

I. Meeting Packet



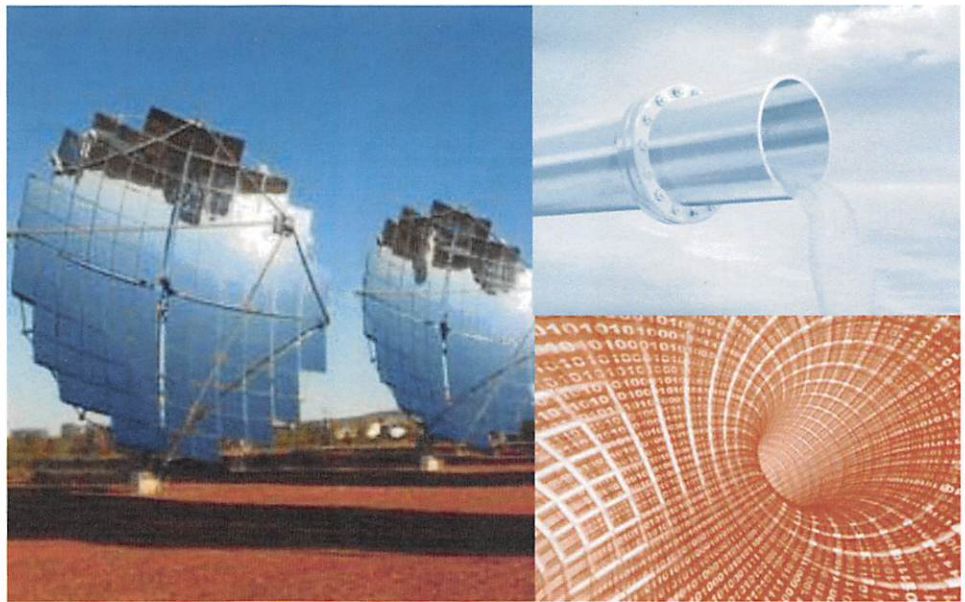
State of Florida
Public Service Commission
INTERNAL AFFAIRS AGENDA
Tuesday, February 7, 2017
9:30 a.m.
Room 105 - Gerald L. Gunter Building

1. Public Utility Research Center 2016 Annual Report to the Florida Public Service Commission – Dr. Theodore J. Kury (Attachment 1)
2. Legislative Update
3. General Counsel's Report
4. Executive Director's Report
5. Other Matters

BB/ks

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.

Public Utility Research Center 2016 Annual Report to the Florida Public Service Commission



2016

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 continued collaboration.

Public Utility Research Center 2016 Annual Report to the Florida Public Service Commission

UPDATE ON PURC RESEARCH AND OUTREACH

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Public Utility Research Center 2016 Annual Report to the Florida Public Service Commission

UPDATE ON PURC RESEARCH AND OUTREACH

HIGHLIGHTS

44th Annual PURC Conference

The 44th Annual PURC Conference, “*Florida Utilities: Who’s Driving the Future?*” will examine what customers value and how they are being served.

Courses on Executive Leadership, Electricity Pricing, and Regulatory Principles

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

Online Course: Regulatory Impact Analysis

PURC continues to offer its Comprehensive Regulatory Impact Analysis Online Course. This fall 2016, 17 professionals from 11 countries participated in the course in an effort to learn how to avoid the pitfalls that stifle utility regulatory decisions and gain support for difficult issues.

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

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

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

One hundred fifty one people attended this two week program in 2016. Since its inception in 1997, this program has educated more than 3200 professionals representing 153 nations. Commissioner Ronald Brisé was a featured speaker in June.

PURC Advanced International Practices Program

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

Body of Knowledge on Infrastructure Regulation (BoKIR) web site

PURC, in collaboration with the Public-Private Infrastructure Advisory Facility at the World Bank, expanded the BoKIR content to include fragile states in 2016. This new section includes an overview of how regulatory systems can be built in fragile situation, self-diagnostic tools, review of the best literature on the topic, FAQs, and an annotated reading list.

PRIMARY RESEARCH PROJECTS

ENERGY

Solar Amendments in Florida

This research examined the proposed constitutional amendment promoted by the solar industry in Florida. Published in *The Electricity Journal*, the paper explained the Florida ballot initiative process for amending the state constitution, the policies contained in this particular proposed amendment, and how the policies related to the traditional regulatory compact. The paper was published before the initiative was declared to have failed to achieve the required number of signatures, and before the launching of the solar amendment that did make it to the ballot, but that did not receive enough votes to be adopted.

Creditworthiness of US Electric Utilities

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

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

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

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

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

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

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

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

Renewable Portfolio Standards (RPSs) programs which propose target levels of energy production or consumption that must come from renewable sources, have become a popular policy in state capitals across the United States. As of 2010, 29 states and the District of Columbia had adopted programs which fall under the RPS umbrella. RPS are often times seen as a tool to foster economic development through job growth. This paper analyzes the effects of RPSs on state level employment in the whole economy. The paper finds RPS adoption does not lead to a statistically significant effect on overall employment.

TELECOM

Adding Dimension to Merger Analysis

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

Regulating Regulators in Transitionally Competitive Markets

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

Identifying Market Power in Times of Constant Change

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

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

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

Three Things Economists Wish the FCC Knew about Broadband Markets

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

WATER

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

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

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

Performance of state-owned water utilities in developing countries is often weak. This study estimates the impact of managerial incentives upon efficiency using a stochastic frontier production function with revenue water as the output. The empirical analysis utilizes an unbalanced paneled data consisting of revenue water, connections, operating expenditure, water delivered and staff, from Uganda's nineteen NWSC sub-utilities for a nine-year period, 2002-2010. The inefficiency effects are modelled as a function of utility-specific variables: service coverage, level of financial incentives, target difficulty, and year of observation. While financial incentives and

increased service coverage improve efficiency, targets (such as the reduction of non-revenue water) that are perceived as excessive by employees may reduce it. The findings suggest some policy implications: utility managers in the public water sector need to incorporate monetary incentives and increase service coverage to reduce non-revenue water. However, targets need to be set with great care and with transparency.

OUTREACH

Plans for the 44th Annual PURC Conference, Florida Utilities: Who's Driving the Future?

Utility services – energy, water and telecommunications – are all about the customers. But sometimes we get so caught up in the day-to-day court cases, regulatory proceedings, mergers conflicts, and arguments about the utility of the future that we forget customers will drive the future if they are given the chance. One of the lessons from the evolution of telecommunications is that customers take industries in directions that no one anticipates. At the end of the day all of the arguments over fuels, clean water, investment, jurisdiction, prices, and industry structure fade into the background as customers express their preferences through political and market forces. How will customers make their choices? And who will serve them best?

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

US Department of Commerce Workshop

How do different regulatory models affect the manner in which a utility conducts its business? On December 12, 2016, PURC Director of Energy Studies Ted Kury participated in a workshop conducted by the US Department of Commerce for its staff working with electric utilities in US embassies across the globe. The subject of his talk was the different regulatory structures and industry models employed in electricity regulation, as well as the strategic considerations of each. Participants gained greater insight into the challenges that might be faced by a utility under rate of return regulation, for example, that might not be faced by a utility under a price cap. Or the challenges faced by a generator in a vertically integrated system as opposed to a transparent wholesale market. Overall, the staff gained a greater appreciation of the challenges faced by utilities and regulators, regardless of regulatory and market structure.

14th Annual Conference of the Organization of Caribbean Utility Regulators (OOCUR)

Understanding the power relations between the regulator and the stakeholders involved in the regulatory process will be a key element to create a spectrum of opportunities in the Caribbean. This is the main topic introduced by PURC director of leadership studies, Araceli Castaneda during her presentation at the 14th Annual Conference of the Organization of Caribbean Utility Regulators (OOCUR) held in Jamaica, October 26-28, 2016. Ms. Castaneda shared the results of a survey conducted by PURC and OOCUR among regulators in the Caribbean region. The results showed where the main power imbalances are in the relationships between the regulator and the different stakeholders in the regulatory processes.

International Symposium sponsored by the National Communications Authority (NCA) of Ghana

A lot of telecommunications regulators are asking: How do we know when there is market power or when new technologies compete with old? Those are the wrong questions, according to PURC Director Mark Jamison. Speaking at an international symposium sponsored by the National Communications Authority (NCA) of Ghana, Dr. Jamison suggested that markets are changing too fast to apply traditional approaches to understanding market power and competition. He suggested that regulators instead focus on factors that could lead markets to naturally be monopolies over multiple generations of products. Since the time between generations is

becoming shorter - just a few years in some instances - the question is whether market power will endure over time rather than will it exist for a particular product. Dr. Jamison's paper "Identifying Market Power in Times of Constant Change," is available on PURC's web site in the PURC working papers.

What are the tools necessary to manage our changing electricity infrastructure?

From May 10-12, 2016, PURC Director of Energy Studies Ted Kury participated in the Energy 21 and ERRA events in Poznan, Poland, where these tools were discussed by regulators and operators from across the region. On May 10, he was a member of the opening panel entitled "The energy sector: between security, innovativeness and competitiveness" where he spoke about the challenges of managing the flow of money within the electricity system. On May 11, he participated in the panel on the modern grid company where he discussed the importance of educating the public, the government, and the regulator about the meaning of 'electricity service', cautioning that it goes far beyond the provision of kilowatthours. Finally, on May 12, he participated in a panel organized by ERRA where he discussed the complications that arise when countries have aspirational goals which are not accommodated in statute. Regulators may not be able to honor these aspirational goals, not because they don't support them, but because they are not allowed to under the law.

Utility Commissioners/Wall Street Dialogue

On May 9-10, Lynne Holt attended a meeting in New York City titled "Utility Commissioners/ Wall Street Dialogue" and participated in a panel discussion on grid modernization – integrating new resources, technologies and services. She presented the highlights of the paper she published on the importance of regulation in credit-rating agency assessments of U.S. electric utilities, in the context of technological changes affecting the industry.

Electricity 101

On April 6, PURC Director Mark Jamison and Director of Energy Studies Ted Kury participated in a workshop organized by the US Department of State for their western hemisphere energy officers. Ted delivered a session on Electricity 101 where he discussed the basics of electricity markets. He also shared a session on emerging challenges in electricity market structure where he discussed the role of carbon abatement, smart technologies, and distributed generation. Mark then delivered a session on challenges for regulators in periods of transition. The officers shared their insights and discussed the challenges faced by countries throughout the Americas and the Caribbean.

5th University of Florida Water Institute Symposium

A number of studies have emphasized that governance involves many elements, including accountability, autonomy, role clarity, policy coherence (especially as related to objectives), stakeholder participation/engagement, professionalism (capacity), and transparency. The OECD has recently identified twelve elements characterizing sound systems of water sector governance, including those already noted. Ultimately, governance affects the (1) effectiveness of institutions in implementing and achieving targets (as quantified objectives), (2) the efficiency of institutions as reflected in the benefits obtained at least cost, and (3)

the trust and engagement of the citizenry—as governance promotes public confidence and inclusiveness of stakeholders (achieving legitimacy and a sense of fairness among affected parties). Sound governance affects conflict resolution among participants, promoting general acceptance of outcomes; poor governance exacerbates problems. Getting governance structures right is central to improving cost containment, service quality, and network expansion. This study identifies seven elements affecting infrastructure performance: institutions, interests (stakeholders), information, incentives, ideas, ideals (priorities placed on objectives), and individuals (leadership). It describes how these seven interrelated elements determine how effectively a regulatory system responds to challenges.

Forum on the Clean Power Plan

On January 28, PURC Director of Energy Studies Ted Kury participated in a forum on the Clean Power Plan sponsored by the Nicholas Institute for Environmental Policy Solutions at Duke University. He participated on a panel on the outlook for multi-state coalitions in compliance plans and described the various barriers and opportunities for cooperation. State's choices beyond mass vs. rate compliance strategies must be considered, including heterogeneous definitions of zero-emitting sources and the role of energy efficiency.

Annual Meeting of the American Economic Association

How can a regulatory system be designed so that it adapts effectively to changed circumstances? That was the topic of the paper "Adaptive Regulatory Systems" presented by PURC director, Mark A Jamison, at the annual meetings of the American Economic Association. The paper examines adaptive behavior in forming and changing utility regulatory systems. Systems with independent regulatory agencies dampen the effects of political and market power, and diminish information asymmetries, which improves sector performance. But creating or adapting the system triggers resistance from those who experience loss and at weakens regulatory effectiveness for some period of time. Using empirical studies from behavioral economics and psychology, the paper constructs a model that examines where such losses occur and identify techniques for encouraging adaptive behavior. The paper is co-authored with Araceli Castaneda, PURC's director of leadership studies, and Michelle Phillips, PURC junior economist. The AEA meetings were in San Francisco, California, in January 2016.

Other Research Conferences

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

Results of the 43rd Annual PURC Conference

More than 90 key leaders in industry and government attended the 43rd Annual PURC Conference, "A Messy Process for a Clean Power Plan: Things Keep Getting Messier!" in March. Speakers included Justin Green of Florida Department of Environmental Protection and Kenneth Mitchell of the US Environmental Protection Agency.

Speakers examined options and decision making for environmental policies, energy supply, industry roles and responsibilities, and water regulation. Conference details are available online at <http://www.purc.ufl.edu>.

Body of Knowledge on Infrastructure Regulation (BoKIR) Web site

PURC updated this valuable online resource to include more recent information in its sections. Currently, the web site provides tutorials, literature surveys, self-paced tests, and more than 500 downloadable references on utility regulation, as well as a regulatory glossary translated into several different languages. As of 2016, the glossary of terms is available in 11 languages including Bulgarian and Arabic.

TRAINING AND DEVELOPMENT

39th and 40th PURC/World Bank International Training Programs on Utility Regulation and Strategy

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

2016 PURC Advanced International Practices Program

PURC delivered three courses under its Advanced International Practices Program: Energy Pricing, Benchmarking Infrastructure Operations, and Advanced Topics in Telecom Policy and Regulation. In attendance were 22 participants from 13 nations. Participants of the energy course performed price reviews and analyzed financial statements for rate setting. Benchmarking participants assessed how information on trends in key performance indicators helps decision-makers. Telecom participants examined new technologies and services, customer demand, international trends and business challenges in ICT. Dr. Jamison, Dr. Berg, Dr. Kury, and Ms. Castaneda designed and delivered the courses during the 10-day program.

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

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

Comprehensive Regulation Impact Analysis

PURC's online course provides tools and approaches for regulatory impact analysis (RIA), a systematic appraisal of the potential impacts of a regulatory decision to assess whether the decision is likely to achieve the desired

objectives and at what cost. Through case studies, exercises, and lectures, course participants learn how to identify key questions, identify stakeholders and engage them in the analysis, use appropriate analytical techniques, and communicate their findings. The October 2016 offering of this online course was led by PURC director of energy studies, Ted Kury, and PURC director of water studies, Sanford Berg.

Regulatory Training Course for the Public Utilities Regulatory Commission of Grenada and other Stakeholders

Recent legislation has changed the manner in which GRENLEC, the electric utility in Grenada is regulated. Grenada has typically regulated its vertically integrated utility through statute, but parliament instituted two major changes this past summer. First, they established a process to liberalize the generation market in the country, paving the way for independent power producers. Second, they have established an independent regulatory agency to regulate the public electricity utilities on the island. This program, conducted by PURC Director of Energy Studies Ted Kury and Raj Barua, PURC Senior Fellow and the Executive Director of the National Regulatory Research Institute, and delivered to an audience of utility and ministry staff, consumer and environmental groups, and other interested parties introduced the changes occurring in Grenada and the opportunities and challenges faced by the country. Topics included the role of regulation, the process of regulation, utility finance and ratemaking, the integration of independent power producers, and the challenges of transforming the electricity sector, left participants with a greater appreciation of the challenges and opportunities of their new system, along with the challenges facing their new regulatory agency.

Advanced International Practices Course for LUCELEC on Utility Pricing

The National Utility Regulatory Commission of St. Lucia has recently expanded its scope of regulatory services to include the electricity sector. PURC Director Mark Jamison, PURC Director of Energy Studies Ted Kury, and David Richardson delivered PURC's one week advanced program on pricing to an audience that included executives and staff from LUCELEC, as well as staff of the regulator and other interested stakeholders. Topics included the development of the revenue requirement, cost allocation, and the derivation of retail prices. Participants not only experienced interactive presentations on these topics, but had the opportunity to practice their new skills in small group, utilizing PURC's proprietary spreadsheet model. Participants then presented their rate designs and shared the process that the group had discussed. The latter part of the program involved special topics applicable to the water industry, which NURC also regulates. Everyone gained a better understanding of the pricing challenges facing the country and the skills necessary to address them.

Regulatory Training Course for the Members of the Office and Senior Managers at the OUR

Recent statutory changes in Jamaica have established Commissioners as the regulatory decision makers for the Office of Utility Regulation, supplementing the Director General. PURC Director of Energy Studies Ted Kury and Raj Barua, PURC Senior Fellow and the Executive Director of the National Regulatory Research Institute, conducted a three day program in Kingston for the new Commissioners and key staff of the OUR. Topics included the role of regulation, the regulatory process, utility finance, ratemaking, and the role of regulation in implementing broad energy policy. The new Commissioners, drawn primarily from the business and academic

community, remarked that their perception of regulation and the reality were very different. One remarked that he had viewed his role as largely administrative and was a bit daunted at the types of decisions he would be asked to make. All left with a better understanding of their role in the country's electricity system.

Aqualectra Leadership Training and Coaching

How can an executive team create a leadership culture? When Aqualectra CEO Darick Jonis posed this question to PURC, Mark Jamison and Araceli Castaneda designed a three-phase executive and leadership program for the utility. During Phase I of this program, these PURC faculty worked with the executive team to create an innovative and business-mind leadership culture to help them thrive in their difficult context. This was achieved through a set of leadership workshops and executive coaching that melded three leadership frameworks: Servant leadership, adaptive leadership, and situational leadership. Phase I was delivered over a five-month period earlier this year. Phase I also included a seminar for the utility's board of directors. Phase II of this program is scheduled for 2017. Phase II will embed this type of leadership among the executives through experiences to deepen leadership habits, and will extend this leadership style among the unit directors and company's upper management.

Energy Pricing Course for The Gambia

What are the challenges and best practices in energy (electricity and gas) pricing? What are the innovative ideas for addressing efficiency and environmental issues? This customized version of PURC's Energy Pricing course was designed to incorporate the particular challenges faced by The Gambia. Participants included representatives of the National Water and Electricity Company, the Public Utilities Regulatory Authority (PURA), the Ministry of Finance and Economic Affairs, and the Ministry of Petroleum and Energy. The participants in this course learned core principles and engaged in an energy pricing case study from start to finish.

Regulatory Training Course for the National Utilities Regulatory Commission of St. Lucia

What is the role and responsibility of regulation? What are the tools that regulators use and how do they work? What are implications of and strategies for non-revenue water and electricity? These questions and others were covered in a two-day course for the National Utilities Regulatory Commission of St. Lucia (NURC). Participants included NURC Commissioners and staff, as well as representatives of LUCELEC (the incumbent electric utility in St. Lucia), ECERA, CARILEC, CAWASA, the Public Utilities Department, WASCO (the incumbent water utility in St. Lucia), and local stakeholders from the electricity industry. The participants engaged in discussions of the issues facing the electricity sector and the future of regulation in St. Lucia. The course was facilitated by PURC director of energy studies, Ted Kury and PURC senior fellow, Raj Barua.

Assessing Social Impacts in a Comprehensive Regulatory Impact Analysis

How can qualitative analyses be performed for a regulatory impact analysis (RIA)? This was the topic for a three-day course for the National Broadcasting and Telecommunications Commission (NBTC) of Thailand. The course examined four ways of ensuring that RIA captures impacts that are hard to quantify. One tool is to conduct surveys of stakeholders. This starts with brainstorming on who are the important stakeholders, moves onto developing and testing specific questions that address the critical information, and concludes with a survey launch, results monitoring, and evaluation. Another instrument is behavior observation. Critical questions include who to observe, where to observe, what to observe, and how to conduct in-depth interviews. The third instrument is focus groups. This is more than just having a public meeting to learn what people think. It involves carefully designing discussion questions, taking polls during the group meeting, and designating and training staff to be observers as well as discussion leaders. The final method is using social media to see what people are talking about, their opinions, and who they listen to. The course was taught by PURC director Mark Jamison and Professor Jasmine McNealy of UF's College of Journalism and Mass Communications. The course, which was held in Bangkok in March 2-4, 2016, was attended by 30 staff from the NBTC.

FACULTY RESEARCH FOCUS



Mark A. Jamison, Director

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



Ted Kury, Director of Energy Studies

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



Lynne Holt, Policy Analyst

Dr. Holt's research agenda for 2016 included publishing a paper on the importance of regulation in credit-rating agency assessments (Moody's, Standard & Poors, and Fitch) of U.S. electric utilities and conducting research on community solar.



Araceli Castaneda, Director of Leadership Studies

During 2016, Araceli Castaneda's work in the leadership space focused on the design and delivery of a five month long executive leadership program for a utility. This work was carried out jointly with Mark Jamison, and it included a set of leadership workshops and coaching sessions for the executive team of the company. The work performed in 2016 constitutes phase I of this leadership program. Phase II is scheduled for 2017 and it will embed and deepen the innovative and business-mind leadership culture from Phase I among the executive team members, and it will extend this leadership style to the unit directors and upper management

of the company.

Towards the end of the year, Araceli Castaneda begun to study power relations in regulation and presented on this subject at the 2016 OOCUR Annual Conference held at the end of October in Jamaica. This work is expected to continue in 2017.



Sanford V. Berg, Senior Fellow

Dr. Sanford (Sandy) Berg has been examining internal and external governance mechanisms in the context of infrastructure reform. His article on "Seven Elements Affecting Governance and Performance in the Water Sector" is forthcoming in *Utilities Policy*. Under review at another journal is his paper, co-authored with Michelle Phillips, "Data Transparency as a Key Tool for Regulating Government-Owned Water Utilities". That paper examines factors that are important for data collection and information initiatives in infrastructure where government ownership and operation is often the case.

He has also completed a set of Frequently Asked Questions for a new portal on revitalizing and reforming regulatory systems, available at www.regulationbodyofknowledge.org. The FAQs address setting performance targets when data are limited, establishing information systems that yield key performance indicators, and developing incentives for improving performance in fragile states. As part of that funded project, he worked on a typology that will help policy-makers develop strategies to strengthen infrastructure performance. He plans to continue incorporating some of the answers to these FAQs into more Working Papers. He also co-authored a paper on "Adaptive Leadership in Water Utility Operations: The Case of Uganda," which builds on the work by Castaneda and Jamison. Another co-authored paper is appearing as a chapter in the International

Water Association's book on *Performance Based Contracts for Improving Utility Efficiency*. 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

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

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

Berg, Sanford V., and Robert N. Gakubia. 2016. "Performance Based Contracts (PBC) and Regulatory issues" University of Florida, Warrington College of Business Administration, PURC Working Paper.

Boampong, Richard. 2016. "Residential Energy Consumers Response to Energy Efficiency Rebates, Incentives, and Prices" University of Florida, Warrington College of Business Administration, PURC Working Paper.

Boampong, Richard, and Michelle Phillips. 2016. "Renewable energy incentives in Kenya: Feed-in-tariffs and Rural Expansion" University of Florida, Warrington College of Business Administration, PURC Working Paper.

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Bose, Arup, Debashis Pal, and David E. M. Sappington. 2016. "Pricing to Preclude Sabotage in Regulated Industries" University of Florida, Department of Economics, PURC Working Paper.

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

**OUTSIDE PERSONS WHO WISH
TO ADDRESS THE COMMISSION AT**

**INTERNAL AFFAIRS
February 7, 2017**

<u>Speaker</u>	<u>Representing</u>	<u>Item #</u>
Dr. Theodore J. Kury	Director of Energy Studies, Public Utility Research Center, University of Florida	1

III. Supplemental Materials for Internal Affairs

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

IV. Transcript

1 BEFORE THE
2 FLORIDA PUBLIC SERVICE COMMISSION

3
4 PROCEEDINGS: INTERNAL AFFAIRS

5 COMMISSIONERS
6 PARTICIPATING: CHAIRMAN JULIE BROWN
7 COMMISSIONER ART GRAHAM
8 COMMISSIONER RONALD BRISÉ
9 COMMISSIONER JIMMY PATRONIS
10 COMMISSIONER DONALD J. POLMANN

11 DATE: Tuesday, February 7, 2017

12 TIME: Commenced at 9:30 a.m.
13 Concluded at 10:29 a.m.

14 PLACE: Gerald L. Gunter Building
15 Room 105
16 2540 Shumard Oak Boulevard
17 Tallahassee, Florida

18 REPORTED BY: LINDA BOLES, CRR, RPR
19 Official FPSC Reporter
20 (850) 413-6734

P R O C E E D I N G S

1
2 **CHAIRMAN BROWN:** Good morning, everyone.

3 **COMMISSIONER PATRONIS:** Good morning.

4 **COMMISSIONER GRAHAM:** Good morning.

5 **CHAIRMAN BROWN:** Thank you all for being here
6 today.

7 Obviously, usually we start Tuesdays off with
8 agenda, but today we scheduled this Internal Affairs
9 because we have -- we originally had two special
10 speakers, Colette Honorable, FERC Commissioner, and we
11 have Dr. Kury here with us today from PURC. And
12 unfortunately, as y'all know, there's a lot of things
13 going on in D.C. these days, and so FERC has a very
14 expedited schedule. So unfortunately she will not be
15 with us. She called me personally and really apologized
16 and said that she absolutely intends on coming down to
17 Florida. She thinks it's a very important
18 responsibility of hers to come here and have that
19 dialogue with us, and she's very excited about it. So
20 we're looking at May, scheduling it at an Internal
21 Affairs in May, and we're working around with that.
22 So -- but thank you all for being here early today in
23 Internal Affairs.

24 This morning, as I said, we have a very
25 special speaker here from PURC here to give the 2016

1 annual report. Dr. Kury, please feel free to come on
2 up. I'm going to read your bio because I think --
3 everyone here knows you, but I'd like to highlight some
4 of the things about your background.

5 Dr. Kury is the director of energy studies for
6 PURC at the University of Florida, my alma mater. Love
7 it. He's responsible for promoting research and
8 outreach activities in energy regulation and policy.
9 He's conducted interdisciplinary research related to
10 Florida's energy and climate change policies. He serves
11 on the steering committee at UF's Florida Institute of
12 Sustainable Energy, participates in the Florida Energy
13 Systems Consortium, and he also assists with Florida's
14 hurricane hardening efforts as well. I know Dr. Kury is
15 very involved with the World Bank staff in collaboration
16 with the sessions that PURC deals with on the
17 international side. And a few of us have taught at the
18 World Bank programs, and you all do a very great job and
19 leave a very good impact on the country and the nation
20 as well as other countries. Dr. Kury has also delivered
21 numerous presentations at research conferences, served
22 as an expert witness -- I did not know this -- at FERC
23 as well as in Florida and the New Hampshire Public
24 Service Commission. And with that, Dr. Kury, PURC is
25 coming up next week or the week after?

1 **DR. KURY:** Two weeks.

2 **CHAIRMAN BROWN:** Two weeks. I want to welcome
3 you to the Florida Public Service Commission. Thank you
4 for taking the time to drive up here and share with us
5 some highlights of the annual report.

6 **DR. KURY:** Well, thank you very much, Chairman
7 Brown. And thank you, Commissioners, for the
8 opportunity to come up and deliver the -- our annual
9 report.

10 As you mentioned, the annual conference is
11 coming up in two weeks. As most of you know, this is
12 our prime deliverable for the stakeholders in the state
13 of Florida. This year -- I wouldn't say that this
14 year's conference is a radical departure from the past,
15 but we are trying something a little bit different. The
16 last couple of years, as you know, the theme has been
17 take a look at some pending policy measure and take a
18 look at how that policy measure might affect the
19 utilities in Florida going forward, and we've done that
20 every year for the past couple of years.

21 After consulting with the utilities in
22 Florida, with the Public Service Commission, with the
23 Office of Public Counsel, we decided to do something a
24 little bit different this year: taking a look at the
25 role of the consumer in driving -- in driving and

1 shaping the utilities. So the entire annual conference,
2 the theme is the customer-driven future, and the panels
3 reflect that overall reality in that taking a look at
4 the role the consumer plays in shaping where we're going
5 from here.

6 We're going to be leading off the -- oh, and
7 before I talk about the program, I wanted to say thank
8 you very much to the Public Service Commission for all
9 their support and all their help with the annual
10 conference and for lending to us for an afternoon the
11 expertise of Cindy Muir on one of our panels. She's
12 going to make a big contribution, I'm sure.

13 **CHAIRMAN BROWN:** Cindy is very active lately.
14 She is busy.

15 **DR. KURY:** Well, we appreciate it. I know
16 you're busy. We appreciate it.

17 **MS. MUIR:** Thank you. Thank you.

18 **DR. KURY:** We're going to start the -- we're
19 going to start the conference -- the keynote address is
20 going to be delivered by the senior economist at the
21 Florida Chamber, going to talk about how consumers in
22 Florida are changing on a demographic, socioeconomic
23 basis. And then by way of respondents on that panel,
24 we're going to have representatives from one of the gas
25 utilities, electric utilities, water utilities, and

1 telecom utilities, and they're going to talk briefly
2 about how they are adapting to the way that consumers
3 are changing in the state.

4 Then we're going to have a panel on creating
5 and destroying trust where we're going to have some of
6 the utilities and some outside speakers talking about
7 the greater role in interacting with consumers. Now
8 we're starting to -- we're starting to ask a lot of
9 questions. Typically the involvement with the utilities
10 and the customers has been initiated by the customers.
11 But with new media, new technologies, there are
12 opportunities for utilities to initiate some of that
13 contact, but we have concerns over privacy and we have
14 concerns over, you know, how much contact is
15 appropriate. So we're going to hear from a couple of
16 utilities about some of the initiatives that they are
17 taking to interact with their customers to provide
18 better service to their customers and how they, you
19 know, how they balance those interests.

20 We'll also hear from consumer groups. You
21 know, basically what do customers want? You know, what
22 do customers expect from utility service? I think --
23 you know, I mean, in electricity, I think we've moved
24 beyond the idea that electricity service is just about
25 providing kilowatt-hours. Even though that's how most

1 people pay for it, it's about more than just providing
2 kilowatt-hours. But what do customers really want? So
3 we'll have a panel on, you know, in-state stakeholders
4 looking at this idea of what do customers expect from
5 their utilities.

6 Then we're going to get an outside
7 perspective. We got the editor of *Public Utilities*
8 *Fortnightly*, along with a former state commissioner and
9 FERC commissioner Tony Clark, and they're going to be
10 delivering more of an outside perspective. You know,
11 what do they see around the country with regard to
12 consumers and how might that apply to Florida?

13 And then we're going to finish the conference
14 with something that PURC hasn't done in a long time.
15 We're going to hold a legislative panel. I think it's
16 been ten years --

17 **COMMISSIONER PATRONIS:** Oh, good.

18 **DR. KURY:** -- since the PURC annual conference
19 had a legislative panel. So we're bringing in --

20 **COMMISSIONER GRAHAM:** You like that?

21 **COMMISSIONER PATRONIS:** They need to come and
22 pay attention and given a chance to be educated.

23 **DR. KURY:** So we're going to have -- we're
24 going to have three state representatives coming in and
25 talking about from their perspective, you know, what are

1 they hearing from their constituents, what are they
2 hearing from their colleagues in the legislature about
3 what customers expect and how this relationship between
4 utilities and customers is evolving. So we're --

5 **CHAIRMAN BROWN:** Dr. Kury, we have a question
6 from Commissioner --

7 **DR. KURY:** Oh, yes.

8 **COMMISSIONER PATRONIS:** Which three do you
9 have coming? You knew that question was coming up. You
10 should have known.

11 **DR. KURY:** You know, I should have ---
12 actually only one is confirmed at this point. We've got
13 a tentative. I will -- I will get you that information
14 this afternoon.

15 **CHAIRMAN BROWN:** They've been working hard. I
16 know y'all have been working hard on getting folks, and
17 we appreciate that.

18 **DR. KURY:** Yeah. And, unfortunately, we --
19 we're not all responsible for every panel. The panels
20 are kind of farmed out.

21 **COMMISSIONER PATRONIS:** Yeah.

22 **DR. KURY:** And that doesn't happen to be a
23 panel that I'm directly involved with. But I will --

24 **COMMISSIONER GRAHAM:** That's right before
25 session too.

1 **COMMISSIONER PATRONIS:** But they'll be in the
2 districts, so usually have the week before session off.
3 But I know they usually want to be with their families.

4 **CHAIRMAN BROWN:** Kind of hard to get folks
5 there, but --

6 **DR. KURY:** Yeah. One confirmed, one
7 tentative, and then one invited and we're still waiting
8 on finalizing.

9 **CHAIRMAN BROWN:** But the most important part
10 is the Gunter Award; right?

11 **DR. KURY:** Yes. Yep. And then at the lunch
12 when we're finishing, we will be -- we'll be awarding
13 the Gunter Award as well. So that will -- that will
14 round out the conference, and we're -- you know, so
15 we're looking forward, and, as I said, you know, we
16 appreciate the Commission's support on --

17 **CHAIRMAN BROWN:** Dr. Kury, I love the
18 approach, the customer perspective. I think it's a
19 really good avenue, and I'm looking forward to attending
20 it and hearing some of these panels. So thank you for
21 sharing with us what we're going to expect in the next
22 two weeks.

23 **DR. KURY:** Yeah. We're looking forward to it
24 too. As I said, it's not -- it's not a radical
25 departure because it still is about the, you know, the

1 future of the utility business in the state of Florida.
2 It's just the way we're approaching it is a little bit
3 different.

4 **CHAIRMAN BROWN:** Right.

5 **DR. KURY:** And, quite frankly, for that
6 perspective we have the PSC, we have the utilities, we
7 have Public Counsel to thank for it because the idea
8 really came from you guys.

9 Okay. Then turning to the -- turning to the
10 research initiatives. The one that I want to highlight
11 was -- is a paper written by my colleague Lynne Holt.
12 Lynne took a look at how credit rating agencies consider
13 regulation when they are assessing the relative risk of
14 investments in the utility industry. And what Lynne
15 found was that, you know, regulation plays a role in all
16 of those assessments. Sometimes it's explicit. You
17 know, Moody's, for example, 25 percent of their credit
18 rating for a utility is directly determined by
19 regulatory issues.

20 **CHAIRMAN BROWN:** Is that a little or a lot in
21 your experience?

22 **COMMISSIONER GRAHAM:** A lot.

23 **DR. KURY:** It -- 25 percent is -- 25 percent
24 is quite a bit.

25 **CHAIRMAN BROWN:** Uh-huh.

1 **DR. KURY:** I don't know that -- Standard &
2 Poor's and Fitch Investors don't have an explicit
3 percentage they assign. It's really only Moody's that
4 has an explicit number. But, you know, 25 percent, you
5 know, that's -- that really has the -- you know, that
6 can move -- that can move you from, you know, a flat
7 rating to a plus or a plus to a minus or -- you know, it
8 has an effect. And Lynne presented that paper at a
9 regulatory workshop in New York City, and she got great
10 reviews on that one.

11 You'll notice that a number of our other
12 papers apply to renewable energy and specifically
13 compensation of renewable energy. You can see the
14 papers that we've written. I wanted to take this
15 opportunity, though, to give you a little bit of a
16 highlight of something that we're working on right now,
17 something that you'll see in next year's annual report.

18 When you take a look at all of these
19 mechanisms for distributed generation and other
20 applications beyond the compensation mechanism, you take
21 a look at the regulatory impact analysis of the Clean
22 Power Plan, for example, or then when you get into
23 compensation mechanisms, whether it's net metering or
24 net billing or feed-in tariffs or value of solar, all
25 different mechanisms, different impact analyses, but

1 they have one underlying assumption in common, and it's
2 an assumption that, to the best of our knowledge, hasn't
3 yet been tested. And our current research project is to
4 take a look at that. Every one of these mechanisms,
5 every impact analysis that I've seen that involves
6 distributed generation makes the implicit assumption
7 that a kilowatt-hour produced by distributed generation,
8 solar panels on people's homes, people's businesses,
9 that that kilowatt-hour displaces a kilowatt-hour from
10 somewhere elsewhere, whatever somewhere else means. It
11 displaces that on a one-to-one basis.

12 The problem with that is that it may not. I
13 mean, consider a couple of alternate scenarios.
14 Consider somebody who goes to the expense of putting
15 solar panels on their roof and they're facing an
16 uncertain future. You know, they don't know what their
17 payback is going to look like, anything else. They take
18 the attitude, "Hey, I made this investment. I want to
19 make sure that I wring every," -- excuse me -- "I want
20 to make sure that I wring every dime out of this system.
21 I'm going to put in new windows in my house. I'm going
22 to put new insulation in. I'm going to watch my
23 thermostat setting. I'm going to do whatever I can."

24 **CHAIRMAN BROWN:** Dr. Kury, I'm sorry for
25 interrupting, but Commissioner Polmann has a question

1 for you.

2 **DR. KURY:** Oh, yes.

3 **CHAIRMAN BROWN:** I don't want him to lose his
4 thought.

5 **DR. KURY:** Yes, sir.

6 **COMMISSIONER POLMANN:** I appreciate what
7 you're saying about the one-to-one, and, quite frankly,
8 it's not surprising it may be less than that. And I
9 would -- I'd be curious to know, as part of this
10 research, if you could or if you plan to make a
11 comparison, for example, to water conservation or
12 alternative water use where a customer, be it
13 residential or commercial, would implement water
14 conservation technology or techniques and find that it's
15 not one-to-one, it's less than that. So there may be an
16 analogy.

17 **DR. KURY:** Yeah, and we agree. Because it may
18 go -- you know, I outlined one possible scenario. The
19 other one might be, "Hey, now I'm producing electricity.
20 Now when I'm making a choice of using electricity, it's
21 my electricity. I'm using my electricity and that's
22 okay. I'm not using electricity from the utility. I'm
23 using mine." So really there's an argument to be made
24 either way.

25 And this type of thinking, as the Commissioner

1 points out, you know, this type of thinking is not new
2 in this business. We already know from energy
3 efficiency that you improve the efficiency of a property
4 by 10 percent, it doesn't mean the consumption falls by
5 10 percent.

6 **CHAIRMAN BROWN:** Right.

7 **DR. KURY:** You know, the rebound effect in
8 energy efficiency is well known and well established and
9 goes beyond electricity. Water experiences the same
10 type of idea. So -- but what got us was how come we're
11 kind of dismissing this possibility for distributed
12 generation? So we're -- right now we're looking at --
13 we're looking at customers who have installed solar
14 panels on their homes, we have their consumption before
15 and after, and we have a sample of these customers and
16 basically we're studying this idea. Is there a
17 statistically significant difference in the way they
18 consume electricity after they put the solar panels on
19 their homes?

20 **CHAIRMAN BROWN:** When will you have the
21 results of that?

22 **DR. KURY:** We hope to have -- we're in the
23 analysis stage right now, and actually we hope to have
24 preliminary results at the annual conference that would
25 be -- that we'll be reporting at the board meeting.

1 **MR. BAEZ:** Great.

2 **CHAIRMAN BROWN:** Thank you.

3 **DR. KURY:** But what we're also hoping, though,
4 is we're in the process of trying to secure funding from
5 the National Science Foundation in order to expand the
6 scope. Right now we're working with a relatively
7 limited data set, but we're hoping that this is -- it's
8 the broad type of question that interests NSF in a
9 couple of their postings right now. We have been
10 working with them. Getting NSF grants, quite frankly,
11 is a bit of an art as well as a science. And -- but we
12 have some folks that have experience and we're
13 attempting to expand the scope. But we're hoping to
14 have preliminary results by the annual conference and to
15 expand this further on.

16 **CHAIRMAN BROWN:** Thank you.

17 **DR. KURY:** So it's a very interesting question
18 for us, and I think it goes beyond -- it goes beyond
19 just the question of impact analyses and compensation
20 mechanisms. It's an implicit assumption they all share,
21 and there are consequences if that assumption is not
22 valid.

23 Another research project that we're -- that
24 we're working on, you might remember last year we did a
25 project for the State Energy Office where we took a look

1 at barriers to improving energy efficiency in
2 multifamily dwellings. This was an initiative that the
3 State Energy Office, they issued a set of proposals, and
4 us, along with the Program for Resource Efficient
5 Communities at UF and the Florida Solar Energy Center at
6 UCF, we put together this study and basically took a
7 look at the barriers towards adopting energy efficiency
8 in multifamily dwellings. That report is out there.

9 What we've started recently is taking a look
10 at, and this was at the request of the University of
11 Florida, taking a look at utilities -- I'm sorry, not
12 utilities -- universities and some of the barriers that
13 may exist there. And what we're finding -- this is --
14 came to us from the vice president of operations at the
15 university, taking a look at why the university isn't
16 better at managing its energy consumption. And what
17 we're finding is that a lot of the barriers are
18 institutional and, not surprising to economists, a lot
19 of them are incentive based. You know, while the
20 University of Florida pays its electricity bill based on
21 on-peak usage and off-peak usage and on-peak demand and,
22 you know, demand overall, the fact is the electricity
23 bill is allocated to different responsible units based
24 on the percentage of kilowatt-hours that they use. So
25 even though there are all these factors, time of day and

1 demand, that go into determining the energy bill,
2 everybody just gets a prorated portion of that bill
3 based on their kilowatt-hour consumption.

4 So if a responsibility unit goes in and says,
5 "You know what? We're going to make these investments.
6 We're going to change our behavior, and so we're going
7 to take some of our on-peak usage, we're going to shift
8 it to off-peak." What do they see? Well, if their
9 overall consumption doesn't change and they make up,
10 let's say, 1 percent of the kilowatt-hour consumption of
11 the university, when the electric bill goes down, they
12 see 1 percent of that decrease. Hardly an incentive to
13 change your behavior.

14 And so what the university has asked us is to
15 take a look at some of these institutional barriers and
16 see are there things that can be done within the
17 setting, and it's proving to be a very interesting
18 project. We're taking a look at not only what other
19 universities in the state are doing, but we're taking a
20 look at what other universities and institutions outside
21 of the state because this is not a -- this is not a
22 problem that's limited to the University of Florida.
23 You know, these allocation methodologies, they matter.
24 And in some cases, responsibility units, they don't even
25 see an electric bill. So, you know, how are you -- you

1 know, I don't -- partly I look at this and I say, "I'm
2 not really surprised that you're not getting any
3 incentives to change the way you consume electricity
4 because you don't see the bill."

5 **COMMISSIONER PATRONIS:** Chairman?

6 **CHAIRMAN BROWN:** Oh, I'm sorry. Commissioner
7 Patronis has a question.

8 **DR. KURY:** Yes, sir.

9 **COMMISSIONER PATRONIS:** I think this is maybe
10 more of a statement. My dad -- this is going to floor
11 y'all -- my dad originally started at the University of
12 Florida, so -- but he ended up moving to Florida State
13 and finally saw the light.

14 **CHAIRMAN BROWN:** Why did he switch?

15 **COMMISSIONER PATRONIS:** Because he wanted an
16 Air Force ROTC, and they started at Florida State, so he
17 transferred then.

18 But, you know, I'm just kind of thinking back
19 at the campuses when he was going to school back in the
20 '50s, I mean, I'm sure that the -- none of the
21 classrooms were climate controlled, you know. And I'm
22 just kind of curious, what type of kilowatt usage has
23 changed in the classroom, say, of a 1960s campus and
24 what we look at now and just how -- just the -- I mean,
25 it wasn't that long ago air-conditioning was not

1 standard on an automobile. Now, I mean, everybody
2 has -- you know, it comes standard on automobiles. I'm
3 just kind of curious how much just our need for that
4 adjusted temperature and humidity has driven, you know,
5 what we're seeing in demand because of our comfort
6 needs.

7 **DR. KURY:** Just to put it in perspective --

8 **CHAIRMAN BROWN:** And some of the buildings at
9 UF are still stuck in the 1960s.

10 **DR. KURY:** To put it in perspective, the
11 University of Florida's peak demand is around 70,
12 75 megawatts.

13 **COMMISSIONER PATRONIS:** Okay.

14 **DR. KURY:** I mean, that's bigger than probably
15 20 of the electric utilities in the state.

16 **CHAIRMAN BROWN:** Yeah.

17 **DR. KURY:** So it's -- yeah, and then you --
18 and then you take a look at --

19 **CHAIRMAN BROWN:** Have their own plant.

20 **DR. KURY:** And then you take a look at -- you
21 know, you consider UCF and you look at Florida State,
22 you look at South Florida. I mean, there's a lot of
23 consumption at the state university level, and in most
24 cases the consumers have no idea what the -- what the
25 costs of that consumption are.

1 **COMMISSIONER PATRONIS:** Sure.

2 **DR. KURY:** And so we're --

3 **COMMISSIONER PATRONIS:** Just overhead on the
4 campus expenses.

5 **CHAIRMAN BROWN:** Right.

6 **DR. KURY:** Yeah.

7 **COMMISSIONER PATRONIS:** Yeah.

8 **DR. KURY:** Yeah, I mean, it's -- some -- there
9 are some -- there are some responsible units that
10 actually see, you know, an electric bill. For example,
11 some professors, maybe their labs are on their own
12 meter, so, you know, they at least have the ability to
13 see how much electricity they're consuming. But for the
14 most part, you've got institutional barriers in place.

15 And so, again, while this study is for the
16 University of Florida, we feel that it has applications
17 beyond just UF, that there are lessons to be learned for
18 UCF or Florida State, Florida Atlantic, South Florida,
19 everybody, as we go forward. So that's where we are.
20 That's where we are primarily on the research end.

21 On the outreach end, our primary -- our
22 primary source of outreach, as I mentioned, is our
23 annual conference. And one more time, I'd just like to
24 put in a plug for folks. I hope to see everybody down
25 in Gainesville in a couple of weeks. We've been, you

1 know, we've been doing outreach in other forums anywhere
2 from, you know, our -- you know, within the state, for
3 the federal government, and for countries around the
4 world.

5 And then finally, I'd like to touch on where
6 we've been in training. And, you know, it's always odd
7 to talk about our training work in a Florida forum. I
8 mean, 95 percent of our business is international, and
9 for the most part -- you know, sometimes it's hard to
10 see where that fits with our -- with our mission in
11 Florida. But as Chairman Brown mentioned, you know, the
12 Commissioners are -- have been gracious enough in the
13 past to share their time with us and work with our
14 participants. I just wanted to take the opportunity --
15 you know, in a given program, probably 10, anywhere from
16 10 to 20 percent, depending on the delivery, 10 to
17 20 percent of the participants will be commissioners
18 from other countries.

19 **CHAIRMAN BROWN:** Right.

20 **DR. KURY:** So commissioners from Latin America
21 and the Caribbean, sub-Saharan Africa, North Africa and
22 the Middle East, the Pacific Islands, Pacific Rim. And
23 it's always interesting. I mean, when you guys are
24 there, you're there for the afternoon. You get to
25 interact with the folks, and that's terrific. Sometimes

1 you don't hear some of the comments that I hear after
2 you've been gone.

3 **CHAIRMAN BROWN:** We definitely don't.

4 **DR. KURY:** So I wanted to -- I wanted to share
5 a couple of them.

6 The first one that -- the first one that came
7 to mind was a relatively new commissioner. Jamaica has
8 recently established a board of commissioners in their
9 regulatory structure. It used to all be -- all
10 regulatory decisions used to be handed down by the
11 director general of the Office of Utility Regulation.
12 They put in commissioners. And one of their
13 commissioners is a -- an economics professor at the
14 University of the West Indies there in Jamaica, and what
15 he mentioned to me is that -- he's fairly new at the
16 job. When he took the job, he was under the impression
17 that his primary responsibility was to basically go down
18 a checklist and make sure that every box was checked
19 off, he would have very little discretion, he would have
20 very little impact on the way the sector was going to
21 develop going forward. And he said now he's a little
22 more nervous about having that job than he was before.
23 He's starting to realize some of the responsibility that
24 he has.

25 A commissioner from Saint Lucia made the

1 comment that -- he's a prominent -- his family is a
2 prominent hotelier in Saint Lucia. And he said to me,
3 "You know, at first I thought I was asked to be on this
4 commission because I'm friends with the member of
5 parliament in my district and he was giving me some sort
6 of a reward." He said, "Now I'm not so sure that it
7 wasn't a punishment instead."

8 And then a quote -- a comment I got from a
9 commissioner in Kenya, he said that -- and this was
10 actually echoed by a commissioner in the Philippines and
11 she said essentially the same thing, that they face a
12 lot of challenges in the work that they do and -- you
13 know, challenges with the government, with the
14 customers, with the utilities, and how they go about
15 balancing all of that along with, you know, the adequacy
16 of resources or affordable resources for the people.
17 And they always thought that they were the only ones
18 having those problems, and that made it very daunting
19 for them. But they said that after hearing other
20 experiences and hearing your experiences, they
21 understand that really this is a challenge that every
22 commissioner faces everywhere in the world. And it made
23 them feel a lot better about what they do. It made them
24 feel a little bit more secure that they had people that
25 they could call on and people that they could turn to.

1 So, you know, we like to say at PURC that we
2 don't provide service, we don't regulate service, we
3 don't make policy, but we can see the impact in what we
4 do in the cleaner water and the kids who have
5 electricity and access to service. And so I just wanted
6 to say thank you very much for helping us to do -- for
7 helping us help them do a better job with what they do.

8 **CHAIRMAN BROWN:** Thank you, Dr. Kury. And the
9 work you do is outstanding, and we're very appreciative
10 of the work you do and supportive.

11 Commissioner Patronis and Commissioner Polmann
12 have questions or comments.

13 **COMMISSIONER PATRONIS:** I'm just kind of
14 curious, if you were to do a self-inventory of PURC's
15 contributions, what do you think is probably the -- has
16 made the single biggest impact of something that y'all
17 have helped foster? I know that's kind of a heavy
18 question to throw at you.

19 **DR. KURY:** I think it's -- I think the one
20 thing that sticks -- the one thing that sticks with me
21 is that seven years ago, this was fairly early in the
22 stages where Nigeria was restructuring its electricity
23 sector, and I had four -- five participants in my
24 pricing course. And basically in my pricing course, I
25 go through -- over the course of a week, I go through

1 the pricing process: Setting the revenue requirement,
2 allocating cost, designing prices that recover those
3 costs. And one thing that the participants, especially
4 those that have a lot of political pressures within
5 their countries, they are amazed to hear that utility --
6 different utilities in Florida actually charge different
7 prices for electricity service.

8 Now it's not -- it's certainly not any news to
9 them that costs vary, you know, depending on where you
10 are. But in Nigeria, for example, the northern part of
11 the country is much more costly to serve than the
12 southern part of the country, but you also have ethnic
13 differences from the north to the south, you have
14 religious differences from the north to the south. And
15 so when we were talking about cost-reflective tariffs
16 seven, eight years ago, the idea behind that idea was --
17 the response I got from many of them was there is no
18 possible way we could ever do that. Last January, the
19 National Electricity Regulator, when they did their
20 annual tariff review, they proposed distinct tariffs for
21 each of the states within Nigeria and it was cost based.

22 **CHAIRMAN BROWN:** Ahh, changing.

23 **DR. KURY:** Now the courts ended up striking
24 down that decision. But to go from something that
25 eight years ago was deemed impossible, never going to

1 happen, the fact that -- the fact that the regulator did
2 end up proposing that -- they didn't win this round, but
3 they've broken the ice. They've gotten the idea out
4 there. They've started the process of educating people
5 about, you know, why this works. And, you know, and
6 I've seen other -- I've seen other aspects. In Uganda
7 there are a lot of prepaid meters for customers.

8 **COMMISSIONER PATRONIS:** Okay.

9 **DR. KURY:** And the Ugandan regulator and
10 distribution utility wanted to implement inclining block
11 tariffs. Now if you're implementing inclining block
12 tariffs through the prepaid meter, your big problem is
13 explaining to the people how come that 100 shilling
14 credit they bought in the beginning of the month lasted
15 five days and at the end of the month it only lasts
16 three days. You know, something doesn't make sense
17 here. I mean, it's 100 shillings. Why doesn't it last
18 me the same amount? But the fact is when they first
19 proposed that three years ago, never going to happen.
20 The regulator, the utility, the government all working
21 together, and today they have inclining block tariffs in
22 Uganda with the prepaid meters.

23 **CHAIRMAN BROWN:** That's great.

24 **DR. KURY:** You know, people don't -- maybe
25 still don't like the idea that later in the month that

1 100 shilling credit isn't going to last me as long, but
2 they understand it. They accept it.

3 So those are two instances where I have seen,
4 you know, real change in a sector that maybe sometimes
5 we don't associate with change.

6 **COMMISSIONER PATRONIS:** Yeah.

7 **DR. KURY:** And, you know -- and, you know,
8 another example, the Philippines recently introduced
9 customer choice for some of their larger customers, and,
10 you know, just some of the lessons that -- I'm seeing
11 how they're implementing customer choice and I see how
12 Pennsylvania has implemented it or Texas has implemented
13 it, and they're avoiding some of the problems that
14 plagued Texas and plagued Pennsylvania. And so, you
15 know, it's just -- it's great that, you know, they're
16 not paying for mistakes that other people have made.
17 And I think overall that's the big thing. When I see
18 another country that doesn't make a mistake that's been
19 made somewhere else, that gives me a little bit of hope.

20 **CHAIRMAN BROWN:** Dr. Kury, Commissioner
21 Polmann has a question.

22 **DR. KURY:** Yes, sir.

23 **COMMISSIONER POLMANN:** Thank you, Madam
24 Chairman.

25 I'm impressed and want to acknowledge the

1 outreach efforts that you're making and the training
2 effort, a substantive, significant contribution to the
3 benefit of many institutions and peoples worldwide, it
4 seems.

5 Let me come back and combine this outreach and
6 training and simply comment that I believe you're --
7 you're mentioning the perhaps new or slightly different
8 aspect of your annual PURC Conference outreach, some
9 discussion with the utilities in Florida about customer
10 outreach, and this is so important here in Florida. And
11 I'm feeling encouraged by taking that additional step,
12 and I would like to see a bit more of that from my
13 perspective. And not that we need to get into a lot of
14 discussion here today on that, but let me simply say we
15 here at the Public Service Commission deal a lot with
16 the customer base here in Florida. So I would encourage
17 good discussion on that and --

18 **CHAIRMAN BROWN:** Especially this past month.

19 **COMMISSIONER POLMANN:** Yeah, yeah. We've been
20 dealing a lot with that with some of our dockets. And
21 I'd like to have some more discussion with you perhaps
22 at another time on outreach that you may be doing or may
23 be able to do with the customer base here and dealing
24 with the utilities here in Florida. So thank you very
25 much.

1 **DR. KURY:** Sure. Yeah. I haven't seen all
2 the presentations, but we're going to have -- we're
3 going to have presentations from Gulf, from Peoples Gas,
4 from Duke, from FP&L, from the munis on different things
5 that they are -- that they are doing to engage with the
6 customers. And the two stories that I've heard so far,
7 they're very interesting stories, and I can't wait for
8 the speakers to share them with everybody at the annual
9 conference. And, you know, certainly my preference
10 would be to see everybody there, but, as always, the
11 presentations are always available even if you can't --
12 if you can't join us.

13 **CHAIRMAN BROWN:** Thank you, Dr. Kury.

14 Commissioner Brisé has a question or comment.

15 **COMMISSIONER BRISÉ:** Comment. I just want to
16 thank you and PURC for all the work that you all are
17 doing. It's always interesting when we participate at
18 the conference, the international conference, the
19 perspective that I gain when I participate, and as part
20 of the discussion that we have both with staff and
21 commissioners that are present. And I'm also encouraged
22 by the fact that as a convenor, you are using the
23 opportunity, as Commissioner Patronis pointed out, to
24 bring out policymakers to be part of the discussion.
25 Because a lot of times we work in silos in this -- in

1 this space, and so policymakers are not necessarily
2 attuned to the challenges that exist both for us as
3 Commissioners and for, say, the Office of Public
4 Counsel, who may have certain challenges as they're
5 dealing with those who they represent. And having the
6 ability to have policymakers there to hear from the
7 utilities and have the opportunity to interact with us
8 in this space creates a great -- I don't want to use the
9 word "opportunity" again -- but it creates a, I guess an
10 opportunity again for --

11 **CHAIRMAN BROWN:** It's early.

12 **COMMISSIONER BRISÉ:** -- for thoughtful
13 dialogue and a thought-provoking chance to learn things
14 that they wouldn't have learned in their own districts.

15 **CHAIRMAN BROWN:** That's good. Thank you,
16 Commissioner Brisé.

17 Again, Dr. Kury, it was wonderful to hear from
18 you and hear the work that you're doing and focusing on
19 your efforts, and I'm really looking forward to PURC.

20 On a completely side note, how is Dr. Jamison
21 doing? I heard he was busy up in D.C. over the past few
22 months or a few month -- a month or so.

23 **DR. KURY:** Yeah. I mean, there's -- you know,
24 a lot of that is --

25 **CHAIRMAN BROWN:** Do you want me not to put you

1 on the spot?

2 **DR. KURY:** No, no, no. I -- it's -- he -- I
3 know that he will share what he can when he can. But
4 that -- but that aspect is outside of mine.

5 **CHAIRMAN BROWN:** Yes.

6 **DR. KURY:** This is something that -- this is
7 something that he's doing on his own, so.

8 **CHAIRMAN BROWN:** Had to ask.

9 **DR. KURY:** No, I understand. I still haven't
10 quite figured out how to answer that question. I'm
11 working on it.

12 **CHAIRMAN BROWN:** Thank you, Dr. Kury.

13 Commissioner Polmann? Any other comments,
14 Commissioners?

15 Staff, do you have any comments or questions?

16 **MR. BAEZ:** No. Thank you.

17 **CHAIRMAN BROWN:** Anyone in the audience?

18 Thank you for your work --

19 **DR. KURY:** Thank you for your time.

20 **CHAIRMAN BROWN:** -- and your time up here, and
21 we'll see you in two weeks.

22 **DR. KURY:** Yep. We appreciate your support.

23 **CHAIRMAN BROWN:** Thank you.

24 All right. We are moving on to legislative
25 update, and it is picking up. And I want to thank both

1 Katherine Pennington and Adam Potts for really keeping
2 us updated and apprised of all the developments. We
3 appreciate it. I know you guys have been very busy, and
4 I really want to thank you. So far doing a great job,
5 great work.

6 **MR. HINTON:** Thank you, Commissioners. Yeah,
7 we are, I guess, exactly in a -- and I'm like a little
8 kid here with -- (adjusting chair).

9 **CHAIRMAN BROWN:** And Cayce. Sorry, Cayce. I
10 forgot about -- you do look a little -- there you go.

11 **MR. HINTON:** We're about a month, exactly a
12 month away from session starting up, so our activity is
13 picking up and things are getting exciting. But I'm --
14 this morning I'm going to hand it off to Adam and
15 Katherine. Adam is going to run through on some of the
16 bills that we're tracking, and Katherine will fill you
17 in on the pending schedule and what we're -- what
18 meetings we're --

19 **CHAIRMAN BROWN:** Can you -- before we get into
20 that, Cayce, could you tell us -- staff has been engaged
21 with and been requested to appear before several
22 committees. Can you kind of do just a brief overview of
23 the committees that staff has presented, intends to
24 present, and what that has encompassed.

25 **MR. HINTON:** Yeah. Katherine is going to

1 probably talk about some of this as well. A couple of
2 weeks ago I went and took part in a panel for the House
3 Energy & Utilities Subcommittee. It was a panel on
4 ratemaking. There was myself, two utility
5 representatives, and Charles Rehwinkel from OPC.

6 **CHAIRMAN BROWN:** You guys did a good job,
7 really good questions.

8 **MR. HINTON:** Yes. And I know that Braulio has
9 appeared before a committee.

10 **MR. BAEZ:** Yes, Commissioners, a compulsory
11 appearance.

12 **CHAIRMAN BROWN:** Compulsory.

13 **MR. HINTON:** And then -- and actually
14 tomorrow, yes, tomorrow the House Energy & Utilities
15 Subcommittee will be meeting again. They're going to
16 have a workshop on alternative ratemaking mechanisms.
17 And Tom Ballinger and Mark Futrell will be participating
18 in that workshop as well.

19 **CHAIRMAN BROWN:** Great. Thank you for that.
20 All right.

21 **COMMISSIONER PATRONIS:** I've got a question.

22 **CHAIRMAN BROWN:** Commissioner Patronis.

23 **COMMISSIONER PATRONIS:** Mr. Potts, have you
24 ever spoke before the Commission before?

25 **MR. POTTS:** No.

1 **COMMISSIONER PATRONIS:** Then who is this?

2 **MR. POTTS:** Don't know.

3 **COMMISSIONER PATRONIS:** Does anybody recognize
4 this?

5 **CHAIRMAN BROWN:** Oh, he's --

6 **MR. POTTS:** I graduated from FSU. You can't
7 do this.

8 **CHAIRMAN BROWN:** It was -- that was an
9 attorney that appeared -- he looks exactly like -- it
10 was --

11 **COMMISSIONER PATRONIS:** Does this not look
12 like Adam Potts?

13 **CHAIRMAN BROWN:** In the FPL rate case, it was
14 an attorney.

15 **MS. PENNINGTON:** From here it does.

16 **COMMISSIONER PATRONIS:** I was just curious. I
17 just -- I wanted to make sure that you didn't have,
18 like, a doppler (verbatim) out there or something.

19 **MR. POTTS:** Not that I know.

20 **CHAIRMAN BROWN:** Do you know how much time it
21 took him to do that?

22 **MR. HETRICK:** Doppelganger.

23 **COMMISSIONER PATRONIS:** The hospital
24 district -- the hospital district attorney.

25 **CHAIRMAN BROWN:** That's right.

1 **COMMISSIONER PATRONIS:** Yeah, in FPL's case.

2 It looks like Adam.

3 **CHAIRMAN BROWN:** Thank you. He's giving you a
4 hard time already.

5 **COMMISSIONER POLMANN:** Good morning, Adam.

6 It's so nice to see you again.

7 **MR. POTTS:** Good to see you too.

8 **COMMISSIONER POLMANN:** I'll vouch for you.

9 You are you.

10 **MR. POTTS:** Yes, sir.

11 **COMMISSIONER GRAHAM:** So you think.

12 **CHAIRMAN BROWN:** Welcome.

13 **MR. POTTS:** Thanks. Thank you. You have our
14 tracking list that we gave out. On our A tracking list
15 there's just one bill right now. It's Senate Bill 456
16 by Senator Rodriguez. It would allow anyone that
17 produces and provides or sells energy to users located
18 on the property of a renewable energy production
19 facility that uses a solar-based source of renewable
20 energy not to be defined as a public utility so long as
21 they have a capacity of less than 2.5 megawatts. The
22 bill does not have a House companion and has not been
23 assigned to any committees.

24 **CHAIRMAN BROWN:** Doesn't look promising.

25 **MR. POTTS:** No.

1 **MR. HINTON:** And just a little background on
2 that. This would reverse quite a bit of precedent that
3 we operate under here at Commission --

4 **CHAIRMAN BROWN:** Uh-huh.

5 **MR. HINTON:** -- *PW Ventures*, to name one, that
6 established that if you sell kilowatt-hours to a
7 customer, you are a public utility subject to
8 regulation. So this would reverse that precedent.

9 **MR. POTTS:** So on our -- on our B list we have
10 one set of bills. They're identical: House Bill
11 181 and four sixty -- and Senate Bill 464. And they
12 just would create an interagency work group relating to
13 natural hazards that would be led by the Division of
14 Emergency Management and just would have a liaison from
15 the PSC on that. And it's been referred to three
16 committees in the House and hasn't moved in the Senate
17 yet. And actually what we've been told is this is
18 really just codifying something that's already
19 happening. We already have staff that's working --

20 **MR. HINTON:** Well, we have a working
21 relationship with them on certain matters. It's -- this
22 may have to do more with how natural hazards affect the
23 Commission as opposed to the utilities out there. But
24 we already do have a working relationship with them, so
25 this --

1 **CHAIRMAN BROWN:** Got it.

2 **MR. POTTS:** Then on our C list there are five
3 bills that are related to fracking, to the banning of
4 fracking, one of which is a joint resolution. So if
5 that was to pass, it would be a constitutional ban on
6 fracking.

7 **CHAIRMAN BROWN:** That's not Young -- that's
8 not Senator Young.

9 **MR. POTTS:** No, no, no, no. That's Senator
10 Farmer's bill. He has a couple. And then Senator
11 Brandes has Senate Bill 90, which is the implementing
12 bill for last year's constitutional amendment that
13 passed regarding the ad valorem tax exemptions for
14 solar. It's up at its first committee this afternoon.

15 And then the House Public Integrity & Ethics
16 Committee has two bills, House Bill 7003 and House Joint
17 Resolution 7001, which increase the prohibition on
18 lobbying after completion of service from two years to
19 six years.

20 **CHAIRMAN BROWN:** Can we -- can we talk about
21 that briefly? Now does that apply to only elected
22 officials? Who does that --

23 **MS. PENNINGTON:** The constitutional amendment
24 and the enacting legislation would apply -- would
25 include appointed state officials. It does not change

1 the two-year ban on -- for state employees, but it does
2 affect appointed state officials.

3 **CHAIRMAN BROWN:** And it would apply to all
4 agencies, state agencies.

5 **MS. PENNINGTON:** All government.

6 **CHAIRMAN BROWN:** So even if, say, you work for
7 the Commission, you can't lobby for --

8 **MS. PENNINGTON:** Six years.

9 **CHAIRMAN BROWN:** -- the Department of Juvenile
10 Justice.

11 **MR. HINTON:** I can read the definition for you
12 real quick about -- "Appointed state officer means any
13 member of an appointed board, commission, committee,
14 council, or authority of the executive and legislative
15 branch," and so on, so.

16 **CHAIRMAN BROWN:** Oh, yeah, that's us. But as
17 for it applying to other state agencies, the ban, would
18 that be applicable?

19 **MS. PENNINGTON:** I'm not sure about that. I
20 will check for you. The -- I know that state employees,
21 you know, if you -- you've got a ban. But if you went
22 to another state agency to do the same thing, it
23 wouldn't affect you.

24 **CHAIRMAN BROWN:** Right. So would appointed
25 also --

1 **MS. PENNINGTON:** I don't know if that's
2 changed. But as far as appointed state officials, let
3 me check on that.

4 **CHAIRMAN BROWN:** Okay, please. Appointed
5 state officials would also include Mr. J.R. Kelly too,
6 right, technically?

7 **MS. PENNINGTON:** I believe so.

8 **CHAIRMAN BROWN:** Is that right?

9 **MS. PENNINGTON:** As a legislative employee,
10 I'm not sure.

11 **CHAIRMAN BROWN:** I'm just seeing how broad it
12 -- how broad the law --

13 **MS. PENNINGTON:** There are different -- there
14 are different guidelines for legislative employees, and
15 it really depends on when he was employed by the
16 legislature or dates.

17 **CHAIRMAN BROWN:** Oh, okay.

18 **MR. HINTON:** But this does seem to apply --
19 you can't come back to this body as a lobbyist.

20 **CHAIRMAN BROWN:** Yeah. Okay.

21 **COMMISSIONER PATRONIS:** Yeah, it's per your --

22 **MR. HINTON:** Per your agency.

23 **CHAIRMAN BROWN:** Okay.

24 **COMMISSIONER PATRONIS:** I guess this started
25 off as a PCB?

1 **MR. HINTON:** Yes.

2 **MS. PENNINGTON:** Yes.

3 **MR. POTTS:** Yes.

4 **COMMISSIONER PATRONIS:** And then so has it
5 been assigned to a legislator?

6 **MR. POTTS:** It's the committee's bill.

7 **COMMISSIONER PATRONIS:** It's a committee bill
8 now. Okay.

9 **MR. POTTS:** Yeah.

10 **CHAIRMAN BROWN:** It had full support; right?

11 **COMMISSIONER BRISÉ:** Yeah. Isn't this one of
12 the ones one of the speakers brought --

13 **MR. POTTS:** Yes.

14 **CHAIRMAN BROWN:** Yeah. It's going to happen
15 on one side at least.

16 **COMMISSIONER BRISÉ:** Right.

17 **MR. POTTS:** And then we're just also tracking
18 multiple bills that would affect the agency at an
19 administrative level if they were to pass, such as
20 public records requirements, hiring requirements, and
21 rulemaking authority changes.

22 **CHAIRMAN BROWN:** Commissioners, do you have
23 any questions on any of the bills on the report or
24 anything?

25 I have a question on the texting and how much

1 movement is -- House Bill 69, and then I guess Garcia
2 has one companion bill. What do you see the chances of
3 that? That's something that's been of interest to me.
4 There's only four states that don't -- or 46 states have
5 a texting ban, including D.C., Guam, U.S. Virgin
6 Islands. We're, like, only one of four states --

7 **COMMISSIONER PATRONIS:** I thought we had a
8 texting ban.

9 **MS. PENNINGTON:** We have a texting ban.

10 **CHAIRMAN BROWN:** But it's caveat -- not an all
11 out ban. It's a secondary offense.

12 **MS. PENNINGTON:** Right.

13 **CHAIRMAN BROWN:** Primary offense --

14 **COMMISSIONER PATRONIS:** So you're wanting them
15 to be able to stop people for texting and driving as a
16 primary offense.

17 **CHAIRMAN BROWN:** That's what the other
18 states -- 46 states in the country have.

19 **COMMISSIONER PATRONIS:** Move to one of those
20 other states.

21 **MS. PENNINGTON:** And right now it's allowed at
22 a stoplight.

23 **CHAIRMAN BROWN:** But it's a secondary offense,
24 yeah. How much movement is going on in that?

25 **MS. PENNINGTON:** It is being heard in the

1 Senate Communications meeting this afternoon. I don't
2 know. It's a bill that's filed every year.

3 **CHAIRMAN BROWN:** Why hasn't it ever --

4 **MS. PENNINGTON:** We kind of include it on our
5 track list. But it doesn't affect us, so we kind of
6 just --

7 **CHAIRMAN BROWN:** Why -- I'm very interested,
8 though, why hasn't it ever gotten support?

9 **COMMISSIONER PATRONIS:** Why?

10 **CHAIRMAN BROWN:** Yeah.

11 **COMMISSIONER PATRONIS:** Because it's bad
12 policy.

13 **MS. PENNINGTON:** Because --

14 **CHAIRMAN BROWN:** Forty-six states don't think
15 so.

16 **MS. PENNINGTON:** There are legislators that
17 don't like it.

18 **CHAIRMAN BROWN:** That text and drive.

19 **COMMISSIONER PATRONIS:** There's -- I'll give
20 you a perfect first-hand example. When I was in the
21 legislature, one of the first bills that I had pressed
22 upon me was a primary enforcement of seat belt. Okay?
23 And I can't believe I'm sharing this story at a public
24 meeting. So I was encouraged to support it. I thought,
25 "All right. Well, you know, I'm among colleagues. I'm

1 trying to earn favor and trust." You know what I'm
2 talking about. Y'all have worked in committees. So I
3 said, "Okay. You know, I guess it's okay. We can
4 support a primary enforcement of seat belt." So the
5 bill died that year. And I know Ryan is probably
6 rolling his eyes. I can't believe I'm saying this. So
7 then that summer I'm out, you know, a public person now,
8 I had a law enforcement official come up and say to
9 me -- and, granted, you can't control what every law
10 enforcement official might say, there's thousands in the
11 state -- but made a comment about, you know, "Thank you
12 for supporting the primary enforcement of seat belt.
13 That gives us one more tool in our arsenal to be able
14 to, you know, apprehend people that, you know, are, you
15 know, not doing, you know, what they should do." And it
16 just -- and I thought, you know, I said, "I don't need
17 to be enabling one more way to have an illegal search
18 and seizure on somebody."

19 **CHAIRMAN BROWN:** Gotcha.

20 **COMMISSIONER PATRONIS:** Okay? So when you go
21 out -- and it's illegal now, they can write you a
22 ticket, there's plenty of ways to write you a ticket for
23 distracted driving, reckless driving, careless driving,
24 all of those can be applied to somebody who's texting.
25 I know there's a safety factor in place, but I just kind

1 of feel like, you know, giving that, you know,
2 individual a judgment call is one step across the line
3 of too much empowerment.

4 **CHAIRMAN BROWN:** Thank you, Commissioner
5 Patronis. That was very enlightening. I appreciate it.
6 Seriously.

7 **COMMISSIONER PATRONIS:** I mean, I've been
8 driving in another state and I was talking on my phone,
9 and I had a motorcycle cop pull up next to me and was
10 laying on his siren. I didn't know that in that state
11 you couldn't talk on your phone --

12 **CHAIRMAN BROWN:** Yeah, Virginia.

13 **COMMISSIONER PATRONIS:** -- for only hands
14 free.

15 **CHAIRMAN BROWN:** Virginia.

16 **COMMISSIONER PATRONIS:** This was in
17 California. And, I mean, I was scared. I mean, and I
18 can see how those distracted, you know, activities cost
19 lives. I get that. I get that. But I guess it's that
20 fine line, so.

21 **CHAIRMAN BROWN:** Commissioner Brisé.

22 **COMMISSIONER BRISÉ:** So to answer your
23 question as to probably why it hasn't passed, you have
24 many different legislators who see this issue and have
25 issues with it from a lot of different perspectives.

1 For instance, you have the Hispanic and Black Caucus who
2 take a position not against the legislation or the
3 intended effect of the legislation, but the concern that
4 Commissioner Patronis brought up in terms of adding
5 another tool for profiling. You have others who have
6 other issues, you know, certain freedoms. You should
7 have the responsibility for your own types of actions in
8 your car and so forth. So very -- you seldomly get a
9 large enough coalition --

10 **CHAIRMAN BROWN:** To agree --

11 **COMMISSIONER BRISÉ:** -- to bring it to bear.

12 And so that's one of the challenges, because it's -- I
13 mean, every year this is a perennial bill.

14 **CHAIRMAN BROWN:** And 46 states, I'm just
15 wondering why Florida hasn't jumped on it with the other
16 states. So thank you guys. This was a very --

17 **COMMISSIONER BRISÉ:** Because we're a purple
18 state.

19 **CHAIRMAN BROWN:** This was a wonderful
20 discussion. We are purple and we lead the nation.

21 **COMMISSIONER PATRONIS:** We do.

22 **CHAIRMAN BROWN:** We do lead it, and we set the
23 trend, I think.

24 **COMMISSIONER PATRONIS:** Yeah. You've seen it
25 from a utility regulatory standpoint about what's going

1 on in Florida --

2 **CHAIRMAN BROWN:** He's still talking.

3 **COMMISSIONER PATRONIS:** -- what's going on --
4 everybody wants to know what's going on here. That's no
5 different.

6 **CHAIRMAN BROWN:** Yeah, everyone. All right.
7 This was a fun discussion, really fun.

8 Any other matters? Yes, Katherine.

9 **MS. PENNINGTON:** Cayce had asked me to talk
10 about the committees, the meetings coming up. He talked
11 about a couple of them. But I just wanted to give you a
12 little bit of perspective on bills that's changed since
13 I came down here. I did update it after I got down
14 here, but it's changed again.

15 There's been about 985 bills filed so far;
16 however, I will tell you that 355 of those bills are
17 those appropriation bills that are --

18 **COMMISSIONER PATRONIS:** Oh, that's right.

19 **MS. PENNINGTON:** So that's really -- I think
20 it's 255. That's why the number is so large at this
21 point because there's only been, like, 350 House bills
22 and 375 Senate bills exclusive of those appropriation
23 bills that are only being filed in the House because
24 that's the Speaker's process. So, again, we don't know
25 what's happening in the Senate. But I just kind of

1 wanted to give you a little bit of perspective. And I
2 think as of last Friday those appropriation project
3 bills that have been filed totaled at least 300 million,
4 and there have been probably 80 or 90 filed in the last
5 couple of days, so.

6 **CHAIRMAN BROWN:** Wow.

7 **COMMISSIONER BRISÉ:** When is the deadline
8 for -- for representatives and senators to have bills in
9 bill draft?

10 **MS. PENNINGTON:** Bills or the --

11 **COMMISSIONER BRISÉ:** I mean --

12 **MS. PENNINGTON:** The deadline has passed for
13 bills in bill draft.

14 **COMMISSIONER BRISÉ:** Drafting, right.

15 **MS. PENNINGTON:** The first day of session is
16 the deadline for general bills. The deadline for
17 appropriation bills is today, February 7th.

18 **COMMISSIONER BRISÉ:** Okay.

19 **MR. POTTS:** February 7th.

20 **CHAIRMAN BROWN:** And session begins March 7th?

21 **MS. PENNINGTON:** March 7th, yes, ma'am.

22 **CHAIRMAN BROWN:** Okay.

23 **MS. PENNINGTON:** The -- as Adam mentioned,
24 Senate Bill 90 is coming up in the Senate Communications
25 & Utilities meeting this afternoon. It has no

1 regulatory impact on the agency. And the texting bill,
2 Madam Chairman, you know, that committee as well.

3 **CHAIRMAN BROWN:** My bill of interest.

4 **MS. PENNINGTON:** Yeah.

5 **CHAIRMAN BROWN:** Commissioner Brisé.

6 **COMMISSIONER BRISÉ:** So do we know how many
7 sort of just open hold bills that we have out there?

8 **MS. PENNINGTON:** As in -- as in shell bills?

9 **COMMISSIONER BRISÉ:** As, you know, shell bills
10 that are out there.

11 **MS. PENNINGTON:** I haven't seen any shell
12 bills.

13 **COMMISSIONER BRISÉ:** What's that?

14 **MS. PENNINGTON:** I haven't seen any shell
15 bills in the several years actually. I don't know if
16 they stopped it or -- I think I saw one last year, quite
17 frankly, so there's not --

18 **COMMISSIONER BRISÉ:** Okay. Okay.

19 **CHAIRMAN BROWN:** Thank you. Well, thank you,
20 guys, for your update. And please keep us informed, as
21 you've been doing. It's very helpful. Appreciate the
22 meetings you've been having with our advisors weekly.
23 That's also helpful. I feel like we're really staying
24 on top of the things that are coming up. So thank you,
25 and I look forward to further discussions. See 'ya.

1 Thanks.

2 **COMMISSIONER BRISÉ:** Thank you.

3 **CHAIRMAN BROWN:** All right. We are moving on
4 to General Counsel.

5 **MR. HETRICK:** Thank you, Madam Chairman. I'll
6 be real brief here. Our office, as Braulio's, has been
7 working on a number of docketed matters that are on the
8 horizon. We've been very busy in particular with the
9 forthcoming Gulf and UIF rate cases, not to mention
10 other, what I consider to be, unique situations or
11 matters. Everyone has a lot on their plate, not the
12 least of which is the legislative session also on the
13 horizon. I'll be closely monitoring and working with
14 our wonderful legislative staff on this. And thank you,
15 Cayce, Katherine, and Adam, for giving me access and
16 working so closely with me on a day-to-day basis. I
17 appreciate that.

18 **CHAIRMAN BROWN:** Thank you. I think that's
19 helpful too, Keith.

20 **MR. HETRICK:** And that's my report, Madam
21 Chairman.

22 **CHAIRMAN BROWN:** Any questions, staff -- I
23 mean, Commissioners?

24 Executive Director.

25 **MR. BAEZ:** Good morning, Commissioners, Madam

1 Chair. January 31st the governor rolled out his
2 proposed budget, as you know. We did a side-by-side
3 brief comparison to our legislative budget request.
4 Only one difference from our issues. The governor
5 picked up all of our issues, including our proposed
6 funding for -- for new automobiles, new vehicles. The
7 only difference, the governor proposed a staff
8 reduction -- or FTE reductions in the amount of five, so
9 that's a reduction of about \$266,000. They normally do
10 that -- they usually -- what they do is they just look
11 at whatever positions we have that are plus 180, and
12 that's what they did. So nothing out of the ordinary
13 there. And happy to report that they pretty much stuck
14 to our LBR, which is good news.

15 If y'all have any questions, I'd be happy to
16 discuss it with you.

17 **CHAIRMAN BROWN:** Thank you.

18 Commissioners, any questions? None.

19 Thank you, Braulio. Thanks.

20 All right. Other matters, just two. I wanted
21 to acknowledge Commissioner Brisé. I want to give him a
22 shout out. He just got appointed to NARUC's board of
23 directors -- yay! (applause) -- which means he's getting
24 more and more calls. No, we're very proud of you.
25 That's just such a great role. Thanks --

1 congratulations. You're going to be busy.

2 **COMMISSIONER BRISÉ:** Uh-huh. Thanks.

3 **CHAIRMAN BROWN:** And I do want to acknowledge
4 our employee of the month, Shannon Hudson. She's been
5 with the Commission -- I don't know -- is she here?
6 There she is. She's so great. We all get to see
7 Shannon in our briefings, and she's always so
8 knowledgeable. She's been at the Commission -- I did
9 not know this -- since November 1995. You've been here
10 a long time. And she started out -- she's currently the
11 supervisor of rate design in the Division of Economics.
12 She has knowledge of both accounting, rate issues, and
13 she's been very engaging with the Commissioners and
14 staff. And on behalf of the Commission, I wanted to
15 congratulate you as our employee of the month.

16 (Applause.) Thank you. I'll give your stuff after.

17 Commissioners, any other matters? Anything
18 you want to bring up? All right. We will be convening
19 for a hearing at 11:00, so we have about a 30-minute
20 window here. And with that, this meeting is adjourned.

21 (Internal Affairs adjourned at 10:29 a.m.)

1 STATE OF FLORIDA)
2 COUNTY OF LEON) : CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
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8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.

13 I FURTHER CERTIFY that I am not a relative,
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16 attorney or counsel connected with the action, nor am I
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