December 2018 Conference in Manila (sponsored by the Bill and Melinda Gates Foundation), he assisted the Eastern and Southern Africa Water and Sanitation Regulators Association by reviewing their Gates-sponsored report on sanitation initiatives in the region. PURC is exploring a now has a funded project to assist in training and the development of resource materials. Berg also conducted a study for Jamaica's Office of Utility Regulation on reducing Non-Revenue Water. In addition, Berg 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

Aytug, Haldun, Anuj Kumar, and Xiang Wan. 2022. "Estimating Optimal Recommendation Policy Under Heterogeneous Treatment Effect of Product Recommendation" In *Information Systems Research Journal*.

Bandyopadhyay, Subhajyoti. 2022. "The Streaming Games: Analyzing the Revenue Models of Online Media Firms" University of Florida, Warrington College of Business, PURC Working Paper.

Barrentes, Roxana, David Cox, Mark Jamison, and Dorothy Okello. 2023. "Regulatory and Broadband Industry Responses to COVID-19: Cases of Uganda, Peru, and the Caribbean." In *Beyond the Pandemic? Exploring the Impact of COVID-19 on Telecommunications and the Internet*, ed. Jason Whalley, Volker Stocker, and William Lehr, 169-193. Bingley, UK: Emerald Publishing.

Bet, Germán, Shana Cui, and David E. M. Sappington. 2021. "The Impact of Vertical Integration on Losses from Collusion." *The International Journal of Industrial Organization*, Vol. 77, June 2021, Article 102756.

Brown, David P., and David E. M. Sappington. 2022. "Vertical Integration and Capacity Investment in the Electricity Sector," *The Journal of Economics and Management Strategy*, forthcoming.

Brown, David P., and David E. M. Sappington. 2022. "Load-Following Forward Contracts," University of Florida, Department of Economics, PURC Working Paper.

Brown, David P., and David E. M. Sappington. 2022. "Market Structure, Risk Preferences, and Forward Contracting Incentives," University of Florida, Department of Economics, PURC Working Paper.

Castaneda, Araceli. 2021. "Principles and Strategies for Effective Leadership in the 'New Normal' " University of Florida, Warrington College of Business, PURC Working Paper.

Castaneda, Araceli, and Mark A. Jamison. 2023. "Inspiring Leadership for Innovation," In *New Leadership Communication – Inspire Your Horizon: World Lecture*, ed. Nichole Pfeffermann and Monika Schaller.

Channagiri Ajit, Tejaswi, and Mark Jamison. 2022. "Effects of Conferring Business Resource on Rivals" University of Florida, Warrington College of Business, PURC Working Paper.

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II. Outside Persons Who Wish to Address the Commission at Internal Affairs

Note: The records reflect that no outside persons addressed the Commission at this Internal Affairs meeting.

III. Supplemental Materials for Internal Affairs

"Abnormal Shareholder Returns Around United States Regulated Utility Rate Case Filing and Decision Events"

A Dissertation Proposal by:

Benjamin Buxton Morris

Doctor of Business Administration Student



Florida Public Service Commission

Internal Affairs Meeting

January 23, 2024

Introduction

Why Is This Topic Worth Researching?

- In 2022, net income of 229 U.S. electric and natural gas regulated utility operating companies totaled ~\$53 billion¹
 - Of which, ~\$51 billion consolidated into publicly traded parent companies¹
- Profit-amount that utilities recover on equity-funded capital investments is stipulated by utilities' economic regulators in "rate cases"
 - New information from rate case proceedings can impact utility share prices
- Understanding relationship between rate case information and utility share price movements (i.e., shareholder returns) is important for:
 - 1) **Regulators**: to provide insight into how to position jurisdictions to attract capital for increasing reliability and resiliency of utility infrastructure
 - 2) **Shareholders/Management**: to anticipate impact of regulatory outcomes
 - 3) **Scholars**: to further knowledge in finance and legal/regulatory domains

¹ Federal Energy Regulatory Commission "Form 1" Filings (2022). Retrieved from S&P Capital IQ Pro.

Theory

Efficient Markets Hypothesis & Event Studies

- Market is efficient in pricing information such that it is fully incorporated into securities market prices^{1,2,3}
 - Implies that old/known information cannot be used to generate trading profits
- “Semi-strong” form of hypothesis states that securities prices should (a) experience no change prior to the release of new information and (b) change when new information is released²
 - Share price changes reflect investors placing value on new information
- “Event studies” are research methodology used to evaluate whether markets are efficient by detecting unexpected price-changes (i.e., abnormal returns):

$$(\text{Return}_{\text{Abnormal}}) = (\text{Return}_{\text{Actual}}) - (\text{Return}_{\text{Normal/Expected}})$$

- If $(\text{Return}_{\text{Abnormal}}) \neq 0$, implies that markets have incorporated new information

¹ Lim & Brooks (2011)

² Fama (1970)

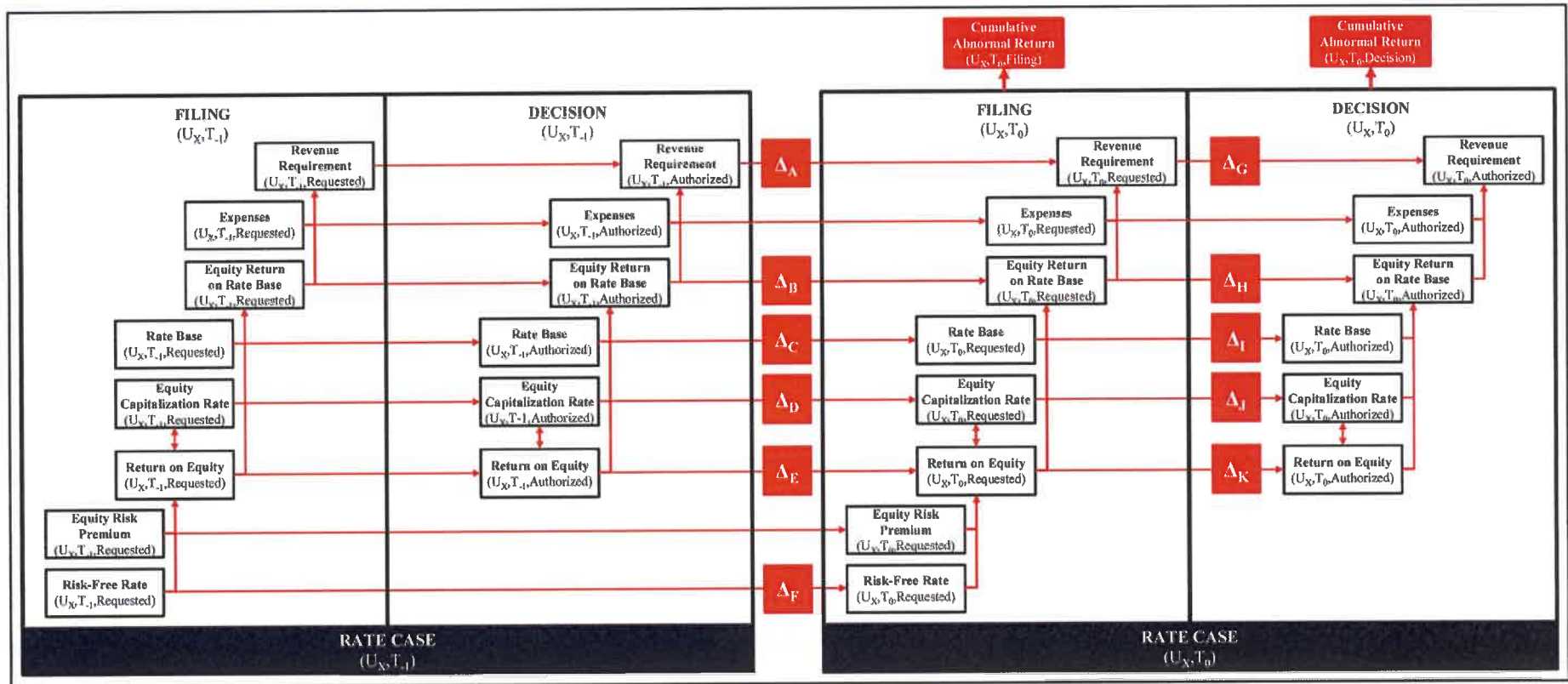
³ Fama (1991)

⁴ Corrado (2011)

⁵ Strong (1992)

Hypotheses

Conceptual Framework & Variables of Interest



Note: New information comes in the form of requested/authorized changes (i.e., “Δs”) in customary rate case data-elements (e.g., Revenue Requirement), and these changes (e.g., “Δ_A”) are the variables proposed for analysis

Methodology

Study Design

■ Event Study¹

- This research treats rate case (a) filings and (b) decisions as “events” around which impacts on share prices of utilities’ publicly traded parents are studied
 - Historical rate case data between 1980-present from S&P Capital IQ Pro (fka SNL Financial, fka Regulatory Research Associates) data-set
- Normal/expected returns calculated using four different financial models:
 - 1) Market Model
 - 2) Market-Adjusted Model
 - 3) Fama-French 3-Factor Model^{2,3}
 - 4) Fama-French 3-Factor + Momentum (i.e., Carhart) Model⁴
- Presence of abnormal returns enables linear regression of shareholder returns against rate case variables to identify correlated relationships

¹ Corrado (2011)

² Fama & French (1993)

³ Fama & French (2004)

⁴ Carhart (1997)

Methodology

Robustness Checks

- “Robustness” (i.e., consistency) of any relationships identified between variables can be tested by varying data systematically to see if correlated relationships still hold
- Proposed robustness checks for this research include:
 - Varying time-periods (e.g., rate cases in different decades)
 - Varying utility-types (e.g., electric vs. natural gas rate cases)
 - Varying case resolution-types (e.g., litigated vs. settled rate cases)
 - Varying regulatory jurisdictions (e.g., Texas vs. Massachusetts)

Next-Steps

- Formal approval and execution of proposed research plan over 2024
- Academic leadership and advising provided by:
 - **Dr. Joel F. Houston** (Dissertation Committee Chair)
 - Eugene F. Brigham Chair in Finance, Warrington College of Business
 - **Dr. Mark Jamison**
 - Director, PURC; Gerald L. Gunter Memorial Professor and Lecturer, Warrington College of Business
 - **Dr. Ted Kury**
 - Director, Energy Studies, PURC; Lecturer, Warrington College of Business
 - **Lisa Polak Edgar**
 - Senior Fellow, PURC; Associate in Law, Levin College of Law; Former President, NARUC; Former Chair and Commissioner, Florida PSC

Questions?

UF **WARRINGTON**
COLLEGE *of* BUSINESS

IV. Transcript

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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PROCEEDINGS: INTERNAL AFFAIRS

COMMISSIONERS PARTICIPATING: CHAIRMAN MIKE LA ROSA
COMMISSIONER ART GRAHAM
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW GILES FAY
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Tuesday, January 23, 2024

TIME: Commenced: 9:30 a.m.
Concluded: 10:32 a.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
TALLAHASSEE, FLORIDA
(850) 894-0828

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

2 CHAIRMAN LA ROSA: All right. All right.
3 Good morning. Welcome to our Internal Affairs
4 meeting.

5 If you heard a little bit of music in the
6 background, right, I know it's kind of -- it was
7 subtle. It was intended to be subtle. We are
8 going to start something a little bit different, so
9 a little bit new at the Internal Affairs meetings,
10 right. So if you heard the music, you heard that
11 there was maybe an electric touch to it, kind of in
12 the realm of obviously something we do. So I
13 thought about maybe bringing something a little bit
14 unique to our Internal Affairs meetings, a little
15 bit, of course, a little bit more laid back and
16 relaxed.

17 So this week's -- this month's song is picked,
18 of course, by my office. I told the folks that we
19 are doing this. My hope and intentions are that
20 others within the agency, maybe some divisions can
21 get together suggest a song for our next Internal
22 Affairs meeting. I already had some songs thrown
23 at me when it got leaked that we would be doing
24 this. So my intention here is to have a little bit
25 of fun, create a little bit of comradery in our

1 meetings.

2 So if you heard that music, and you heard that
3 song, and we will announce what that song is in the
4 meeting a little later today, that's what the
5 intentions were, and that's what was behind it. So
6 that's the answer -- that's the question we were
7 surprised.

8 Today is January 23rd, so let's officially
9 call this meeting to order.

10 Commissioners, you know, one of the most
11 important things we do here is recognize our
12 Employee of the Month. So I see her, I think -- I
13 do see her out in the crowd. Ms. Daisy Rojas is
14 our employee of the month for December.

15 (Applause from the audience.)

16 CHAIRMAN LA ROSA: I would like to just kind
17 of read a few quick words from Daisy's director.

18 Daisy's dedication to the Commission is
19 evident through her command of material and her
20 work product, however, the quality that she truly
21 sets her apart and willingness to go above and
22 beyond to assist her coworkers in anyway possible.

23 She has a genuine desire to help others
24 succeed in their position, which in turn
25 contributes to the success of the entire division.

1 Daisy's also an outstanding steward on the
2 intangible elements that make the Commission such a
3 great place to work. She is also friendly, and is
4 one of the principles behind decorating the AFD
5 office every holiday season.

6 I will tell you, as I spoke to her director
7 and others, one of the elements that I consistently
8 heard was that she makes those around her better,
9 and I think that's an important element. Not just
10 as an employee and for a division, but for the
11 entire agency, and that's what stood out.

12 So, Daisy, congratulations for being Employee
13 of the Month in December.

14 MS. ROJAS: Thank you.

15 (Applause from the audience.)

16 CHAIRMAN LA ROSA: So if you haven't noticed
17 already, we are not in the hearing room. We are in
18 I guess what's called the Internal Affairs room.
19 It's new for me. I think it's also new for
20 Commissioner Passidomo. We have not been in this
21 room at least in a regular meeting, right?

22 So my intentions are to not necessarily
23 downplay the material which we are talking about.
24 That's, of course, extremely important, but maybe
25 casualize the discussion, casualize the elements.

1 Of course, we are also talking about happenings
2 within the agency, and I just felt like this was
3 kind of a unique opportunity to bring us back to
4 something that we did before. I know COVID kind of
5 disrupted things, and I just thought maybe the
6 timing was right.

7 So my hope is that this is not the Commission
8 versus staff, which is on the other side. We don't
9 necessarily have to sit here. We can sit kind of
10 anywhere. I am right-handed. The gavel was here,
11 so I chose to sit here. But, yeah, that's the
12 purpose. That's the reason that we are here. So
13 hopefully it engages a little bit more
14 conversation, decasualizes or casualizes the
15 elements of what's in front of us in our agenda.

16 So -- and with that, let me say that there has
17 been a few trial runs to make sure that today
18 operates correctly since it's been a little bit of
19 time. So thank you staff for working hard.
20 Literally last week, and up to yesterday, we were
21 still testing making sure that the room works
22 correctly. So thank you for all of those that have
23 been working behind the scenes to make sure that
24 today's meeting is efficient and runs smooth.

25 With that, let's move forward to our agenda.

1 Today we've got Mr. -- or Dr. Mark Jamison from
2 PURC here to give us a presentation.

3 Mr. Jamison, you are recognized to come and
4 join us here at the table.

5 DR. JAMISON: Thank you.

6 CHAIRMAN LA ROSA: No problem. And the floor
7 is yours. I know you got a presentation that we
8 will either put up in the screens or it out in
9 front of us in print, so you are recognized, my
10 friend.

11 DR. JAMISON: Thank you.

12 You don't have a presentation from me. You
13 have some from some students, but you do have our
14 annual report that we have given to you.

15 Let me start by first thanking the Commission
16 for being a sponsor for a very long time now, over
17 50 years. And we appreciate working with you and
18 the support, the ideas, and the challenges that you
19 give us to work on.

20 I also wanted to thank the Chairman for some
21 ideas about how we might do this presentation
22 differently. Engage some of our students. I think
23 you will find that very interesting.

24 And before I jump on to just some summary
25 ideas from our report, I just wanted to compliment

1 the agency for your emphasis on recognizing your
2 staff. I have been fortunate to work with, like,
3 160 countries around the world on regulation
4 issues. I have yet to see a regulatory agency
5 succeed without a strong staff. You have to have
6 that, and this agency has been very good focusing
7 on that, so you are to be commended for it.

8 I am just going to summarize a few of the
9 things in our report. It's there for you to look
10 at. Then I am going to introduce a couple of our
11 students that have been working with PURC for some
12 time. I will introduce those later. Let me just
13 highlight things that we are up to.

14 Next month, we will have our annual
15 conference. It will be our 51st, I think. And
16 this conference we have been listening to people
17 for the past few years, understanding that we are
18 leaning on technical innovations to solve a lot of
19 our problems in regulation and utilities. And so
20 we thought it might be a good discussion to have
21 about what are the barriers to doing that, and
22 doing that well.

23 So we are going to have, as a keynote, the new
24 CEO of the U.S. Energy Association. That's
25 something he has thought about and he is working on

1 around the world. After that, we will have an
2 executive panel of utilities talking about that
3 here are some of the challenges we have faced, and
4 how we've gone about trying to solve those. We
5 will be talking about grid innovations as well.
6 What the impacts will be as the state expands its
7 broadband platform through some of the new programs
8 that are going on, and then some of the concerns
9 with technology. Some people have concerns about,
10 for example, what is our official intelligence
11 really going to do? So we have a panel of experts
12 talking about those kind of things as well.

13 You will see also in our report some of the
14 research items we have been doing, and presentation
15 we have been doing in the energy space. You will
16 see a lot of papers. We are talking about energy
17 markets. These are the work largely of a former
18 student, David Brown.

19 If you have hung around our conferences very
20 long, you might have the noticed a few years ago a
21 young man carrying around this big pad of paper,
22 and he was always doing math equations on it. That
23 was David Brown. David was always trying to fix
24 his economic models. He does really, really well.
25 So he is now in Alberta Canada, and the regulatory

1 agency there, the utilities are leaning on him to
2 analyze their markets for them. He does great
3 work, so you will see some of the papers there that
4 he has been involved in.

5 You will see also presentations by our own Ted
6 Kury, our Director of Energy Studies on Artificial
7 Intelligence. He did one for the ESEA. He also
8 did one at the event at the University of Florida
9 and Duke Energy sponsored for high school students
10 in the area, challenging the high school students
11 to figure out how you could use artificial
12 intelligence to deal with storm recovery better,
13 understanding who the customers were and what they
14 were experiencing. And it was a really, really
15 good event. So hats off to the Energy Department
16 at UF plus Duke for putting that together. The
17 students did a really good job on that.

18 In the information technology area, a big
19 thing we have been launching this year has been our
20 broadband barometer. This is a project we have
21 where we are watching what's going on in the states
22 as they deploy broadband. You might recall that
23 there was about 42-and-a-half-billion-dollars in
24 the infrastructure bill a couple of years ago for
25 broadband development. All the states are involved

1 in doing that. So we've set up a group of people,
2 scholars from Duke, Stanford, North Texas,
3 Pepperdine, and I think tanks -- a couple of think
4 tanks in DC just to watch, educate, help people
5 with it. So we issue kind of reports on how the
6 different states are doing, and have had a lot of
7 events, produced research papers on it. Having had
8 a good competitive processes, hold people
9 accountable. If you are going to be involved in
10 pricing, how you get that right. So we've got a
11 big effort on that. That will go on for another
12 four years.

13 Then also in that space -- well, let me see,
14 let me jump ahead to one other thing that we have
15 been doing.

16 You have might have noticed in the news over
17 the past couple of years, there has been a lot of
18 turmoil at the Federal Trade Commission. And that
19 raises some issues about independent regulatory
20 agencies. That's been an item of debate in DC for
21 some period of time. So this keyed up how is an
22 independent agency really supposed to work, and
23 what are going to be its boundaries of its
24 authority. So we've had some events on that, three
25 all together in Washington, DC, where we have

1 discussed that. It's been a really good
2 discussion, and I think people have come away with
3 some good lessons.

4 One of the interesting things from it is that
5 as much as I tried to encourage people in DC to
6 look at the experiences of the states with
7 independent regulatory agencies, they weren't so
8 interested in that. So I have talked with NARUC a
9 little bit. I couldn't get NARUC stirred up about
10 it.

11 If you get an opportunity maybe over this next
12 year, because the role of independent agencies will
13 show up in the presidential election at some point,
14 maybe there will be a good opportunity to have a
15 discussion about, yeah, you guys in DC may be
16 struggling, but we in the states, we have figured a
17 lot of things out. We kind of know how to do them.
18 So think there would be some good lessons for
19 people from that.

20 So those are some of the highlights. I would
21 be glad to answer any questions you might have.

22 CHAIRMAN LA ROSA: Members, so the intentions
23 are is that we just have an open discussion. I
24 don't need to necessarily recognize anybody unless
25 it's something specific from ourselves or from

1 staff. I will start with one.

2 So what do you see maybe some of the larger
3 hurdles where the federal government has this out
4 view of the role of the state. Is there something
5 that's kind of specific that you see consistently
6 across other states that are either being ignored
7 or not being fully utilized?

8 DR. JAMISON: My basic observation is, is the
9 people in DC spend a lot of time there, and they
10 don't see what happens outside very well. So when
11 I have talked to people. People I know. They are
12 good friends of mine. I have great respect for
13 them. They just don't know what's going on in the
14 states. And I think that is the biggest hurdle.

15 So I tried to put together a panel of, like,
16 state regulators in DC to talk about, okay, you
17 have got these challenges. Here is how we address
18 those, because we have been through it before.
19 Just couldn't get it quite get it all put together
20 yet. That may be sometime this year.

21 CHAIRMAN LA ROSA: In my previous life, I also
22 saw similar traits where we would take the lead on
23 something and didn't feel like the federal was
24 really paying a whole lot of attention, maybe it
25 wouldn't recognize what it was that we were doing.

1 Any other questions or thoughts? Please.

2 COMMISSIONER GRAHAM: You were talking a lot
3 about broadband.

4 DR. JAMISON: Yes.

5 COMMISSIONER GRAHAM: For the longest time,
6 the university service fund, we have always been a
7 donor state before and after bringing in broadband,
8 and I assume, I don't know if we are still as much
9 of a donor state as we were before, do you know off
10 the top of your head?

11 DR. JAMISON: I don't know off the top of my
12 head. Most of the money now is taxpayer money, and
13 there is work being done in DC, I don't know how
14 much success it will be, to do away with having the
15 state telecommunications fund the universal
16 service, to try and get more broad-based. I don't
17 know if they will be successful with that or not,
18 but there is some effort that that would resolve at
19 least some of Florida's problem. But Florida, with
20 a successful economy, is going to tend to support
21 places that have less successful economies.

22 COMMISSIONER GRAHAM: Do you know something --
23 is there anything we should be doing now so we
24 could be less of a donor state? Like, now that
25 it's widened out to broadband, are there

1 opportunities we should be looking into as things
2 we should be pushing for to allow us to use some
3 more of those funds, rather than it all just going
4 to DC and staying there?

5 DR. JAMISON: Yeah. What you would want to do
6 is get involved in the discussions about how the
7 FCC's universal service efforts will be funded.
8 That's where Florida has been a payer. Okay, the
9 FCC has funded universal service by a tax on
10 interstate telecommunications. That's the --
11 that's what's becoming incredibly problematic. So
12 there is some movement, a discussion to change
13 that. The question is how would that change?

14 The FCC doesn't really have authority to get
15 money from some place else. In fact, there is some
16 discussion about does the FCC really have authority
17 do to do what it's doing?

18 So things may change, maybe not this year
19 because of the elections and such, but maybe 2025.
20 Get involved in the discussions and know what you
21 would like to have, you know, what makes sense?

22 COMMISSIONER GRAHAM: I mean, broadband is
23 nothing that we even touch, but I just hate seeing
24 those funds go to waste all the time.

25 DR. JAMISON: Yeah. I understand. Yeah, that

1 would be my thoughts, try to get involved in the
2 discussion, but certainly know what you would want.

3 COMMISSIONER GRAHAM: Thank you.

4 COMMISSIONER FAY: Do we need these on?

5 COURT REPORTER: Yes.

6 COMMISSIONER FAY: Yours isn't on. I just
7 didn't --

8 CHAIRMAN LA ROSA: I think folks hear us at
9 the table fine, but with the microphones on, then
10 we are picked up with folks that are zooming in.

11 COMMISSIONER FAY: Gotcha. Great.

12 First of all, thanks for being here. You come
13 every year. Thank you for your engagement on the
14 NARUC side. I think you and I have talked a lot.
15 I see no reason that Florida, both on a research
16 and academic position, can't be highly engaged in
17 what's done on a national level. I think, to your
18 point about what we do -- or what states do and
19 trying to translate that to DC, I mean, we all kind
20 of joke about how dysfunctional DC is, but I think
21 the reality is some of what we have done on the
22 national level, the NARUC level, has been somewhat
23 limited because we have a specific type of model
24 for our utility regulation in Florida that, for the
25 most part, has proven to be extremely successful.

1 So I think that is different when some other states
2 look what they do, and their structures, and their
3 markets.

4 And so I appreciate you getting involved in
5 NARUC, because I know that that's not necessarily
6 historically a lane that you guys have operated in,
7 but you spent time last time, it's always fun on
8 Sundays to come meet with us in the Education
9 Committee --

10 DR. JAMISON: Sure.

11 COMMISSIONER FAY: -- but you took the time to
12 come up with and do that, and so I appreciate that.

13 I will ask you on the FCC stuff. I know you
14 guys are doing a lot of research in that realm. I
15 think it's significant. I think the sort of
16 philosophical debate, and the chevron, and
17 independence, and all of these discussions that are
18 having, I think of legally some of that will play
19 out and the courts will weigh into that. But I am
20 curious, the research sort of wades into the
21 reality that just the way the FCC operates for the
22 mergers and the reviews is essentially killing the
23 ability for companies to be able to do that type of
24 acquisition.

25 And so that might be more of a philosophical

1 and less an academic debate, but I am just curious
2 if it's, you know, if the research of those
3 changes, and independence, and things that you are
4 seeing, is this essentially going to lead towards a
5 result that minimizes the ability for companies to
6 do that?

7 DR. JAMISON: Sure. There are basically two
8 areas of research that have been done that inform
9 us. And then I have two students, one is a
10 post-doc, doing research on the merger analyses,
11 and specifically want to look in the energy sector
12 and see what some of those -- the consequences have
13 been for, like, green energy and such.

14 But more to your question, we know from about
15 30 years of research, some of which was done at UF,
16 some good research, that if you have a good,
17 predictable, operating by rule of law regulatory
18 agency, you get more utility investment than if you
19 have -- don't have that. And that's true anywhere
20 you go in the world. That's been really, really
21 strong research.

22 And that's been my concern with the FDC.
23 Those of you don't know me, I used to work in the
24 regulatory agencies in Kansas and Iowa, so I have
25 got a lot of background in it, and it just bothers

1 me when I see things start falling apart.

2 COMMISSIONER FAY: Well, you served on
3 advisory groups.

4 DR. JAMISON: Yes. Yes, for a long time.

5 So we know that a strong regulatory agency
6 matters. It matters a great deal, because
7 investors know that they can predict what's going
8 to happen in the future, and that's why it's so
9 important.

10 So that then also plays into what's going on
11 with some of the merger regulations, and they
12 become less predictable, because in some ways, they
13 are going back to things done in the 1930s, which
14 were fairly arbitrary. The economists working in
15 it have thought back, and we'll see how well that
16 goes. But that's -- that's where we have been in
17 our research and where we are going. We are going
18 to see what some of the affects are going to be.

19 COMMISSIONER FAY: And when will you see some
20 of that, do you think, as far as conclusions of
21 that research? Is that --

22 DR. JAMISON: That will probably take us about
23 a year. The data acquisition is really difficult.
24 It's there, it's just really hard for my students
25 to get.

1 COMMISSIONER FAY: Okay. That's great. Thank
2 you.

3 CHAIRMAN LA ROSA: Any thoughts, questions?

4 COMMISSIONER PASSIDOMO: Thank you, Chair.

5 Thank you, Dr. Jamison for being here, and
6 always Go Gators. I feel like I represent up here.

7 So I kind of want to -- I was thinking about
8 when I was looking through when -- or these
9 research projects that you give us in your annual
10 report. I had spent some time working at the
11 Department of Energy, and then they have just got
12 an influx of grant opportunities, and I am kind of
13 curious -- I don't know how those are -- if they
14 are available for academic purposes as well as also
15 for, you know, utility-scale, you know, deployment
16 of new resources and things like that. Do you have
17 an, you know, some sort of liaison that helps you
18 look into those opportunities?

19 I am always just, like, hopeful that we can
20 get those, because in a lot of ways, we are a donor
21 state just generally into the federal government,
22 and so we want those -- those are our dollars that
23 are going into those opportunities, so bringing it
24 back to our universities for research for our
25 state is really important, so I didn't know, like,

1 do you get to look -- do you get any of those
2 opportunities to come to UF and you get to use them
3 in any way?

4 DR. JAMISON: A lot do come to the university.
5 That is true. They are largely in engineering, is
6 where most of the funding is, and the engineering
7 college -- all engineering colleges is well
8 equipped to pursue all of that.

9 We have collaborated some with the engineers
10 schools on some of the research. Sometimes they
11 like economists, sometimes they don't. I
12 understand. We don't do a great deal of that. As
13 you might imagine, the regulations around those
14 research projects are really intense, and so
15 it's --

16 COMMISSIONER PASSIDOMO: Right. Yeah.

17 DR. JAMISON: -- you got to understand, you
18 are subsidizing the project there is so much
19 regulation to it.

20 COMMISSIONER PASSIDOMO: Absolutely. Well, I
21 appreciate it. Anything, you know, if we can do to
22 help facilitate that process.

23 DR. JAMISON: Okay. I am glad. Thank you so
24 much.

25 The university does have people sitting in

1 Washington to help with a lot of that. Thank you.

2 CHAIRMAN LA ROSA: Awesome.

3 Not seeing anything else, I asked Dr. Jamison
4 to invite a few of his students that have, either
5 working with PURC or impacted by some of the work
6 that's there. So I will toss back over to you to
7 introduce who you have got with us today.

8 DR. JAMISON: All right. Thank you.

9 We have two people with us. One is Justin
10 Brock. Justin is an undergraduate at the
11 university. He is finishing up, I think, this
12 semester. He is going to be talking about his
13 experiences working with us, and how it's played
14 into things he has learned along the way. He will
15 also ask you for some advice, so please be ready
16 for that.

17 You will also hear from Benjamin Morris. He
18 is a DBA, Doctor in Businesses Administration
19 student. He is doing some research on the effects
20 of regulatory decisions. I will let him explain
21 that.

22 And so then we had a third student that was
23 going to present, a law student, but she had class,
24 and for some reason that was just more important,
25 and I don't understand. But --

1 COMMISSIONER FAY: I don't believe it.

2 CHAIRMAN LA ROSA: We understand, though.

3 DR. JAMISON: So we won't have her. But we
4 will have Justin and Benjamin.

5 So let me start with Justin. Would you lead
6 off, please?

7 MR. BROCK: Hello, everyone. As Dr. J said, I
8 am Justin, and I am a fourth year student here at
9 UF studying environmental science, and I have been
10 working with PURC for over three years now.

11 During my time here at PURC, I have gotten to
12 learn a lot about an industry that I am hoping to
13 enter in the next coming few months, and I have had
14 a lot of amazing opportunities, like particularly
15 meeting hundreds of different utility regulators
16 from around the world at our biannual PURC World
17 Bank program, and hearing what they have to say
18 about the challenges that they faced and the
19 milestones that they have overcome in their work,
20 which has been really interesting and really
21 impactful to learn about.

22 I am also very appreciative for the exposure
23 PURC has given me to the utility sector here in
24 Florida. I have heard many of you Commissioners
25 speak before, including Commissioner -- or Chairman

1 La Rosa, Commissioner Passidomo and Commissioner
2 Fay, speak on numerous occasions across the state
3 on energy issues, which has been very insightful.

4 And in addition to the several PURC annual
5 conferences that we have put together, including
6 the one in February that I invite you all to come
7 to, I had the opportunity last August to attend the
8 Florida Women in Energy Leadership Forum as a
9 student investor, and Lila Jaber did an amazing job
10 putting that conference together, just -- as well
11 as making it an opportunity for students to really
12 dive deep into concerns about our future, both
13 ecologically, as it relates to climate change, and
14 economically, as it relates to making sure that we
15 can ensure that all Floridians have equal access to
16 affordable and reliable utility services.

17 These conferences have really allowed me to
18 see how big of an industry the utility sector is,
19 even beyond everything that you do here at the PSC,
20 hearing from private energy companies, consulting
21 firms and legal groups on how they all work
22 together has really enlightened me to a myriad of
23 people who come together to make Florida's
24 infrastructure strong.

25 In addition, particularly someone who studies

1 climate change pretty much day in and day out as a
2 part of my degree, it was really cool for me to see
3 how Florida is utilizing federal investments from
4 the IIJA and the IRA to expand alternative energy
5 sources across the state, especially solar, but
6 also more new sources like hydrogen fuel, which I
7 think is really interesting.

8 It was also very insightful for me to learn
9 that Florida leads the nation in transition fuel
10 infrastructure, particularly natural gas, which
11 releases significantly less carbon dioxide when
12 combusted as opposed to oil, and definitely coal.

13 On that note, thanks to your efforts, as well
14 as that of regulatory groups across the nation,
15 coal is now projected to make up just over 14
16 percent of U.S. energy generation in 2024. The
17 lowest it has ever been. It is now lower than the
18 generation share produced by both renewables and
19 nuclear energy individually, which is really just
20 crazy to think about considering that was not the
21 case two years ago.

22 Overall, my time here at PURC has added a lot
23 of nuance to my studies, and it's given me
24 incredible exposure as to how environmental issues
25 and regulatory issues overlap in several different

1 ways.

2 And then as I enter the workforce, I am
3 excited to continue learning and working towards
4 new ways of ensuring quality of service, portal
5 pricing and also reducing the ecological footprint
6 of the utility sector. And I just want to say
7 thank you so much for giving me this opportunity to
8 speak with you.

9 I do have a few questions before I go. If you
10 have any questions for me, I would definitely take
11 them as well.

12 But first and foremost, as a prospective
13 applicant to both public and private sector jobs in
14 the industry, I was wondering, as professionals,
15 what advice do you have for me to stand out in my
16 job application, job interviews, and if I do get
17 the job, in my work as well?

18 CHAIRMAN LA ROSA: Who wants to take a stab at
19 that?

20 COMMISSIONER FAY: The most experienced.

21 COMMISSIONER GRAHAM: It's been longer since I
22 have had to --

23 COMMISSIONER PASSIDOMO: Most recent, yeah.

24 Well, first off, I am just so excited that you
25 are entering this industry. I will say, I am

1 always -- I love it so much, and I have said that
2 there is the opportunities are endless. And I am
3 glad you mentioned FWELF. That was something I was
4 going to say. I mean, I couldn't believe being
5 there just the opportunity you get do meet industry
6 leaders. Lila does an amazing job and really gets
7 -- makes great connections, so I think continuing
8 to be a part of that process, showing, like, actual
9 engagement.

10 I found when I was entering this industry, I
11 started when I was in law school, and decided where
12 I wanted to be in it. As you understand, it's
13 really diverse. You can be -- so I tried the
14 upstream side of what, like, basically ENP, natural
15 gas extraction, things like that it, working in
16 that realm, realizing that wasn't necessarily where
17 I wanted to be, and then all the way down to the
18 regulatory side.

19 So very different -- you can get engaged in a
20 lot of different ways. So kind of finding which
21 area of the industry you want to be in. Regulation
22 is -- it's a lot different of a process, a lot more
23 legalistic, so, you know, understanding --
24 understanding the rules and regulations that kind
25 of drive this whole process is really important, so

1 putting that foot forward -- and you already
2 mentioned, you know, the biggest federal energy
3 policies that just came out. Understand the Energy
4 Policy Act is really important as well. That
5 really, and the Federal Power Act, that really
6 guides our industry on a federal level, and
7 interstate commerce level.

8 So those are kind of the things -- I mean, I
9 haven't been much of a -- you know, I would looked
10 to my colleagues for, like, the actual what
11 employers would be looking for because I am more of
12 on the applicant side, but I found it was
13 successful for me to show my enthusiasm and broad
14 knowledge base of the industry as a whole because
15 it will give you -- just going in and feeling like
16 you are the most prepared person in the room is
17 always good advice for anything you are doing, I
18 think.

19 CHAIRMAN LA ROSA: I feel like I am going to
20 transition to Gary. Gary, you look like you are
21 ready to say something.

22 COMMISSIONER CLARK: Well, I would add,
23 Justin, there is a couple of things that I would
24 suggest to you, and number one is be willing to do
25 any job. Don't ever consider yourself above any

1 responsibility. And as a -- as someone what who
2 has employed a lot of people in my work history,
3 that's kind of the thing that I am always looking
4 for, is the attitude, and that's someone who is
5 willing to take on any responsibility that is given
6 to them.

7 There is probably nothing -- you can take
8 someone with a -- with decent skills that has the
9 right positive work attitude and this person can go
10 along way. Where you start out is not going to be
11 where you end up. Be willing to look at those
12 diverse opportunities that are out there.

13 And I would say this as well. Go into things
14 with an open mind. Be willing to look at the
15 reality sometimes as opposed to the perceived, and
16 look at things from your employer's perspective as
17 well as the world perspective, and be able to make
18 the necessary adjustments there to what you see in
19 reality.

20 That would be my advice starting out.

21 CHAIRMAN LA ROSA: Yeah, Justin, I will just
22 piggyback a little bit on what Commissioner Clark
23 just said.

24 I think dedication and commitment is what a
25 lot of organizations, or companies, or whatever it

1 may be that you are applying for, are really
2 looking for. Understanding what their mission is,
3 and being able to take that the next level is
4 equally as important.

5 You know, the advice I always, you know, offer
6 to my kids, or my niece or nephews that may be
7 looking for different opportunities, I would say,
8 how do you -- how can you separate yourself from
9 the rest? You dug into some of your experiences,
10 which are immense for an individual your age. I
11 think highlighting those, and you may be able to
12 use that and pivot on that to show your dedication,
13 show your interest. And I think that's -- that's
14 what opens folks' eyes.

15 A lot every folks will say the right things on
16 a resume. They will put the right references. All
17 of those things, of course, always check out. But
18 really, how do you separate yourself, and how do
19 you make yourself a little bit different, and how
20 are those -- maybe keep of that team in mind as you
21 are filling out applications, having discussions,
22 whatever you may be doing to get to where you are
23 heading, so my thoughts. Any others?

24 COMMISSIONER FAY: I wouldn't cut your hair.

25 That hair --

1 MR. BROCK: Thank you.

2 COMMISSIONER FAY: -- solid. Yeah.

3 CHAIRMAN LA ROSA: I second that, by the way.
4 I wish I had that.

5 COMMISSIONER FAY: No, I mean, I think having
6 some balance of academic and work is really key,
7 right? I mean, I think all of our divisions would
8 tell you that. Sometimes we have folks come
9 straight out of school, especially Commissioner
10 Passidomo, I know in law school, they will be top
11 of their class but have never worked. They have
12 never had actual experience of being in-house
13 somewhere, and understanding kind of what that
14 looks like. And so I think the more you can do
15 that in addition to all the academic qualifications
16 that you are building, I think that's probably
17 helpful for you in the future, depending on where
18 you want to go.

19 And if you want to stay in Florida, you have
20 got some pretty good exposure being on this IA,
21 which is recorded and saved in the archives, and so
22 it might be something you will be able to bring up.
23 So I appreciate your time. That's right.

24 MR. BROCK: Thank you all so much.

25 I do have one more question, if you guys have

1 time. It's a little bit more specific, so if you
2 don't have an answer, then I completely understand.

3 But in my studies, one thing that I focused on
4 a lot is the environmental impact of lithium
5 mining, and for lithium ion batteries specifically.
6 And given that they are one of the more viable
7 sources for energy storage and photovoltaics, and
8 they are already primarily used in the electric
9 vehicle infrastructure, research suggests that
10 global annual production of it will have to
11 increase, like, by over 10 times what it is today
12 in order to satisfy a fully carbon neutral society.

13 So I was just asking, have you put any
14 thought, or who do you believe has put the best
15 thought into how to regulate the energy market
16 and/or lithium mining itself in order to not create
17 any new ecological issues while we are trying to
18 solve another one?

19 CHAIRMAN LA ROSA: That's a great question.

20 MR. BAEZ: Phone a friend.

21 CHAIRMAN LA ROSA: I will throw kind of a
22 perspective at you.

23 So unique, because, right, so we are talking
24 about an issue that we don't regulate, right, but
25 impacting something that may, you know, somewhat

1 fall into our regulations. You know, I don't know
2 that the verdict is out 100 percent of what we --
3 the direction we go, and what we look at, and what
4 we trust, but at the end of the day, we got to look
5 at evidence. And I think that's important to
6 continue as these new technologies are, you know,
7 continuing to evolve.

8 We know that battery storage is a major factor
9 to the production of some renewables. So I think,
10 as time goes on, it's important to, you know, keep
11 our ear close to the ground, pay attention to
12 what's actually happening. But I think you -- in
13 your question, you answered part of it, is what is
14 the overall impact? And there is probably an
15 impact that is an unintended consequence to solve
16 one problem that might be creating another problem.

17 So I know for us, that makes our job a little
18 bit -- not a little bit. It makes our job very
19 difficult as we try to balance that, because I just
20 kind of feel like the last 10, 15 years are very
21 different from the 10 or 15 years previous to that.
22 And the 10 to 15 years ahead of us have are going
23 to be very different from the last that we've just
24 seen.

25 So it's something that I think we need to

1 continue to watch, because we need to pay close
2 attention to it, and make sure we don't deviate
3 from what our ultimate mission may be to create a
4 further harm than maybe what we are intending to,
5 so --

6 MR. BROCK: Well, thank you so much. Yes,
7 that was very insightful.

8 CHAIRMAN LA ROSA: Awesome.

9 Dr. Jamison, I will throw it back to you if
10 you want to make an intro -- Justin, I didn't mean
11 to cut you off if you have further questions.

12 MR. BROCK: No. All good. I was saying thank
13 you again, and I will turn things over to Dr.
14 Jamison now.

15 CHAIRMAN LA ROSA: Awesome.

16 DR. JAMISON: Thank you, Justin.

17 Ben, I am just going to hand it to you.

18 MR. MORRIS: Good morning. Hopefully the
19 group can hear me, but please just let me know if
20 you cannot. And thank you very much, Dr. Jamison.

21 And to the Commission and staff, I am very
22 honored and very grateful for the opportunity to
23 speak about my research today.

24 So my name is Ben Morris. I am a doctoral
25 student within the business school at the

1 University of Florida. By day, I am a senior
2 director at American Water in Camden, New Jersey.
3 But my legal colleagues have kindly reminded me
4 that the work products and opinions that I
5 presented as a researcher are my own and really do
6 not reflect my work as an American Water employee.

7 So what we are presenting here today is, as a
8 doctoral student, I am preparing my dissertation,
9 and I am on the front end of that. And so what I
10 wanted to review with you is my dissertation
11 proposal, and the topic of it is Abnormal
12 Shareholder Returns Around U.S. Regulated Utility
13 Rate Case Filing and Decision Events. And I know
14 that's a mouthful, but we will get into a little
15 bit more detail around what that means. But it's
16 certainly relevant to your work, and that's why we
17 are discussing it here today.

18 So maybe before we get into the research
19 itself, I just wanted to address the question of
20 why is this worth researching at all. And so maybe
21 just to grab it in a fact.

22 In 2022, of the 229 U.S. electric and gas
23 utilities who filed FERC Form 1, their net income
24 totaled \$53 billion. Of that 53 billion, the vast
25 majority, the vast majority, so 51 billion,

1 ultimately consolidates up into the financial
2 statement of publicly traded utilities in the U.S.
3 or abroad.

4 And so I know that this group knows that the
5 profit amount that utilities recover under equity
6 funded capital investments ultimately is stipulated
7 by rate cases. And this might seem obvious, but
8 the new information that comes out of rate cases
9 ultimately can impact utility share prices and
10 shareholder value. And so understanding that
11 relationship between shareholder value and utility
12 rate base information is interesting to different
13 stakeholders.

14 So from a regulator perspective, it provides
15 insight into how to position jurisdictions to
16 attract capital for increasing reliability and
17 resiliency of the utility infrastructure in that
18 jurisdiction.

19 From the utility side for shareholders and
20 management, understanding that relationship really
21 allows them to anticipate the impact of regulatory
22 outcomes.

23 And then lastly, from an academic perspective,
24 understanding that relationship between rate case
25 information and share price impacts for utilities

1 simply furthers the knowledge base within finance
2 and the legal domains.

3 So that's why we are looking into it, and why,
4 for this group as regulators, it should matter to
5 you hopefully.

6 So just maybe a little bit in theory. There
7 are two things that I wanted to cover, which are
8 the efficient markets hypothesis from a finance
9 perspective, and then the research methodology of
10 event studies.

11 So the efficient market hypothesis ultimately
12 says that information is priced fully into the
13 share prices of different securities. And so what
14 that implies is that old, or known information,
15 ultimately can't be used to generate trading
16 profits or create shareholder return.

17 The semi strong format of this hypothesis
18 states that in the absence of information, no
19 change should happen in the share price prior to
20 the release of new information; and
21 correspondingly, that share prices change when new
22 information is released, and so as an example in
23 the context of rate cases.

24 Share price changes ultimately reflect
25 investors placing new value on information, and

1 we'll get into that in a rate case compact.

2 Methodologically, event studies are research
3 methodology used to evaluate whether markets are
4 efficient by detecting unexpected price changes,
5 which are known as abnormal return. And abnormal
6 returns, as a concept, are really quite easy. It's
7 simply the difference between actual real life
8 returns that you can see in the stock market, and
9 then expected returns, which are generated from
10 different financial models. And in this research,
11 we test four different financial models, but we
12 will speak about that.

13 Ultimately, if there is a difference between
14 the actual return and the expected return, that
15 indicates that the markets have incorporated new
16 information, and the value of that can be used to
17 test hypothesis in a research study. And so that's
18 really the theoretical setup what we are going to
19 be looking at in research.

20 So this diagram, although there is a lot of
21 activity, should be well within your comfort zone.
22 What's being presented here are two different rate
23 cases of the same utility. So on the left-hand
24 side is a prior rate case, and on the right-hand
25 side is a current rate case. And within that, I am

1 presenting the filing and the decisions, and the
2 different data elements that build up to the
3 revenue requirement. So we have the revenue
4 requirement itself, recovery expenses, equity
5 return on rate base, rate base itself, the equity
6 capitalization rate and return on equity.

7 Now, thinking back to the efficient market
8 hypothesis, it's all about new information. So in
9 a rate case context, what represents new
10 information is the change in these data elements.
11 And so those changes could happen between rate
12 cases. As an example, the authorized revenue
13 requirement of one rate case and the requested
14 revenue requirement in a different rate case, or it
15 could happen within rate cases simply between the
16 filing and the decision for those same data
17 elements.

18 What we are testing and analyzing within this
19 research are those changes. And so as an example,
20 if you can see that the delta A right in the middle
21 of the screen, that represents the change in the
22 revenue requirement from a prior rate case to the
23 current rate case. And we use that as a variable
24 to compare it to changes in utility share prices to
25 understand if there is a relationship, and to

1 quantify that relationship. And so that's really
2 the basis of how the research will proceed.

3 In terms of a study design, methodologically,
4 again we are applying the event study methodology.
5 And we are looking at the filings of rate cases and
6 the decisions as events around which we are
7 studying the impact of utility share prices.

8 So the rate case data set is coming from S&P
9 Capital IQ Pro, but it's really ranging from 1980
10 to today in terms of rate cases in the electrical
11 and natural gas fields.

12 And then we have spoken about really how do we
13 really calculate that expected return. The four
14 financial models that we are using to look at that
15 are the Market Model, the Market Adjusted Model,
16 Fama and French's 3-Factor Model, and 3-Factor
17 Model plus Momentum as a different factor, a fourth
18 factor, which is the Carhart Model.

19 So that's a little esoteric finance, but those
20 are the different finance models that we are
21 looking at. And ultimately, the presence of
22 abnormal returns enables linear regression of
23 shareholder returns against these rate case
24 variables that we've seen on the prior page, all of
25 those different deltas. So we are looking at

1 identifying and quantifying those correlated
2 relationships. Apart from identifying those
3 relationships, once we have identified them, we
4 then ultimately try to road test them.

5 So robustness checks and research are really
6 doing looking at the consistency of relationships
7 when you slice and dice the data in different
8 manners. And so in this research, we are proposing
9 to really slice and dice the data in four different
10 ways. By varying the time period, so looking at
11 rate cases in different decades; by varying the
12 utility types, so comparing electric and natural
13 gas; by varying the rate case resolution types, and
14 so that means litigated and settled in this case;
15 and then varying the regulatory jurisdictions.
16 Just an example would be Texas versus
17 Massachusetts.

18 So that's how we are looking to vary the data
19 in order to see if the relationship holds true.
20 And if we can, that's an empirically strong
21 relationship, which a good finding.

22 So I mentioned that I'm on the front end of my
23 research at this point I'm proposing. That's easy
24 part. Over the course of 2024, I will be doing the
25 difficult part of actually executing that research

1 plan.

2 Fortunately, I am being advised by a very
3 strong group. So my dissertation committee chair
4 is Professor Houston within the finance department
5 at the business school. And from the PURC side, or
6 the industry side, Dr. Jamison, Dr. Kury, and then
7 Former Chair and Commissioner Lisa Edgar, who I
8 suspect you all know well, is advising as well.

9 So from this point forward, it's just really
10 working on the work plan. And hopefully, maybe a
11 year from now, we can talk about some interesting
12 results.

13 So that's what I prepared for you today, but I
14 would be very happy to take any questions.

15 CHAIRMAN LA ROSA: Ben, I think I can probably
16 speak for all of us to say very impressive with
17 what you are going to continue studying. I am
18 interested to hear your findings once, you know,
19 once you have concluded or gotten your conclusion,
20 especially when you are talking about the abnormal
21 rate impact or, you know, really the abnormal, you
22 know, return on the stock -- on the stock from the
23 entities. I am curious, an element that I am
24 curious about, which I am sure you will come
25 across, is when is it outside of regulation? When

1 is it outside of some of the things that you wrote
2 down, maybe folks are trying to hedge with the
3 expectations of leadership coming into an area, or
4 a new technology that might be evolving, that might
5 be a little bit outside that new cycle, but very
6 impressive and interested to hear how your research
7 continues and concludes.

8 Commissioners, any thoughts or questions?

9 COMMISSIONER FAY: I -- just a quick question.
10 After reading this, I did wish the law student
11 would have showed up too. This seems very complex
12 on the economic side, so I wish you best of luck in
13 your journey.

14 But just a quick question, kind of the descrip
15 -- just on the title and the description of what
16 you are looking at, is the approach from your
17 standpoint to work towards sort of a validation of
18 that hypothesis, or is it more just to make a
19 determination maybe there is something, you know,
20 valid there or not?

21 MR. MORRIS: So I would say it's really two
22 things. It's, first, identifying the relationship,
23 which I think would be the validation. But the
24 second part, which is really the more -- the more
25 useful part, but for all stakeholders is, once a

1 relationship has been validated, if we can measure
2 it, what the different stakeholders then can do is
3 say that -- I will use an example.

4 If the ROE, the authorized ROE for a given
5 utility changes by half a percent up or down, what
6 can we anticipate that that will do to the equity
7 value, or the market capitalization of a publicly
8 traded utility?

9 So what that begins to get into is, if you are
10 a regulator, as an example, and you are thinking
11 about making those decisions, you might have the
12 foresight to understand what the impact of that
13 would be on the utility. And then ultimately,
14 longer term, beyond that single utility, what sort
15 of messages does that send to the broader market,
16 which becomes a question of how do you -- how
17 attractive or unattractive is a given regulatory
18 jurisdiction for bringing capital in for --
19 ultimately for funding infrastructure.

20 And so I think the real value, apart from
21 validating the hypotheses, are the ability to
22 measure and ultimately apply the predictability
23 about how changing some of those data elements will
24 impact the value of the utility.

25 COMMISSIONER FAY: Great. Yeah. And

1 honestly, I probably wouldn't have asked you that
2 question a few days ago, but I'm sure you are aware
3 of Freakonomics, and they review all of these sort
4 of economic models, and they have been looking at
5 academic publications and kind of how it validates
6 or doesn't validate something, and so it's just
7 interesting to hear your approach.

8 There is a broader question than kind of a yes
9 or no analysis for the research. So I appreciate
10 your work. Thanks.

11 COMMISSIONER PASSIDOMO: Thank you, Mr.
12 Morris. I actually -- I -- this is -- I, as well
13 as Chairman La Rosa, I am interested to see what
14 your findings come out of this.

15 I think it's generally assumed if you are a
16 publicly traded company, that in some regard your
17 share price will be subject to -- there is -- it's
18 impacted in some way by regulatory decisions no
19 matter -- whatever the regulatory body is, and so
20 that's sort of embedded in the share price and the
21 risk associated with it.

22 I -- like I -- I think for coming from the
23 State, a state regulatory, for our perspective, you
24 know, when we are talking about rate cases, we
25 have, you know, our standard is setting fair, just

1 and reasonable rates it's going to be -- I am
2 curious in that this is more of maybe a legal
3 philosophical sort of situation that the courts
4 will come up with figuring out, it's like, if that
5 -- we do have that information. I think it's
6 useful. But whether that falls into our
7 jurisdiction to be able to incorporate that in our
8 decision-making. That's obviously, like,
9 theoretical at this point, but more -- I come from
10 more information is always better. We want to hear
11 as many -- as much, you know, as put into the
12 record as possible.

13 So I think going forward, this will definitely
14 get incorporated into, you know, for I think all
15 states will find this information useful. To what
16 extent we can actually -- it can be applicable is,
17 you know, to be determined. But I appreciate the
18 work, and I look forward to your findings.

19 MR. MORRIS: Thank you. I appreciate your
20 points certainly on really fair returns, and to
21 what extent, as an example, can be used as a policy
22 tool, versus simply reflecting the cost of equity.
23 So it -- good considerations, and I appreciate the
24 point.

25 CHAIRMAN LA ROSA: Any thoughts?

1 All right. Ben, thank you. Again, I am very
2 impressed with the work that you are doing, and
3 looking to obviously continue to do. So look
4 forward to hearing from you down the road and in
5 the future, and I will throw it back to Dr.
6 Jamison, any --

7 DR. JAMISON: That wraps us up, Chairman.
8 Thank you.

9 CHAIRMAN LA ROSA: Awesome. Awesome. Let's
10 not also forget about the PURC conference next
11 week. So thanks again, guys.

12 Next month. I'm sorry.

13 COMMISSIONER PASSIDOMO: That's okay.

14 CHAIRMAN LA ROSA: I don't know what I am
15 doing tomorrow. But, yeah, next week, next month,
16 so, yeah, that's right, PURC conference the end of
17 February, so some point in there.

18 Awesome. Let's move on to our legislative
19 update. I believe we've got Lance. All right,
20 yeah, Lance is approaching, so that means he is
21 going to come join us.

22 Lance, you are recognized to give us an
23 update. Make sure to turn on that mic. I see it
24 off.

25 MR. WATSON: All right. Mr. Chair, good

1 morning. Commissioners, good morning.

2 Week three of session started off to busy this
3 year, a lot of things in our silo that we are
4 taking a look at, so I'm just going to briefly walk
5 through some bills we are looking at if that's all
6 right with you guys, and then open you up to
7 questions at the end.

8 The first one I wanted to take a look at,
9 Senate Bill 366 and House Bill 81. This in the
10 civil penalties under the Gas Safety Law of 1967.
11 This pretty much is just taking the state amounts
12 to near what the federal penalties amounts are.

13 I will note on the House bill last night,
14 there was a delete all filed that would basically
15 put a Sunset on those to June 30th, 2025, and then
16 moving forward would task the PSC by rule to come
17 up with what those new amounts are going to be.
18 And then for us to take a look at that annually and
19 revise it if necessary.

20 Next -- and then to that point, we've got
21 House Bill 81 is on the agenda today at 12:30, and
22 its companion in the Senate is on its second stop
23 tomorrow. So we will see what happens with those.
24 I will note that the delete all is only to the
25 House Bill and not to the Senate Bill at this time.

1 Next is Senate Bill 364 and House Bill 229.
2 That, of course, is our agency bill this year. The
3 RAF bill is in the Senate, it's up this week in its
4 last committee stop in Rules on Wednesday, and over
5 in the House it's been heard in one committee, and
6 we are working to get it up again hopefully soon.

7 Moving on to our designation of ETCs, that's
8 Senate Bill 478 and House Bill 551. The Senate
9 Bill is on the Rules agenda for Wednesday. This is
10 its last stop before the floor. And then House
11 Bill 551 is up in Commerce on Tuesday, today, and
12 also its last stop before it goes to the floor. So
13 we will see. A lot of things we are looking have
14 already moved a good bit through the process.

15 Next, we are looking at Senate Bill 480 and
16 House Bill 683, that's the RNG bill, very similar
17 to what, you know, we looked at last year. Really,
18 the only difference is the hydrogen piece that we
19 talked about last year is not included in the bill
20 this year.

21 The Senate Bill is on its last committee stop
22 in the Senate Fiscal Policy, and as of today, there
23 is still no movement on the House bill. Same
24 sponsors as last year as well.

25 And then that's really -- that's really it

1 other than, of course, there is the energy package
2 out there. It finally got released a couple weeks
3 ago. That's Senate Bill 1624 and House Bill 1645.
4 I will note that there has been no movement yet,
5 other than it's been referenced through its three
6 committees. And just from what I am hearing, it
7 looks like it will be a pretty -- revised pretty
8 heavily. I don't have any other specifics other
9 than that.

10 And that really wraps up, you know, bills that
11 we are tracking that are moving through the process
12 right now. And other than that, certainly, you
13 know, at this time of year, just a big thanks to
14 staff who are easy to reach and quick to respond,
15 whether it's an analysis request we need a quick
16 turnaround on, or a question from downtown, or more
17 typically probably a dumb question that I have,
18 they are quick to help, and that certainly is
19 beneficial to me and the folks downtown this time
20 of year.

21 So that's really all I have today, unless you
22 all have any questions for me.

23 COMMISSIONER CLARK: Lance, when can we expect
24 the bill analysis on the energy bill from staff?

25 MR. WATSON: I would anticipate sometime this

1 week. I will defer to --

2 UNIDENDIFIED SPEAKER: Not this week.

3 MR. WATSON: Okay. Maybe next week then.

4 There are -- I will say there is probably three or
5 four analyses outstanding that we are still waiting
6 on, but certainly have been working on it, so --

7 CHAIRMAN LA ROSA: Outside of the analysis, I
8 am assuming that there is discussions and questions
9 going back and forth. That's the not one all
10 portal that we communicate through.

11 MR. WATSON: That's right.

12 COMMISSIONER FAY: Thank you for wearing your
13 Tomohawk to offset Mr. Jamison.

14 MR. WATSON: Go Noles, Commissioner Passidomo.

15 CHAIRMAN LA ROSA: Lance, thanks for
16 certainly, you know, being there for us out there.
17 Of course, you know, obviously a lot is going on
18 this time of year, so there is plenty of things
19 moving and coming at you, and I am sure there is
20 technical questions, and I appreciate staff behind
21 you, you know, obviously backing you up, so thank
22 you for all of that.

23 MR. WATSON: Sure. Thank y'all. I appreciate
24 it.

25 CHAIRMAN LA ROSA: I look forward to your

1 updates, and thank you for all the emails.

2 MR. WATSON: Yes, sir.

3 CHAIRMAN LA ROSA: All right. We will move on
4 to the General Counsel's report.

5 MR. HETRICK: Yes. Good morning, Mr. Chairman
6 and Commissioners.

7 I would just like to introduce, we have three
8 new employees, all in Adria's section, two of whom
9 are here today. I would like to introduce them do
10 you.

11 Lanisha Thornton is our new Senior Legal
12 Assistant in Adria's section. She rounds out our
13 entire senior legal staff, so it took us a year to
14 get her, and we are finally fully staffed for
15 senior legal assistants, and we are really excited
16 to have her.

17 She has 10 years of experience as a legal
18 assistant with the DOR and private law firms. She
19 has a BS degree from Florida International
20 University and an AA Degree in Paralegal Studies
21 from Kiser. So welcome, Lanisha. You will be
22 seeing a lot of her, and she's going to be a
23 tremendous help in our hearings.

24 We have Saad Farooqi who joined us on Tuesday,
25 this past Tuesday, in Adria's section as a Senior

1 Attorney. Saad was employed with a private law
2 firm in West Palm Beach, and previously with the
3 Department of Health. He attended law school at
4 Drexel University's School of Law in Pennsylvania,
5 but was a Seminole in undergrad, so welcome Saad.

6 The one that's not here today, Hunter Hurley
7 is our part-time law clerk. Adria is going to
8 bring her around to you all if she hasn't already.
9 He is -- he has graduated from -- he will graduate
10 from the FSU School of Law in May of 2025, and most
11 recently has experience as a law clerk with the
12 City of Tallahassee as a landuse expert. So we are
13 equal opportunity hires. He is a diehard Gator as
14 an undergrad.

15 COMMISSIONER PASSIDOMO: Yes.

16 MR. HETRICK: We are excited to have Hunter.
17 He is extremely bright and extremely motivated to
18 be here, and is going to add a lot of value over
19 the next couple of months.

20 So congratulations, Adria, for filling out her
21 section finally, and we are looking in good shape.

22 CHAIRMAN LA ROSA: Awesome. Well, good to see
23 the team getting stronger. Thanks. Welcome,
24 folks.

25 All right. I think we can -- let's move on to

1 the Executive Director's report.

2 MR. BAEZ: Thank you, Mr. Chairman. I don't
3 have anything official to report today, but I did
4 want to say it's nice to see FIU in the house. I
5 don't even know what they are now. Are think still
6 the Panthers?

7 MS. THORNTON: Yes. Bias.

8 MR. BAEZ: All right. They were the Sun
9 Blazers when I was there. The sun burned out.

10 You have seen the legislative -- you heard the
11 legislative update. We are -- I want to reiterate
12 Lance's big thanks to staff for their hard work and
13 their quick responses, not just on bill analyses,
14 but on, as Lance put it, stupid questions of which
15 I share many with them.

16 I did -- Commissioner Clark, your question on
17 when. Those are big packages that are, at this
18 point, somewhat disjointed, and that's the reason
19 -- that's the reason it's kind of taken a little
20 bit -- a little while to digest. If you -- and
21 I -- my great fear is that our analysis will be all
22 for naught in the end because, at this point, there
23 is no telling what's going to be in a reissue.
24 They are going to be heavily, heavily rewritten
25 from what I am hearing downtown.

1 Not to discount the work that's being done
2 already. We do have some -- I was talking to the
3 Chairman yesterday, and I called them hotcakes, and
4 they are just -- they are just mine and mine alone,
5 but we do have some -- we are trying to take an
6 angle of how it really affects the agency in
7 particular, and there are some, a lot of -- quite a
8 few studies, at least I think three, maybe a handed
9 full of studies that are contained within the
10 legislation that the Commission is tasked to at
11 least ride herd over, and we are trying to figure
12 out whether the timelines that are expected, at
13 least in the current versions, are reasonable
14 enough for us to be able to do our best work for
15 all involved.

16 So when you do see the analyses, you will see
17 some kind of perspective in that sense as to how
18 the work is going to flow as well. That's
19 certainly my main concern at the moment, without
20 passing judgment as to whatever substantive content
21 there may be. But like I said, we do expect that
22 to change.

23 If -- I know that -- I know that Mark sent you
24 all, like, a thumbnail sketch of a summary of the
25 legislation for what it's worth, and that's

1 something to wet your appetite, but the analyses,
2 as you heard, are coming soon.

3 Beyond that, if you all have any questions, by
4 all means, fire away, or I would be happy to come
5 and talk to you on it.

6 CHAIRMAN LA ROSA: Commissioners, questions?
7 Thoughts?

8 Okay. Thank you for that, and certainly input
9 and thought behind it.

10 Any other matters that need to be discussed
11 before us? Staff? Commissioners?

12 I will just kind of note that next month, in
13 addition to PURC, is also NARUC, and I know that
14 many of us attend, or play a unique role in that
15 organization, of course, part of their annual
16 conference, or one of their annual conferences, I
17 think their policy conference is next month. So I
18 know I will be attending and participating in a few
19 different events there.

20 So it's important to note, not just our role
21 here in Florida, but obviously the impact we have
22 nationwide, unique, that was discussed today with
23 Dr. Jamison, was the role of the state, and I think
24 that's where that's ultimately highlighted. It's
25 my hope, is maybe what we all come to the

1 conference with is discussing how do we elevate
2 that, right? And how do we get -- maybe start to
3 change the mindset, which I know is difficult, of
4 those in DC.

5 So I think we are doing a lot of things great
6 here, and I think we can use that platform to
7 highlight that.

8 So seeing no further business, I will
9 officially call this Internal Affairs meeting
10 adjourned.

11 Thank you.

12 (Proceedings concluded.)

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CERTIFICATE OF REPORTER


STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby
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DATED this 2nd day of January, 2024.


DEBRA R. KRICK
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