

SPECIAL COMMITTEE ON THE FUTURE OF JEA

Council Members

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Anna Lopez Brosche	Reggie Gaffney
Garrett Dennis	Bill Gulliford
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1 P R O C E E D I N G S

2 CHAIRMAN CRESCIMBENI: All right. Good
3 afternoon, everyone. We are going to call
4 the Special Committee on the Future of JEA
5 Meeting to order. Today is Thursday,
6 May 24th, 2018. It's about four minutes
7 after 2:00 p.m. in the afternoon.

8 We'll start by having everyone introduce
9 themselves for the record. And I'll start
10 with the Vice President on my left.

11 MR. BOWMAN: Hi. Aaron Bowman,
12 District 3.

13 COUNCILMAN LOVE: Jim Love, District 14.

14 COUNCILWOMAN MORGAN: Joyce Morgan,
15 District 1.

16 COUNCILMAN BECTON: Danny Becton,
17 District 11.

18 CHAIRMAN CRESCIMBENI: I'm John
19 Crescimbeni, At-Large Group 2.

20 COUNCILMAN DENNIS: Garrett Dennis,
21 District 9.

22 PRESIDENT BROSCHE: Anna Lopez-Brosche,
23 Group 1.

24 COUNCILWOMAN BOYER: Lori Boyer,
25 District 5.

1 COUNCIL MEMBER WILSON: Scott Wilson,
2 District 4.

3 COUNCILMAN HAZOURI: Tommy Hazouri,
4 Group --

5 CHAIRMAN CRESCIMBENI: Mr. Hazouri, your
6 mic cut out. You want to repeat that?

7 COUNCILMAN HAZOURI: I wanted to do it
8 twice. Tommy Hazouri, Group 3 At-Large.

9 CHAIRMAN CRESCIMBENI: Thank you, sir.
10 I do have a couple of excused absences.
11 Councilman Ferraro is excused, as is
12 Councilman Schellenberg, Carter and Newby
13 will not be with us today.

14 All right. Let's see, we have a couple
15 of presentations today. And we've been
16 working hard to get this on the calendar,
17 but it's taken us a while to get to today.
18 But we have representatives here from the
19 Public Service Commission, then later this
20 afternoon we'll have some representatives
21 from the Public Utility Research Center at
22 University of Florida.

23 So we'll go ahead and begin with the
24 PSC. You've been distributed a copy of the
25 PowerPoint that's going to be given. And on

1 the agenda are some of the items I asked
2 them to cover in their presentation today.

3 We have with us Mr. Baez, he's the
4 Executive Director of the Public Service
5 Commission. We have the General Counsel for
6 the Public Service Commission,
7 Mr. Hetrick -- Mr. Hetrick, welcome -- and
8 the gentleman we've been corresponding with,
9 the Deputy Executive Director, Mr. Futrell.

10 Mr. Futrell, I want to thank you upfront
11 for all your back-and-forth and working with
12 us to get to where we are today to have you
13 all here. And we appreciate you making the
14 trip to Tallahassee. I hope it's more fun
15 coming this way than I have going that way.
16 But I'll let you opine on that later.

17 So with no further delays, Mr. Baez, if
18 you will go ahead and begin your
19 presentation.

20 MR. BAEZ: Thank you. Mr. Chair,
21 Members, thank you for having us. On behalf
22 of our Commission and Commissioners, we're
23 very pleased to be here.

24 I'm going to try to keep it short. You
25 have seen the slide deck. It's rather

1 weighty and has a lot of things. And the
2 reason for that is it sort of can serve as a
3 leave-behind and certainly a resource for
4 questions, which I hope we'll be able to get
5 more time on than the presentation.

6 So moving right along, go over some
7 overview first. All right. We've got a
8 brief statement on mission, three words to
9 remember: Safe, reliable and fair prices.
10 And it's the fair prices that we're -- where
11 most of our work certainly in the public eye
12 takes place, and most of the attention.
13 This is the concept that merits the most
14 attention and where it's complicated and all
15 of our processes are focused on the
16 ratemaking processes, in particular, are
17 focussed and used to arrive at the results.

18 Here is a brief breakdown of how the
19 Commission is constituted and positions
20 filled. You can see that the legislature
21 appoints the member of the nominating
22 council and the nominating council oversees
23 a public application process, including
24 incumbent members as well, and they produce
25 a list of nominees to the commissioner and,

1 based on some time constraints, the
2 commissioner -- the governor has to nominate
3 or make an appointment which is subject to
4 confirmation by the senate.

5 We have staggered four-year terms for
6 all of them. And the Chairman serves for
7 two years by vote of the entire Commission.
8 That's a brief schematic of the structure.

9 Moving along. Sorry, I am tech stupid,
10 my apologies.

11 CHAIRMAN CRESCIMBENI: Are you trying to
12 go back?

13 MR. BAEZ: No, I got it. Thank you.

14 We're a legislative agency with primary
15 authority over the investor-owned utilities,
16 that would be the publicly traded utilities,
17 such as Duke, Florida Power & Light, Gulf
18 Power, or Southern Company. We have
19 jurisdiction over electric, natural gas and
20 wastewater. With specific for wastewater,
21 for example, we regulate only those
22 companies and counties that have seated
23 authority and jurisdiction to the
24 Commission. The statute does provide for an
25 opt-out for private utilities by a county.

1 And lastly, you can see some residual
2 regulation over telecommunication services,
3 mainly lifelines services and relay
4 services.

5 There is your breakdown on numbers, 5
6 IOUs, 8 gas utilities and 131 water
7 companies.

8 Now, the second section there bears some
9 explanation, which I'm sure we'll get to a
10 little later, but we can take it up now.
11 You can see that you have rural electric
12 cooperatives and municipal electric
13 utilities, such as JEA, and municipal
14 natural gas districts and special gas
15 districts.

16 Our jurisdiction and regulation over
17 those types of entities generally fall into
18 the reliability and safety sector by state
19 law. As I'm sure you all know by now, we
20 run a very -- an interconnected electric
21 grid, for example, and so all utilities, no
22 matter what their governance may be or their
23 structure may be, do have a part and a role
24 to play in the reliability and the function
25 of the entire electric grid. So that's sort

1 of the basis of the narrow jurisdiction that
2 we have over municipals, in your case.

3 And again, you have the residual
4 regulation over telecommunication services,
5 which is basically market oversight.

6 Three program areas, broad program
7 areas, that our authority encompasses, the
8 first being rate-based and economic
9 regulation. Those are essentially rate
10 cases where we set prices or rates for
11 service, both for water utilities and
12 electric. But next, I've alluded to it
13 earlier, there's safety and reliability, for
14 example, the electric grid. But also,
15 service and consumer protection. So we also
16 do -- we also have responsibility for
17 holding these utilities accountable to
18 certain service standards and to certain
19 consumer standards in terms of customer
20 service.

21 And lastly, again, competitive market
22 oversight more tailored to the
23 telecommunications industry.

24 First big concept is the regulatory
25 concept, the regulatory compact. This is --

1 conceptually, it's what creates the basis
2 for monopoly service in Florida. The
3 offering entity, whether it be the Public
4 Service Commission or a local government, as
5 such, there is a deal struck with utilities
6 where they take on certain rights and
7 obligations in order to serve exclusively
8 within a given territory. And that's the
9 regulatory compact is perhaps one notion
10 that we are charged with seeing function
11 properly. It's all about that.

12 So when a utility enters into the
13 regulatory compact, they get certain rights
14 and responsibilities. I mentioned before
15 they get a natural monopoly. That means
16 exclusive -- an exclusive territory over
17 which they are the sole provider. That may
18 or may not come with franchise -- franchises
19 in a strict sense, in a legal sense, but
20 those are not something that concern us in
21 the legal sense.

22 In addition, their rights is to charge
23 rates and recover for their prudent cost as
24 a going concern. And they're also, lastly,
25 entitled to a fair opportunity to earn a

1 rate of return on their investment. Along
2 with those rights come the responsibilities.
3 And that is an obligation to serve, and that
4 obligation is universal. In plain terms,
5 anyone that asks for services is entitled to
6 receive service from that provider, because,
7 after all, they are the only provider. They
8 cannot unduly discriminate.

9 And the word unduly there is a term that
10 is subject to interpretation and a lot of
11 discussion, but it does -- it does in a way
12 recognize the existence of even slight cross
13 subsidies between different classes of
14 customers, although that's something that
15 the Commission strives to eliminate in a
16 perfect sense. In a real sense, everyone
17 recognizes that we do the best we can and
18 nothing is perfect, after all.

19 They do have the obligation to provide
20 safe and reliable service. And for that the
21 Commission engages in safety inspections and
22 other safety functions to ensure that the
23 companies that are subject to our
24 jurisdiction are living up to their side of
25 the deal.

1 Same with reliability. The reliability
2 is more of a planning function, which you
3 all may or may not be familiar with. And
4 they -- these are long-lived assets. And
5 usually we have a process that looks out at
6 least 10 years in terms of the planning
7 functions of the various utilities, electric
8 utilities in this case.

9 One of the things that we try to avoid
10 is the construction or the investment in
11 unnecessary facilities so you don't get a
12 repetition of facilities, that sort of
13 defeats the concept of the monopoly, so that
14 we maintain only one set of facilities, or
15 one owner of facilities has access to any
16 given customer.

17 And lastly, they have to open their
18 books to the Commission. So we do have a
19 very robust auditing function that goes on
20 throughout the year and in cycles as well.
21 And at any given point in time, we do have
22 access to the companies' books and records.

23 The public interest, second big concept.
24 The public interest is probably the prime
25 standard that we apply -- or that the

1 Commission, rather, applies in order to
2 achieve -- in order to arrive at its
3 decisions. That's a pretty nebulous
4 concept. And a lot of work and a lot of
5 analysis goes into -- based on our
6 processes, goes into arriving at what the
7 public interest is.

8 It is, as you see there -- and this is
9 the one that's always giving me trouble,
10 because they're, again, nebulous concepts.
11 But the public interest is essentially a
12 composite of many things, some of them being
13 economic efficiency, that is the
14 non-repetition of unnecessary facilities.
15 There is a lot of investment. It's very
16 capital -- so we try and have economic
17 efficiency to every action that's taken.

18 Sympathetic gradualism, that's a fancy
19 concept of, you know, rate increases, not
20 rate shock, right. So there is always a
21 consideration, even though in many cases
22 what you're dealing with is increasing cost
23 industries. And so a lot of the
24 consideration comes from sort of -- you sort
25 of back into what's reasonable, it's like

1 what can the -- how do we avoid the rate
2 shock in many cases.

3 And lastly, and not least, I'm sure, is
4 political accountability. So however you
5 choose to define that, there are
6 constituencies and there's the public that
7 we all answer to as public servants and
8 that's always present in our mind as well.

9 And now, it's not an equation, so there
10 aren't discreet values that you provide, but
11 it is, in fact, a balancing act, which we
12 are going to hear a lot about in the next
13 couple minutes.

14 First-grade graphic of the balancing act
15 is the customer versus the utility. That
16 one probably doesn't bear a whole lot of
17 explanation -- doesn't need a whole lot of
18 information. It's the giver and the taker
19 and the disadvantage between the two.

20 So we seek to -- on the Commission we
21 seek to balance that so that the customer,
22 again, going back to concept of rate shock
23 and rate increases, for example, is to try
24 and take the customer in consideration. And
25 the utility, by virtue of its rights, the

1 need to recover for their cost, for example,
2 or to have a chance to earn a fair rate of
3 return, for another example, those are
4 things that there is a responsibility to
5 maintain a viable electric service provider.
6 We cannot favor -- as a balance, you can't
7 favor one side over another and create that
8 imbalance, because, taken to its extreme,
9 you wind up with companies that aren't able
10 to sustain their operations and provide the
11 service that everyone needs, so there is the
12 delicate balance there.

13 Secondly, you have a balancing act for
14 things like reliability versus cost. And
15 I'm sure you all in your daily work run into
16 it as well. We can have 100 percent of
17 anything, but how much are we willing or all
18 of us willing as a society to pay for it?
19 And those are some of the balancing of
20 interests that goes on in the Commission.

21 I'll give you a good example, for
22 example, storm hardening, storm
23 preparedness. You hear a lot of debate
24 about, you know, whether we should
25 have outages at all, we should strengthen

1 the system to eliminate the possibility
2 because no one wants to be without power,
3 it's so important to our daily lives. But
4 then the question comes, sure, you can have
5 that perhaps, in theory, but how much are we
6 willing to pay for it. So those are the
7 balances, those are the discussions the
8 commissioners engage in.

9 And lastly, you have long-term versus
10 short-term impact, so decisions, like making
11 very large investments that don't address --
12 that may not address or provide short-term
13 relief, but the investments may be necessary
14 to provide long-term reliability and things
15 of that nature. So you're always balancing,
16 you know, what seems good now with what's
17 going to be necessary later. And I know you
18 all are familiar with that sort of analysis.

19 So on the subject of rates, we have
20 three of the most basic mechanisms in order
21 to engage in providing for and determining
22 cost recovery for providing service. You
23 have your annual cost recovery clauses; your
24 base rate proceedings, so those are the rate
25 cases, essentially; and lastly, you have

1 surcharges for storm restoration. So that's
2 a more extraordinary mechanism. But it
3 happens living in Florida, we have it in
4 place pretty much, you know -- it's been
5 around for the last 15, 20 years almost, so
6 that's just because of the reality. And
7 I'll go into all of them with a little bit
8 of detail.

9 So your annual cost recovery clauses
10 seek to address volatile costs to the
11 utility that -- essentially, they change
12 from year to year. And it is much more cost
13 effective, much more efficient, whether from
14 the standpoint of avoiding rate shock,
15 right, for customers, and just as a matter
16 of operation of the utility business, they
17 are more -- it's a better situation to
18 address them on a yearly basis. The best
19 example is fuel, for example. That's
20 something that utilities don't gain a return
21 on. It's essentially passthrough along with
22 environmental costs that state agencies may
23 turn down requirements that utilities have
24 to make investments to address environmental
25 issues, for example.

1 Those things, they fluctuate too quickly
2 to properly fit in the normal cycle, for
3 instance, of a rate-based proceeding -- rate
4 case proceeding. Rate cases come along
5 every three or four years. These things
6 move up and down a lot quicker. And they
7 can -- if they're moving in the wrong
8 direction, they can quickly put a utility in
9 a disadvantage as to their operation.

10 There are evidentiary hearings. They're
11 fully litigated for the most part and they
12 happen every year near the end of our year.
13 And you see the examples there,
14 environmental compliance and conservation
15 programs, which I had mentioned earlier, and
16 fuel cost.

17 And we establish -- it says here rates,
18 actually, what we do is establish factors.
19 Factors are energy based, so sales based,
20 consumption based.

21 Your base rate proceeding, that's our
22 bread and butter, essentially, in terms of
23 rate making. They are not held that
24 frequently, and for good reason. They're
25 very highly litigated, they're very

1 contentious and they're very expensive. So
2 it's a good thing that they don't come
3 around very often. But -- so on the
4 average, three to four years.

5 And during those proceedings is where
6 you establish the proper accounting for all
7 of the investment that a utility may have in
8 the ground. And as a result, you come up
9 with numbers for rate base, as they call it.

10 And then there are other factors that
11 are included in what ultimately becomes a
12 revenue requirement, which is the total
13 amount of hours upon which rates are based.
14 They become fallouts at the end. As it says
15 here, those utility systems are
16 40-to-60-year lives. So you're engaging in
17 a little bit of forward looking as to what
18 the operations and what the growth is going
19 to be in the operations to meet those --
20 that demand are going to be necessary.

21 This slide --

22 CHAIRMAN CRESCIMBENI: Mr. Baez, let me
23 stop you right there, because I'm going
24 through my list of things I was asking
25 about. So I don't think we come back and

1 talk about the rate of return beyond this
2 slide. So help me out on the rate of
3 return. In your slide, you just have
4 percent, but there is no percent. Is that
5 something that's defined --

6 MR. BAEZ: This is covered a little
7 later on, but we can talk about it now if
8 you want. Your question, I'm sorry,
9 Mr. Chair?

10 CHAIRMAN CRESCIMBENI: Is the rate of
11 return something that's defined somewhere in
12 statutes? Does each company have a
13 different rate of return on their
14 investment?

15 MR. BAEZ: I'll take the second part of
16 your question first. Yes, each company has
17 a different rate of return than others
18 because it's based on a lot of elements,
19 financial elements, that are adduced at
20 hearing or through the administrative
21 process. There is a slide that explains
22 that a little later, but some of the
23 things --

24 CHAIRMAN CRESCIMBENI: I'll wait. I
25 didn't see that slide.

1 MR. BAEZ: You were talking about cost
2 of capital and so forth.

3 I'm not going to spend too much time
4 here. The revenue requirement, you see the
5 formula that goes into it. So it's not --
6 you know, revenue requirement is not just
7 this term of art and then we figure out what
8 it means. There is actual math involved,
9 actual accounting, even.

10 To your question, Mr. Chairman, your
11 rate of return, and you can see in this
12 slide title Cost of Capital, if you're all
13 there, your rate of return bears a relation
14 to the specific utility's cost of capital,
15 so how much it costs them to either borrow
16 money, how much it costs them to dilute its
17 own ownership over the company, issuing
18 stock or other things, issuing debt. So
19 those are the elements that the Commission
20 uses in order to build up an appropriate
21 rate of return.

22 You'll see later on there are cases,
23 Supreme Court cases, that sort of set the
24 parameters for what the Commission's
25 activity is going to be, because you're not

1 just -- in the same ways I told you they
2 each have their own unique characteristics
3 that build into a rate of return, you also
4 look around, right, because in the end, the
5 reality is these utilities are competing for
6 dollars on the market with other utilities
7 sort of like them around the company -- the
8 country, rather. And so there is an outward
9 looking aspect with the setting rate of
10 return, you're trying to create a proper
11 cohort for the utility that you're
12 considering so that you're looking for
13 comparable rates as well, if that makes
14 sense.

15 You had a question? Oh, I'm sorry.

16 COUNCILMAN WILSON: No.

17 CHAIRMAN CRESCIMBENI: You want to let
18 him go through? I was making sure he was
19 covering my points. I fear if we start
20 taking questions, we may not get through.

21 COUNCILMAN ANDERSON: I know, but it's a
22 really good question.

23 CHAIRMAN CRESCIMBENI: Well, let's hear
24 the question, Mr. Anderson, then we'll vote
25 on whether it's a good one or not.

1 COUNCILMAN ANDERSON: Well, then I'm not
2 going to ask it.

3 So it's interesting -- by the way, thank
4 you for being here. And I apologize, you
5 don't have to answer it now, but hopefully
6 at some point you will. This model
7 essentially is kind of a cost plus model
8 basically --

9 MR. BAEZ: Yes, that's correct.

10 COUNCILMAN ANDERSON: -- with the risk
11 being timing. And so does the Commission
12 have any view on timing if you saw -- so for
13 example, if the cost equation got out of
14 whack and -- would you expect a utility to
15 come to you and say, "Hey, my cost equation
16 is out of whack, I have to raise revenues"?
17 That was my question.

18 MR. BAEZ: In a roundabout way, the
19 answer to your question is yes. And we're
20 going to get to that, because there's --
21 when we set a rate of return, we don't throw
22 a dart and then say, that's the point. You
23 have a range. And within that, there is
24 a -- it kind of self-regulates, so that in
25 many cases determines when that window or

1 when your ability to come and ask for a
2 review of your rates so that you can recover
3 costs properly happens. And it can
4 happen -- it works both ways. So if you're
5 over your range, then the Commission gets
6 involved, as the option; and if you're under
7 your range, the company has the opportunity
8 to petition the Commission.

9 Now, I say that with a little bit of a
10 caveat, right. These things don't happen --
11 it's like you say, it's timing. Well, these
12 things are -- happen over time, so
13 picture -- I would hesitate for anyone to
14 picture either the Commission or the utility
15 on both sides of that equation, right, just
16 sitting around waiting for the needle to dip
17 above or below. It has to be persistent.
18 And persistent is a vague term, but it has
19 to be ongoing and predicted to continue,
20 right, before that condition really truly
21 exists, because therein lies your
22 justification too in terms of the
23 administrative process. You have to support
24 every claim that you make, and just like
25 that you have to support your reason for

1 being there, correct. I hope that answers
2 your question.

3 COUNCILMAN ANDERSON: It does, thank
4 you.

5 MR. BAEZ: We were going to get into it
6 later, but now is just as good a time as
7 any.

8 I had mentioned the Supreme Court cases
9 that sort of put the flavor of the work of
10 the Commission, and there are two cases I
11 would call to your attention. One is a very
12 old case, Bluefield, that essentially
13 establishes the right of a utility in a
14 monopoly, correct, to have an opportunity to
15 earn a fair rate of return. And the word
16 opportunity is key here, because there are
17 no guarantees. And since it's just an
18 opportunity, then we lapse back into
19 Councilman Anderson's question.

20 And the second one is Hope. And that's
21 where we take the notion of that
22 outward-looking perspective that I had
23 mentioned before, is that you should be
24 comparing apples to apples in a sense. And
25 so that's what leads to not only the unique

1 rate of return that reflects the unique
2 characteristics of the utility in question,
3 but also doesn't place it at a disadvantage
4 relative to other utilities of its size and
5 scope, for example. There are many points
6 of comparison that I won't bore you with,
7 but that's sort of the notion you get from
8 these cases. And that's what adds a little
9 bit of texture and judgment to the work of
10 the Commission.

11 CHAIRMAN CRESCIMBENI: The Commission
12 was the plaintiff in the Hope case?

13 MR. BAEZ: No. Usually we get sued. So
14 if you give me a moment. No, that's Florida
15 Power Corp.

16 CHAIRMAN CRESCIMBENI: That's Florida
17 Power, I'm sorry. Okay.

18 MR. BAEZ: Alphabet soup, I can never
19 know who they're talking about. And
20 actually, you have a breakdown of the rate
21 case process. To be brief on that, it's an
22 administrative process subject to Florida
23 Statutes Chapter 120. And it is essentially
24 a hearing that involves testimony and
25 witnesses and cross-examination and

1 everything else that you see in a hearing,
2 really. And all the aspects of that revenue
3 requirement, you remember that term, that
4 final large number upon which all rates are
5 based, right, all the issues on that revenue
6 requirement are up for discussion at the
7 outset. Some more than others, as you would
8 imagine. And you can see at the bottom
9 there usually it's about a 12-month process
10 before -- from beginning to end when rates
11 actually are coming into force, new rates
12 perhaps.

13 Much of the work of the commission
14 staff, in particular, is the monitoring
15 function after the rate case. As I had
16 mentioned before, we come up with a range
17 for the rate of return and then monitoring
18 function is what keeps an eye on where in
19 that range of earning a particular utility
20 is for the exact fact, again I reference
21 Councilman Anderson's question, when windows
22 might open, when opportunities or
23 necessities also arise. And then you can
24 see there if the utility is overearning,
25 they can be called in and vice versa.

1 The next of the three concepts are the
2 surcharges for storm restoration. I know
3 you all have a little bit of experience with
4 what causes the need for storm restoration,
5 so I share your pain. But this has become a
6 necessity and it was -- the concept was
7 instituted probably about 15 years ago from
8 now or 13, right, in the '04, '05 season.

9 Once upon a time, it was -- you know,
10 the normal course of operations is that
11 utilities have what they call storm funds.
12 And so the funds that feed that reserve,
13 right, maintain it at a certain level are
14 baked into the rates. So every rate now has
15 a little bit of that revenue going to fund a
16 storm reserve, but the storm reserve can
17 only be a certain size, right, because you
18 don't want it being too big a piece of a
19 bill or of revenue, in this case, and you
20 don't want it to be too small. So that's
21 sort of an art. You're trying to set a
22 number and usually that also may be a
23 litigated number or a number that gets
24 agreed to through the process.

25 But beyond that, we all know the chances

1 are more likely than not that you undershot
2 your numbers. Whenever there is an excess
3 in storm recovery for any given storm, those
4 reserves get depleted, this mechanism is in
5 place to help re-fund that storm -- not
6 refund, but re-fund, and to also pick up
7 whatever excesses in cost were existed.
8 These processes are by companies -- by
9 company petition. They come and they
10 petition the Commission to do whatever
11 activities are necessary, whatever funding
12 activities are necessary in order to
13 replenish the storm reserves and also to
14 recover any excess restoration costs above
15 that number.

16 They're, again, fully litigated. We're
17 in the middle of some now with going back to
18 Irma and Matthew. So these things can take
19 a little bit of time.

20 Within that storm surcharge mechanism,
21 the Commission does have the ability to, as
22 any deliberative body might have, to
23 establish interim conditions in order not to
24 have that regulatory lag, as we call it, the
25 storm was three years ago and you're getting

1 the rate hit now later. We can manage that
2 to some extent. So think of all of that
3 being wrapped up into that process.

4 And lastly, we have consumer assistance.
5 And this one is near and dear to my heart.
6 You got a bunch of really, really good
7 people that do the primary function here,
8 tending to the customers' complaints,
9 customers' concerns and need for
10 information. I can't stress enough the
11 importance of addressing a need for
12 information to the customers, to the
13 consumers of the state that are served by
14 our utilities. So you have a bunch of those
15 functions that are sort of wrapped up in the
16 consumer assistance program.

17 That said, we also have a formal
18 complaint process so that any customer who
19 has some grievance against -- whether about
20 its service or treatment or what have you,
21 whatever the basis may be, with regards to
22 the services being provided by any given
23 provider, they can come to the -- they have
24 the ability under the law to come to the
25 Commission and say, hey, I'm being treated

1 this or one way or another or here is a
2 problem that I have. And you can see a long
3 list of most of the common complaints that
4 the customers have. I'm sure that none of
5 them are necessarily foreign or so unique
6 that all of us have not seen them.

7 I did a lot better than I thought.
8 We're at the end. And I'm happy to answer
9 any questions. I want to thank you for
10 letting me walk you through this.

11 CHAIRMAN CRESCIMBENI: We're going to
12 have some questions. I've got a few that I
13 want to make sure -- if you covered these on
14 the list I sent you, I may have missed it in
15 your presentation. So I want to go back to
16 the three different rates mechanisms, the
17 annual rate recovery, the base rate, the
18 surcharge. Are those all independent
19 proceedings, evaluations? Are they --

20 MR. BAEZ: Yes.

21 CHAIRMAN CRESCIMBENI: So each one of
22 those is taken up as an individual --

23 MR. BAEZ: They are discreet
24 proceedings. Rarely have I seen --

25 CHAIRMAN CRESCIMBENI: Okay. I think I

1 asked you about defining the uniform rate.
2 So in Florida you have -- you listed the
3 different utilities, like five
4 investor-owned electric utilities. So
5 regardless of where the customer may be
6 located in the utility's territory, a
7 customer in Panama City would be paying the
8 same rate -- your ratemaking process, you
9 look at the entity globally within the state
10 of Florida and --

11 MR. BAEZ: Yes.

12 CHAIRMAN CRESCIMBENI: -- so somebody in
13 Panama City is going to be paying the same
14 rate as somebody in Fort Lauderdale?

15 MR. BAEZ: Yes, sir. Well, I take issue
16 with the cities you used because they're in
17 two different territories. I apologize.

18 CHAIRMAN CRESCIMBENI: With regard to
19 the storm surcharge, that's also applied
20 uniformly; correct? So if a hurricane
21 destroys Dade County but everybody else is
22 unaffected, anybody that's part of the
23 utility's system that Dade County is a part
24 of, they share in the replenishment or the
25 reestablishment of those reserve funds.

1 MR. BAEZ: That's correct. I do want to
2 clarify one thing with Mark, because I'm
3 having trouble remembering -- excuse me,
4 remembering whether the storm surcharges are
5 based on -- are they an energy based class
6 or just a flat surcharge -- it's per
7 kilowatt hour.

8 CHAIRMAN CRESCIMBENI: Our utility --

9 MR. BAEZ: So it's a usage base charge.
10 It's a factor.

11 CHAIRMAN CRESCIMBENI: Our utilities
12 provided some information about existing
13 storm recovery fees that were in effect for
14 a couple of different utilities out there.

15 MR. BAEZ: To your larger question,
16 Mr. Chairman, the answer is yes. So I'll
17 give you an example. An FPL customer in
18 Daytona Beach would pay both the same rate,
19 and in our latest example, the storm
20 surcharge, they would have the same factor
21 as anyone who was -- for instance, if
22 Daytona Beach had not been damaged, had not
23 suffered damage. There is no allocation to
24 the damaged for that. And the theory being
25 that it does -- I mean, A, I would refer you

1 back to the undue discrimination. You can't
2 charge similarly situated customers
3 different rates. So that's one limitation.

4 And the second is, over the course of
5 years, eventually there is going to be a
6 situation where Daytona Beach got damaged,
7 unfortunately and God forbid, but you see my
8 point. Eventually it evens out.

9 CHAIRMAN CRESCIMBENI: Right. Going
10 back to the ratemaking process or -- in the
11 three different categories that you have
12 that you take up separately, the annual
13 cost, the base rate and the storm
14 surcharges, give me a little bit more detail
15 on how that process unfolds. Somebody
16 applies for an annual cost recovery, someone
17 applies for that intermittent base rate
18 proceeding that you do every two or three
19 years and the storm surcharges. So when
20 that process begins, are the customers of
21 that utility notified somehow, someway?

22 MR. BAEZ: Yes, they are. And I'll take
23 pieces of it and try and answer your
24 question. So all the petitions that change
25 rates -- and we're talking about rates, and

1 there is a difference, okay. So for the
2 rate case proceeding, the base rate, that's
3 subject to notices and also by law the
4 Commission is required to have, for example,
5 customer hearings in the territories.

6 Again, for example, for Duke, given
7 their territory, that's a pretty large
8 territory, you might have five throughout
9 the territory. And the purpose of that is
10 to let the customers give some public
11 testimony to the Commission. The reason for
12 that isn't just the cosmetic, it's quality
13 of service is always an issue in a base rate
14 proceeding.

15 So the Commission engages in an analysis
16 and consideration of exactly how well any
17 given utility is living up to its side of
18 the bargain, correct. And if they're not --
19 if they're not providing, if it's determined
20 or felt that it's not providing the level of
21 service that customers generally in their
22 territory ought to be entitled to, they have
23 an opportunity to address that with the
24 utility. So quality of service is always
25 issue in a base rate proceeding, and public

1 testimony becomes important to that
2 determination.

3 CHAIRMAN CRESCIMBENI: How does the
4 public know that they can participate?

5 MR. BAEZ: It's public notice.

6 CHAIRMAN CRESCIMBENI: Does it appear on
7 their bill? Do they get mail, something?

8 MR. BAEZ: It appears on their bills
9 through inserts, perhaps. It appears in the
10 newspaper of record, for example. It
11 appears on -- there are any number of ways
12 now given digital platforms to get -- not
13 just get the word out, we have a press
14 office, or a public information office, too,
15 so we bear some of that responsibility as
16 well.

17 CHAIRMAN CRESCIMBENI: So the base rate
18 hearing, I'm assuming that takes place in
19 Tallahassee once you've done all of the --

20 MR. BAEZ: The technical part of the
21 hearing, yes.

22 CHAIRMAN CRESCIMBENI: So I'm guessing
23 the utility probably has counsel there
24 making their case for the rate base.

25 MR. BAEZ: One or two counsel, yeah.

1 CHAIRMAN CRESCIMBENI: I'm sure. And
2 then how is the public represented? I see
3 where there is --

4 MR. BAEZ: Great question.

5 CHAIRMAN CRESCIMBENI: -- an affected
6 party can intervene and you provide public
7 counsel.

8 MR. BAEZ: Yes, sir.

9 CHAIRMAN CRESCIMBENI: But is the public
10 represented prior to any intervention?

11 MR. BAEZ: I'll give you a fuzzy answer,
12 Mr. Chairman, and the answer is yes. The
13 office of public counsel, it is also a
14 legislative agency that has its own budget
15 and its own independence under the guidance
16 of the public counsel, yes. They are the
17 public's representative in any one of these
18 proceedings and they have leave to intervene
19 in any docket that the Commission has, so
20 they -- by right. So they represent the
21 ratepayers of the state of Florida.

22 CHAIRMAN CRESCIMBENI: Okay. So like a
23 public defender that just represents the
24 general public? And they have the ability
25 to --

1 MR. BAEZ: In a sense that they don't
2 need any independent -- they intervene at
3 their own discretion and in representation
4 of their -- of their clients, which are the
5 ratepayers. No ratepayer has to ask them to
6 intervene. They are an integral part of the
7 Commission's overall process. So in that
8 regard, yes, they do have representation and
9 they have representation almost at all
10 times.

11 You said something as part of your
12 question, whether before an intervention or
13 not. How I would answer that is that, yes,
14 they do have representation, because OPC,
15 Office of Public Counsel, is so ubiquitous
16 in our process that, you know, whether they
17 intervened or they didn't, their presence is
18 felt and they are the voice of the public,
19 the public's interest in those proceedings.

20 CHAIRMAN CRESCIMBENI: One of the
21 questions that came up at a previous
22 meeting, I listed it on my information that
23 I sent, was do local jurisdictions, let's
24 say a county in the Duke Energy territory or
25 a county in the FPL territory, do they have

1 any ability to establish minimum service or
2 storm response standards or is that all
3 delegated to the PSC at that point?

4 MR. BAEZ: I think, as a general matter,
5 the answer to that would be no, because I
6 think those -- that type of subject, I have
7 a vested interest in saying no. I think
8 there are those that might disagree and have
9 disagreed or are disagreeing even now.

10 But I would tell you, from our
11 perspective, is that there are categories
12 such as you mentioned, you know, service
13 quality standards and other such categories
14 that fall squarely within our exclusive
15 jurisdiction. And I think the --

16 CHAIRMAN CRESCIMBENI: I have two more
17 points that I think -- I'm not clear that we
18 covered. The first one I want to go back
19 to, the rate of return. So you explained
20 that that can be different for -- let's just
21 focus on electric utility, five
22 investor-owned electric utilities, that can
23 be different for each company based on a
24 number of variables.

25 MR. BAEZ: Right.

1 CHAIRMAN CRESCIMBENI: That is -- so can
2 you give me, like, what the rate of return
3 is for FPL? That's something that you're
4 obligated to make sure that they can earn
5 that return in your ratemaking process?

6 MR. BAEZ: Not make sure. Again, I've
7 used the word opportunity, so -- and I think
8 that the reason that that word opportunity
9 is important is because as a regulator we're
10 not micromanaging the operations of any
11 utility. So with --

12 CHAIRMAN CRESCIMBENI: Do you know what
13 any of the rates are for the existing five
14 electric IOUs?

15 MR. BAEZ: I believe -- and I'll speak
16 in terms of midpoints, okay, and you add
17 higher basis points north or south. But
18 right now it's a 10.5.

19 CHAIRMAN CRESCIMBENI: 10.5 return?

20 MR. BAEZ: 10.5.

21 CHAIRMAN CRESCIMBENI: How much of that
22 is based -- I think you said in one of your
23 slides that was based on their investment,
24 correct, in their infrastructure?

25 MR. BAEZ: Well, it's applied to their

1 investment and infrastructure. And that's
2 sort of -- all of that taken in creates that
3 revenue requirement that I spoke of.

4 CHAIRMAN CRESCIMBENI: Is there some
5 investment infrastructure that would be not
6 included in that?

7 MR. BAEZ: Sure.

8 CHAIRMAN CRESCIMBENI: Can you give me
9 some examples of what might be included and
10 what might not be included.

11 MR. BAEZ: Well, for example, and I'm
12 getting perilously close to a specialty that
13 I'm very dangerous at, so forgive my
14 concern. But, yes, I'll give you an
15 example. Any number of -- let's say
16 transmission lines, for example. Any given
17 percentage might be, what we'll call,
18 jurisdictional, right. And that's a -- it's
19 a mathematical calculation that perhaps is
20 quite complex. I wouldn't know. But you
21 take any example of any asset of a company,
22 part of that asset could be dedicated to
23 wholesale service as opposed to residential,
24 service within the territory. Well, that
25 allocation gets made.

1 So in my example, if 90 percent of that
2 asset is dedicated to service within its
3 territory, then that becomes jurisdictional
4 and only that 90 percent of that asset gets
5 counted and is subject to recover. I don't
6 know if that answers your question.

7 CHAIRMAN CRESCIMBENI: That answers it.
8 I'm assuming, if the company bought a
9 beach-front condo for the CEO, that probably
10 wouldn't be included in your base for
11 computing.

12 MR. BAEZ: Not unless it was justified
13 and found to be a prudent investment. And
14 there is another word for it is prudence.
15 And that's a standard, what a reasonable --
16 would a reasonable man have that
17 expectation.

18 CHAIRMAN CRESCIMBENI: Okay. Finally, I
19 think there was a question about
20 undergrounding. Does the Public Service
21 Commission have any kind of position or --
22 we've had a lot of discussions recently
23 about the cost of post-storm damage and the
24 value of undergrounding. And about 55
25 percent of our community is underground. So

1 does the Public Service Commission, are you
2 looking at this? Is that something that's
3 included? I mean, if a utility is spending
4 dollars to underground laterals and
5 distribution networks, is that something
6 that would qualify for an investment that
7 the rate of return could be applied towards
8 or --

9 MR. BAEZ: Yes. I think it would be
10 proposed, for example, and I think we're in
11 the midst of proposals by various utilities
12 to engage in just that type of activity,
13 whether a final word has -- final
14 determination has been had or not, I don't
15 think we're there yet.

16 But to your larger question, yeah, we do
17 have a policy towards undergrounding. And
18 right now since -- I think all the utilities
19 have in their tariffs what we'll call
20 differentials in cost. And you recognize
21 that there is a difference in cost to
22 overhead facilities as opposed to
23 underground. Underground is more expensive,
24 et cetera.

25 And right now the way that it gets dealt

1 with in the company's tariffs is if anyone
2 is requesting undergrounding, for example, a
3 municipality that wants to do that for the
4 general benefit of its citizens, right, can
5 ask and request for the utility to, we'll
6 say, price it out. And the way the tariffs
7 read right now is that the city, for
8 example, the cost causer, in a way, is the
9 one that bears the burden for the
10 difference.

11 So we have the baseline, which is
12 overhead, because that's what at this point
13 in time was determined to be sufficient to
14 maintain a certain level of quality, a
15 certain level of reliability throughout a
16 territory. And then you have that
17 differential, so that's sort of á la carte
18 treatment of underground.

19 Now fast-forward, I mentioned there are
20 companies, some of the utilities are looking
21 into, for instance, undergrounding laterals
22 and other parts of its system. That has a
23 separate justification, right. That is in
24 the interest of what's being called now
25 resiliency and storm hardening as well. So

1 that creates an independent basis for
2 rolling these costs in and creating a more
3 robust system. And now we're into how you
4 spent the cost across the customer base. So
5 you've got -- right now you've got two -- I
6 won't call them parallel, but two thoughts
7 and two methodologies sort of exist, two
8 independent justifications in a way.

9 CHAIRMAN CRESCIMBENI: Okay. So I think
10 what I'm hearing you say is that maybe the
11 Public Service Commission is wading into the
12 waters, so to speak, of encouraging or
13 adopting some policy with regard to
14 pardoning through undergrounding.

15 MR. BAEZ: Well, again, to be clear, the
16 policy -- there is a static policy now,
17 which is that differential, it's on a
18 case-by-case basis, customer-by-customer
19 basis. And that's something that any
20 customer can access. And I would tell you
21 more to the point, any group of customers.
22 I used the example of a municipality,
23 because it's sort of that's at the level
24 that it takes place and it presents itself.
25 And based on the tariffs, there is a

1 differential. And that differential is the
2 responsibility of the party that's
3 requesting the utility to engage in the
4 underground activity. So that's the policy
5 right now.

6 CHAIRMAN CRESCIMBENI: How does that
7 party pay for that?

8 MR. BAEZ: Excuse me?

9 CHAIRMAN CRESCIMBENI: How does the
10 party -- so X, Y, Z, Florida community of
11 15,000 says to their IOU, we want to
12 underground. The IOU gives them a price on
13 what it's going to cost to facilitate the
14 undergrounding.

15 MR. BAEZ: Right. So far so good.

16 CHAIRMAN CRESCIMBENI: Does the
17 municipality just write a check to the IOU?
18 Does the municipality have an ability to
19 have some sort of additional rate levied on
20 the municipality's electric customers? How
21 does that get recovered?

22 MR. BAEZ: I think you've hit on two
23 good ways of addressing it. And as a
24 recovering lawyer, I would tell you that it
25 depends. And it depends on what the number

1 is and it depends on what kind of funding
2 mechanisms, for example, the municipality
3 would have available to it. They could
4 issue bonds. It depends on how big the
5 number is too.

6 CHAIRMAN CRESCIMBENI: Well, I think
7 that's everything on the list. So
8 Councilman Love, followed by President
9 Brosche, Dennis, Hazouri and Becton.

10 Mr. Love.

11 COUNCILMAN LOVE: Thank you.

12 Is it Mr. Baez (pronouncing)?

13 MR. BAEZ: Yes, sir.

14 COUNCILMAN LOVE: Thank you for coming
15 today. I'll give you the easy question
16 first and then the longer question second,
17 okay. Do you monitor the salaries of the
18 IOUs, the executive salaries?

19 MR. BAEZ: Yes. The answer is yes.

20 COUNCILMAN LOVE: I mean, do you
21 regulate them?

22 MR. BAEZ: Well, regulate -- we don't
23 have a hand in setting salaries, so in that
24 sense, no.

25 COUNCILMAN LOVE: All right. Number

1 two, this is a longer one, what is the
2 difference in the regulation between the
3 IOUs and the municipalities, how do you --
4 municipals? There is a difference you said
5 you had limited.

6 MR. BAEZ: Yes, sir.

7 COUNCILMAN LOVE: What are the
8 differences?

9 MR. BAEZ: Two main differences, and
10 that speaks to that principle of
11 sovereignty, right. So a municipal utility
12 doesn't require the regulation of a -- of
13 the Public Service Commission in terms of
14 accountability. So we'll take it from the
15 customers' point of view. If I'm a
16 municipal electric customer and I have a
17 problem, I take it up with whoever the
18 governing body is. In this case, the City
19 Council. And that's --

20 COUNCILMAN LOVE: So you take any
21 complaints from our utility; is that
22 correct?

23 MR. BAEZ: Not formally and not in
24 process. I'm fairly sure we get calls from
25 all manner of --

1 COUNCILMAN LOVE: I'm sure you do. What
2 is the second difference?

3 MR. BAEZ: The second difference --
4 well, and now we'll go into the parts that
5 we do regulate. You heard me mention before
6 in Florida statutes the law tasks the Public
7 Service Commission with maintaining or
8 seeing that a reliable electric grid is
9 maintained. We know that all -- even JEA's
10 facilities are interconnected with the
11 larger electric grid. And by virtue of
12 that, there is a certain amount of
13 jurisdiction, a certain amount of authority
14 over JEA's additions and subtractions to
15 that grid, if that makes sense. But it
16 doesn't regulate how much a municipal
17 utility can charge. It can only regulate in
18 terms of rates, whether the rates between
19 the classes are disparate.

20 So you heard me use a term called cross
21 subsidization; that being that, you know, by
22 class your -- the costs caused by a
23 commercial class of customer is being
24 subsidized, for example, by the residential
25 class. So as closely as possible, the cost

1 to serve a particular class of customers is
2 covered by the revenues from that particular
3 class of customers. Absent that, you've got
4 a cross- -- and we, in some instances we do
5 have ability to review that, but not the
6 numbers themselves.

7 CHAIRMAN CRESCIMBENI: Thank you,
8 Mr. Love.

9 Council President Brosche.

10 PRESIDENT BROSCHE: Thank you,
11 Mr. Chairman.

12 Through the Chair to Mr. Baez, thank
13 you, as well, for being here. Picking up on
14 the question that Councilman Love was asking
15 as it relates to salaries and you don't
16 regulate salaries. So the IRS comes in and
17 makes people and businessowners make sure
18 that they have reasonable -- from making
19 sure they have salaries. So there is no
20 reasonableness assessment by the Commission?

21 MR. BAEZ: Well, I'll try and be as
22 precise as I can. The salaries themselves,
23 right, are an expense group, if you will,
24 that pours into this larger number that, as
25 I described in some way before, is litigated

1 and negotiated and so forth. But on the
2 principle that a regulator regulates and
3 doesn't manage, therein lies the question
4 of, you know, well, as long as salaries -- I
5 don't know how to explain it. There is such
6 a thing as a red flag, yes. And there have
7 been cases, you know, where condos and
8 helicopters and jet airplanes become, you
9 know, the sexy topic and whether it's good
10 or bad or what have you.

11 Now, the salaries are a tricky part.
12 That's sort of subject to some market. But
13 as a part of the overall then we're
14 blessing -- the Commission ostensibly is
15 blessing a much larger number wherein that
16 class has an expense. So there is not --
17 there is not a value judgment made as to
18 whether executive A, B or C is making too
19 much or too little. That's not a level of,
20 I would argue, authority. Doesn't mean it
21 doesn't become an issue, I will tell you.

22 PRESIDENT BROSCHE: So through the
23 Chair, so you probably get salaries in a
24 bulk number. I mean, is the executive
25 salary broken out separately?

1 MR. BAEZ: It is. And again, I mean,
2 it's not that hard to find out an officer's
3 salary if it's a publicly traded company.
4 The SEC is interested in that too.

5 PRESIDENT BROSCHE: Right. So you
6 mentioned that every utility has different
7 assets, different equity structure, you
8 know, different rates of return based on the
9 risks that they've taken. And so it sounds
10 like it's not really that easy to do an
11 apples-to-apples comparison. Is there peer
12 comparison? Do you evaluate the utilities
13 to make sure that there is some sort of
14 range or reasonableness amongst the
15 industry?

16 MR. BAEZ: There are various universes,
17 right, that are sort of looked at and
18 maybe either are ascending or descending, so
19 you have the utility industry at large, you
20 have the large utilities, you have the
21 smaller utilities. So depending on scope,
22 correct, you mentioned a term, there are
23 equity ratios, so that can swing a rate of
24 return north or south in and of itself. So
25 I think the best answer to your question is

1 we are trying to look at every aspect and
2 every way that we know is a valid comparison
3 to try and say in the end, you know what,
4 utility X, which has this kind of profile,
5 right, compared to its other, say, cohorts
6 nationwide, because there may be, there most
7 likely are of the same size or the same or
8 similar profile, and that sort of acts as a
9 reality check when you have that number that
10 says it's north or south or too much or too
11 little compared to its cohort.

12 Now, that's not a determining factor.
13 It's not a definitive factor, right. It's
14 just something that gets thrown in the mix
15 because, as we started the conversation,
16 every utility really is unique. And you
17 have to try and normalize them against their
18 cohort as much as possible, but sometimes
19 it's not a perfect -- it's never a perfect
20 fit.

21 PRESIDENT BROSCHE: So you mentioned --
22 is it the Office of Public Counsel, is that
23 what it --

24 MR. BAEZ: The Office of Public Counsel,
25 yes.

1 PRESIDENT BROSCHE: And they are
2 representing the ratepayers?

3 MR. BAEZ: Correct.

4 PRESIDENT BROSCHE: And so are they
5 there during the rate analysis and, you
6 know, in touch with this formula and giving
7 all of their input on this revenue
8 requirement formula that looks really
9 complex?

10 MR. BAEZ: I think the -- I'm going to
11 answer it yes, and this is why: The Office
12 of Public Counsel is -- remember I mentioned
13 that, for instance, these rate proceedings,
14 they are litigated proceedings, okay. And
15 so the Office of Public Counsel functions as
16 a party to the proceeding. So if you
17 picture the field, right, you've got the
18 utility on one side and you've got the
19 Office of Public Counsel and other
20 interveners. I mean, there are interveners
21 that represent the industrial class or the
22 commercial class, the Retail Federation is
23 often a party. So you've got the two sides
24 and they are engaging in litigation in
25 earnest. So they're propounding discovery

1 to each other, which the others are sort of
2 duty bound under the process to provide, and
3 there is an exchange of information, at the
4 same time that we're gathering information.

5 So it's sort of a three-headed monster,
6 if you will. And at the end of all that --
7 and all the information is public, right.
8 So whatever the staff, for example, would
9 ask, the response to those inquiries becomes
10 public and is available to the office of
11 public counsel. Office of Public Counsel,
12 for example, may have a different question.
13 That information is available to all
14 involved as well.

15 So if you -- so if you see it, they
16 are -- it's an adversarial process, right.
17 So there is disagreements as to what's a
18 reasonable request and so forth, as you can
19 imagine. But I think the answer is, yes, in
20 that there is enough information for
21 everyone to take. And the rules, the laws
22 do require a certain level of information to
23 be filed at the outset as well, creates that
24 basis upon which all other questions are
25 directed.

1 PRESIDENT BROSCHE: Okay. Through the
2 Chair, my last question, I think, at this
3 point is could you think of an example in
4 one of the rate increase hearings and
5 processes where the Commission denied the
6 rate increase?

7 MR. BAEZ: I can. It didn't go well. I
8 think that word denial is -- has to have
9 some kind of context. There are within any
10 proceeding, for example, a company that
11 requests X amount of dollars and seeks to
12 justify that request. And through analysis
13 and through discovery and through the
14 process, that number -- the number that
15 comes out at the end is most likely totally
16 different than the number that everyone
17 started with. And therein lies that word
18 denial, or adjustments, or, I guess,
19 disqualifications, pick your word, right.

20 And so when I say denial, it's not an
21 all-or-nothing proposition. There are costs
22 that are completely justified. There are
23 costs that are subject to argument, right.
24 There are proposed costs that are denied,
25 that are not accepted, that are disallowed.

1 So the number going in is rarely the number
2 that comes out.

3 PRESIDENT BROSCHE: So has there ever
4 been a case when someone didn't get an
5 increase at all?

6 MR. BAEZ: Not in my memory, but my
7 memory isn't all the memory. So I'm sure
8 there are examples at some point.

9 PRESIDENT BROSCHE: Thank you so much.

10 MR. BAEZ: It's always a possibility.

11 CHAIRMAN CRESCIMBENI: Thank you,
12 President Brosche.

13 Councilman Dennis.

14 COUNCILMAN DENNIS: Through the Chair, I
15 want to say, Council President, thank you,
16 because that was the second question on my
17 page about any companies being denied.

18 But thank you --

19 MR. BAEZ: I'm glad you're going to ask
20 that question, but go ahead.

21 COUNCILMAN DENNIS: You're glad that I
22 didn't?

23 MR. BAEZ: No. That you are, because I
24 thought of a better way to put it more
25 artfully.

1 COUNCILMAN DENNIS: All right. I'll
2 come to it, but not my first question.

3 Well, thank you for being here. Thank
4 you for driving all the way from
5 Tallahassee. I spent five years there in
6 college. I was on the extended college
7 plan.

8 But a few questions here, my first
9 question, the five investor-owned companies
10 that you all oversee, did they all apply for
11 a surcharge after the hurricane?

12 MR. BAEZ: Not all of them.

13 COUNCILMAN DENNIS: Not all of them.

14 MR. BAEZ: And probably some because
15 they didn't get the damage or they had
16 enough in reserve.

17 COUNCILMAN DENNIS: And so here we had
18 two hurricanes: We had Irma that we were
19 really affected by and Matthew. Now, do you
20 remember or can you recall the companies
21 that applied for a surcharge? And also, did
22 the same company apply for both disasters?

23 MR. BAEZ: Well, I know that Power &
24 Light was affected clearly both times.

25 COUNCILMAN DENNIS: What company was

1 that?

2 MR. BAEZ: Florida Power & Light. I
3 know Duke had some recovery for Matthew, but
4 I can't say I know for sure whether they
5 went the surcharge route or they were okay
6 out of reserve only so that a surcharge
7 wasn't necessarily applied for. But do you
8 want to -- I'm going to phone a friend and
9 let Mr. Futrell.

10 COUNCILMAN DENNIS: Introduce yourself.

11 MR. FUTRELL: Mark Futrell with the
12 Commission staff.

13 And, Chairman, if I may respond quickly.
14 There were requests from Duke Energy and
15 Tampa Electric Company and Florida Public
16 Utilities Company for surcharges related to
17 Irma, restoration from Irma. However, in
18 the case of Duke and Tampa Electric, the --
19 it corresponded to time-wise with the
20 federal tax legislation that reformed
21 corporate tax rates in part. And they were
22 able to identify savings from those
23 corporate tax rate reductions to help offset
24 the cost associated with restoration costs
25 with Irma.

1 With Florida Public Utilities, we still
2 have an outstanding request that is being
3 processed. We don't have a timeline on when
4 that's going to come before the Commission.
5 But Florida Public Utilities is a small
6 company that operates up in Fernandina and
7 also has a Marianna out towards the
8 northwest part of the state. So those three
9 other utilities did make requests, and
10 that's kind of where those landed.

11 COUNCILMAN DENNIS: Thank you. My next
12 question deals with PSC evaluating the
13 books. I read on one slide here, I don't
14 have the page right off of that, the books
15 are open to regulators. So I want to know
16 how do you, PSC, evaluate the books from a
17 10,000-foot level.

18 MR. BAEZ: Well, one of our divisions,
19 if you looked at the schematic early on in
20 the deck, we have a pretty robust auditing
21 division, so they would be the ones that
22 would carry out, they're the boots on the
23 ground in terms of auditing the books and
24 records of the company.

25 As you might imagine, these companies

1 are massive. And so we take a more targeted
2 approach to the auditing. But in a context
3 of a rate case, then everything sort of
4 becomes -- everything is on the table,
5 everything that's been put on the table gets
6 a look. I'm not sure if that answers -- if
7 that answers your question.

8 COUNCILMAN DENNIS: Yeah. I was just
9 curious because I know, as we've been going
10 through the whole process of JEA and knowing
11 the value of JEA, and it's so complex, and
12 you know -- and so for you all to evaluate
13 our rate increase, how are you -- you all
14 are able to do it?

15 MR. BAEZ: It's person power expertise.
16 And I think you saw one up here. It pays to
17 have smart people. So the folks down his
18 line, I dare say, are even better at it than
19 he is in their particular niche of
20 experience.

21 So I don't know how better to answer
22 you -- answer your question. We do have
23 resources dedicated to that function and,
24 you know, all the rate cases don't show up
25 at once. I mean there's -- it takes 12

1 months for a reason. And you know, four
2 months of that is audited, if that makes
3 sense.

4 COUNCILMAN DENNIS: Sure. Now, on slide
5 20, there is a statement here that says that
6 the companies -- the companies, they're able
7 to earn a fair rate of return on their
8 capital investments for a test year. So my
9 question is as an investor-owned company,
10 what is a fair rate of return? I mean, if
11 I'm investing in a business, a fair rate of
12 return is 100 percent, you know, in my
13 opinion. So what is a fair rate of return?
14 Because investors want as much money as they
15 can get. And so, of course, their rate of
16 return would be higher than a ratepayer that
17 says, hey, listen, you get three percent or
18 five percent.

19 MR. BAEZ: Understood. And I think
20 that's the magic of the word fair, right.
21 And I think at the outset I said that word
22 is the one that causes the most trouble. It
23 is one over which folks disagree with the
24 most. And that really is the work of the
25 Commission is to end the public interest,

1 determine what is fair. And I think you
2 heard a lot of conversation about everything
3 that goes into the comparison of like
4 utilities and how every one of their --

5 COUNCILMAN DENNIS: But through the
6 Chair, at some point you have to start -- so
7 what is your baseline? I mean, there has to
8 be a baseline of a percent, you know. We're
9 going to start off at -- you know, when we
10 start evaluating, we're going to start you
11 off at five percent. I mean, I just can't
12 see you all just saying, okay, we're going
13 to go in with an open mind. I mean, you
14 have to have some baseline of a fair rate of
15 return.

16 MR. BAEZ: Well, and I --

17 COUNCILMAN DENNIS: And what is that?

18 MR. BAEZ: Well, and I would refer you
19 back to the prior conversation. I think
20 that the rate of return is -- I think it's
21 equal parts art and science -- or math, if
22 you will. Because the rate of return is in
23 large part determined by the specific -- by
24 the specific cost of capital, for example,
25 of a company.

1 COUNCILMAN DENNIS: So if a company goes
2 out and borrows money and they borrow money
3 at 18 percent, all right, and so then PSC
4 will allow them to charge the ratepayers --

5 MR. BAEZ: At least that.

6 COUNCILMAN DENNIS: -- 25 percent so
7 they can pay off the 18 percent and collect
8 another 7 percent, I mean?

9 MR. BAEZ: Well, theoretically that's
10 sort of the relationship that -- what you
11 just described there pretty -- encapsules
12 the relationship between those numbers.

13 COUNCILMAN DENNIS: So that takes me to
14 my next question. So thank you for that.
15 So if I'm an investor-owned company and I go
16 to buy another company such as JEA, all
17 right, and so I'm going to take on debt,
18 \$5 billion of debt to purchase this company.
19 And so as I was flipping through your
20 handout, it basically says that, you know,
21 for debt -- I missed that page. But, you
22 know, the capital costs, you know,
23 long-term, short-term debt, so if a company,
24 a private investor company, investor-owned
25 company, goes out and borrows \$10 million to

1 buy JEA, so, in essence, they can come
2 petition PSC, because we've gone out and
3 we're incurring \$10 billion in debt and we
4 want to recover this debt; so therefore,
5 we're asking for a rate increase or a rate
6 of return to pay off the \$10 billion in debt
7 in acquiring this particular utility. So in
8 essence, what the local ratepayers are
9 paying, we'll see an increase to absorb the
10 debt in which the utility was purchased; am
11 I correct?

12 MR. BAEZ: I --

13 COUNCILMAN DENNIS: Yes?

14 MR. BAEZ: I would love to say yes, but
15 I cannot.

16 COUNCILMAN DENNIS: But I think you have
17 to say yes because everything that you're
18 saying is that an investor-owned company can
19 petition to increase rates to cover debt.

20 MR. BAEZ: Well, there is a lot of
21 assumptions built into your statement.
22 First of all, they have to be underearning.

23 COUNCILMAN DENNIS: I didn't hear what
24 you said.

25 MR. BAEZ: They have to come and say,

1 hey, we're not making enough money to cover
2 our obligations as a business. And that
3 hasn't been proven. So that's a threshold
4 question, whether they even have a right to
5 petition the Commission or not. They have
6 to prove that they have an underearning
7 position; otherwise, they're earning within
8 their range despite the \$5 billion purchase.
9 And again, these are numbers that we're
10 using and they have no relation to reality.

11 COUNCILMAN DENNIS: So through the
12 Chair, but if we don't have a baseline of
13 what a fair market rate, then -

14 MR. BAEZ: It's not a fair market rate.
15 Market doesn't appear anywhere in this.

16 CHAIRMAN CRESCIMBENI: All right. Thank
17 you, Mr. Dennis.

18 COUNCILMAN DENNIS: Thank you. That's
19 all my time. I did have a couple other
20 questions, but I'll come back.

21 CHAIRMAN CRESCIMBENI: Mr. Hazouri, you
22 were on the queue and then you dropped off.

23 COUNCILMAN HAZOURI: Accidentally.

24 CHAIRMAN CRESCIMBENI: Do you want to
25 ask a question?

1 COUNCILMAN HAZOURI: Several.

2 CHAIRMAN CRESCIMBENI: All right.

3 Mr. Hazouri.

4 COUNCILMAN HAZOURI: Thank you,

5 Mr. Chairman.

6 Mr. Baez, thank you for being here.

7 Unlike his 5 years, I spent 14 years over in

8 Tallahassee, 12 as a legislator, so I'm

9 somewhat familiar with the PSC.

10 But I do have just some basic questions

11 and then I have a more serious question.

12 The nominating committee is appointed by

13 whom in the legislature, the speaker or --

14 MR. BAEZ: It's appointed by the speaker

15 and the president.

16 COUNCILMAN HAZOURI: Speaker and

17 president of the senate, both?

18 MR. BAEZ: Yes, sir.

19 COUNCILMAN HAZOURI: And then it comes

20 over to the senate for approval.

21 MR. BAEZ: Right. At the back end.

22 COUNCILMAN HAZOURI: Who appoints the

23 public counsel for the PSC?

24 MR. BAEZ: There is a joint oversight

25 committee made up as -- it's a legislative

1 body --

2 COUNCILMAN HAZOURI: Not the governor?

3 MR. BAEZ: No, sir.

4 COUNCILMAN HAZOURI: Okay. And before I
5 get to the harder question, you really had
6 46 telephone, paid telephone, competition
7 out there? I mean, we have that many? Do
8 we have a lot of paid telephones in Florida?

9 MR. BAEZ: I don't know what the number
10 is, but it gets smaller every year.

11 COUNCILMAN HAZOURI: They exist?

12 MR. BAEZ: I know I get excited when I
13 see one.

14 COUNCILMAN HAZOURI: I just was kind of
15 surprised to see that.

16 Let me ask you, now, Councilman
17 Crescimbeni may have alluded to it -- and I
18 was reading something and I heard an inkling
19 of it -- if there is a surcharge for storm
20 restoration, Florida Power & Light, who is
21 in Miami, for example? Who is the company
22 down --

23 MR. BAEZ: Florida Power & Light.

24 COUNCILMAN HAZOURI: Florida Power &
25 Light in Miami, severe hurricanes --

1 Mr. Love, I'm thinking about insurance
2 now -- so that's a tremendous amount of
3 damage, electrical damage, what have you, in
4 Miami FP&L. Is that cost spread over all of
5 the FPLs in Florida?

6 MR. BAEZ: All the prudent cost, yes,
7 sir.

8 COUNCILMAN HAZOURI: Can it cause a rate
9 increase for every city that's under FP&L or
10 does it?

11 MR. BAEZ: I tried to make the
12 distinction between using the word rates,
13 because rates are --

14 COUNCILMAN HAZOURI: Well, it's going to
15 have an impact on Miami, so --

16 MR. BAEZ: Yes.

17 COUNCILMAN HAZOURI: And I know
18 insurance, if you have a hurricane, the
19 damage, and State Farm -- no pun intended to
20 make up State Farm, that's mine too -- so
21 they spread it out over everybody, all 67
22 counties, is that true then for FP&L if it
23 were in a number of counties?

24 MR. BAEZ: Well, through the surcharge,
25 yes. The surcharge would be applicable to

1 all its customers.

2 COUNCILMAN HAZOURI: How is that
3 reflected in the rates?

4 MR. BAEZ: Again, I would -- rates is a
5 specific term. It's a discreet term. And
6 we're talking about surcharge, so surcharges
7 come on and come off and fluctuate.

8 COUNCILMAN HAZOURI: Well, I get that,
9 but if it has a surcharge, do you then have
10 a surcharge on everybody's electric bill or
11 is it spread out in --

12 MR. BAEZ: Yes, sir.

13 COUNCILMAN HAZOURI: So it's separate on
14 their bill as a surcharge --

15 MR. BAEZ: It's a line item.

16 COUNCILMAN HAZOURI: -- for a particular
17 period of time?

18 MR. BAEZ: For a particular period of
19 time.

20 COUNCILMAN HAZOURI: And you-all have
21 experienced that?

22 MR. BAEZ: We're in the midst of it.

23 COUNCILMAN HAZOURI: Okay. Have you-all
24 had any sales of public utilities to private
25 utilities in Florida? Have you-all dealt

1 with any of those, or have there been any?
2 I'm not sure if there have been. I know
3 Tampa Electric was private, so I don't think
4 that counts.

5 MR. BAEZ: No. The purchase of a
6 municipal utility -- well, we're -- we have
7 a current pending matter.

8 COUNCILMAN HAZOURI: Okay. Maybe this
9 is part of the pending matter. Take JEA,
10 we're not there, we may not ever get there,
11 but say JEA was sold to Duke, Florida Power,
12 whomever. What is your role in that
13 transaction?

14 MR. BAEZ: Well, the Florida Statutes
15 don't give the Commission review authority
16 over the transaction. So --

17 COUNCILMAN HAZOURI: Even if it
18 potentially could affect rates for the new
19 company that's being acquired?

20 MR. BAEZ: No. So the way I would
21 categorize it -- the way I would
22 characterize it is the actual decision to
23 sell or buy, right, to enter into the
24 transaction, that's not reviewable by the
25 Commission, so -- that discreet act;

1 however, after that agreement is struck,
2 there are financial impacts that I think you
3 alluded to that may or may not come before
4 the Commission depending on what, for
5 instance, the acquiring utility decides to
6 do, right. Because eventually, they've got
7 to seek leave from the Commission to include
8 certain incremental costs or certain
9 transactionable costs as a result of the
10 transaction, for example. But until they do
11 that, it's off the books and is not covered
12 by rates. They're not recovered on it.
13 That's one example.

14 As to rates to the customers, right, you
15 would expect, let's assume a differential in
16 rate, all right, but since the acquiring
17 utility, in this case it's a regulated
18 utility, since the acquiring utility is
19 under an obligation through that regulatory
20 compact that I spoke of earlier of charging
21 everyone the same, they would have to make
22 some affirmative -- some affirmative act in
23 order to come back into compliance with
24 that. Because they can't have --
25 theoretically, at least, they can't have two

1 separate rates for the same type of
2 customer. So you would anticipate some kind
3 of action on that front.

4 COUNCILMAN HAZOURI: That would have a
5 domino effect on all the other utilities
6 FP&L has, say if FP&L was the one that
7 purchased, JEA would have a domino effect as
8 far as the rates or what have you, is it
9 spread off just like the surcharge
10 restoration fee?

11 MR. BAEZ: If I'm understanding your
12 question, yes.

13 COUNCILMAN HAZOURI: It sounds like what
14 you just said, but maybe --

15 MR. BAEZ: Yeah. Simply put, if FP&L
16 came and purchased JEA, then FP&L would then
17 ask for permission to extend its rates to
18 the former JEA customers.

19 COUNCILMAN HAZOURI: Yes, to former JEA
20 customers, but what about --

21 MR. BAEZ: It would be across the board.

22 CHAIRMAN CRESCIMBENI: Across the board
23 to all of their clients?

24 MR. BAEZ: Everybody would have the same
25 rate.

1 CHAIRMAN CRESCIMBENI: Mr. Baez, I think
2 you said earlier every single ratepayer
3 under an existing IOU, let's take FPL, pays
4 exactly the same rate; right?

5 MR. BAEZ: In a general sense, yes.

6 CHAIRMAN CRESCIMBENI: And that holds
7 true for the base rate as it does for the
8 storm surcharge?

9 MR. BAEZ: Yes. They would be
10 applicable across the board.

11 CHAIRMAN CRESCIMBENI: Whether they live
12 in one corner of the state or the other
13 corner of the state --

14 MR. BAEZ: No difference.

15 CHAIRMAN CRESCIMBENI: -- the same IOU
16 umbrella, everybody pays --

17 COUNCILMAN HAZOURI: That's the point
18 I'm making, Mr. Chairman. That's one point.

19 The other point is there have to be
20 other costs involved in the purchasing. And
21 you-all have nothing to do with the
22 transaction; you-all just get the end
23 product. And that end product is going to
24 have some kind of a ripple effect on the JEA
25 customers here. And probably a chilling

1 effect, if you don't mind me saying that,
2 because of the cost -- I know you don't
3 know, but you said you-all haven't dealt
4 with that. You said you've got one -- can I
5 ask you which company it is that's being
6 purchased or maybe you said there's a
7 transaction taking place now.

8 MR. BAEZ: Right now there is an
9 agreement between Florida Power & Light and
10 the City of Vero Beach for the purchase of
11 the City of Vero Beach --

12 COUNCILMAN HAZOURI: Vero Beach has a
13 public utility?

14 MR. BAEZ: They do, yes.

15 COUNCILMAN HAZOURI: And who is looking
16 to purchase it?

17 MR. BAEZ: Florida Power & Light.

18 COUNCILMAN HAZOURI: Mr. Chairman, I
19 think somewhere along the line, maybe we
20 ought to take a look at what's taking place
21 while they're doing that just to get an idea
22 of what kind of impact it will have
23 eventually, the end product, not necessarily
24 now, but down the road should this issue
25 come back up that we need to look and see

1 how that affects Vero Beach customers.

2 Thank you, Mr. Baez, I appreciate you
3 being here.

4 MR. BAEZ: My pleasure. I'll make sure
5 that we forward the docket numbers at least
6 so you all can follow it.

7 CHAIRMAN CRESCIMBENI: Thank you,
8 Mr. Hazouri.

9 Mr. Becton.

10 COUNCILMAN BECTON: Thank you.

11 Through the Chair, Mr. Baez, when it
12 comes to expanding services, does the PSC
13 frown upon the idea of current ratepayers
14 paying part of that cost of expansion?

15 MR. BAEZ: Define expanding services.
16 I'm sorry.

17 COUNCILMAN BECTON: People who don't
18 have electricity, adding that the utility
19 going in and installing electric lines or
20 water and sewer or anything to expand their
21 services.

22 MR. BAEZ: I see what you mean now.
23 That's part of the utility's planning
24 function over which the Commission has
25 oversight, let's start with that. Now, when

1 you describe an expansion of service in your
2 example -- and I'll take it a step further,
3 the planning function of a utility is a
4 day-to-day function, all right. It's
5 something that's folded into their business
6 plan, it's part of their operations. So
7 they are -- and I would assume -- I've never
8 worked for a utility, but I would assume
9 there are folks back in a room somewhere
10 saying, I know that there is going to be
11 growth in this area, we need to provide for
12 that growth. I would refer you back to
13 their obligation to serve.

14 So the person who lives 30 miles away
15 from the nearest access to the system, if
16 they pick up the phone and they dial the
17 service provider and say, hey, I need
18 electric service, the service provider is
19 obligated to extend facilities to that
20 customer. I say that subject to certain
21 conditions, for example, right.

22 COUNCILMAN BECTON: Well, let me
23 interject here so you can, with your answer,
24 perhaps, understand where I'm coming from.

25 MR. BAEZ: Please, yes.

1 COUNCILMAN BECTON: Having sat down with
2 a private -- one of the PSC's companies that
3 you regulate and talked about expansion of
4 services, and when it come to looking at the
5 cost of expanding those services, the
6 conclusion of that utility was PSC would not
7 allow us to do this, and it was to the point
8 of the current ratepayers who have that
9 service now not paying for the cost of the
10 infrastructure to go to the new service
11 area. Why would somebody -- why would
12 somebody make that comment in your -- is
13 there anything that we're missing here or
14 perhaps they were just wrong?

15 MR. BAEZ: I want to try and understand
16 the example you just described. You're
17 describing an example where the existing
18 customers are not bearing the cost of the
19 expansion into the new territory, did I get
20 it right?

21 COUNCILMAN BECTON: Well, I'm saying, if
22 I have a company and I'm going out looking
23 for new customers, there is marketing, there
24 is -- you know, there is capital cost when I
25 get those new customers, right, and

1 obviously the revenue I take in from my
2 existing customers is helping fund that
3 through gross profit and those types of
4 things, right, retained earnings. But the
5 conversation was more the PSC would not
6 allow us to do that. Your name was
7 specifically mentioned as regulating that
8 activity for which would frown upon costs
9 being incurred by the current ratepayers to
10 do that expansion.

11 MR. BAEZ: I think -- I'm sorry,
12 Councilman Becton. I think I need to know a
13 little bit more specifically the facts of
14 the expansion. And the reason I answer it
15 that way, excuse me, is this: There are
16 clearly expansions that are subject to their
17 obligation to serve that fall within the
18 operations of the company. Now, we'll lapse
19 back into that, talk about is the financial
20 burden of a company too much that they're
21 placed in a financial disadvantage, i.e.,
22 underearning, right, where they would have
23 the right to say, hey, we don't have
24 enough -- these are our operations, this
25 expansion is part of our operation s, for

1 example, but it places us in an
2 underearnings position.

3 The other example -- barring that, then
4 their normal course of business, which
5 includes extension of service within their
6 territory or -- right, they ought to be able
7 to afford it. And as long as they're
8 affording it, i.e., they're still earning
9 within their range, they're not taking on
10 financial obligations or expenses that place
11 them at a financial disadvantage relative to
12 their earnings. Then, again, without
13 knowing more of the specific situation, that
14 would be the normal course of business for
15 the utility.

16 Now, I don't know the details and what
17 would make a utility representative say that
18 the Commission would never allow that. I
19 have trouble with that, because the case
20 hasn't been made, the petition hasn't been
21 provided and the folks that are voting are
22 not here. I don't have a vote on the
23 Commission, so it's not a question of
24 whether I will allow it or not, right.
25 That's a policy decision, or that's a

1 decision that a commission would make and
2 that the utility in question in your example
3 would have the opportunity to access the
4 process and ask for recovery of those
5 expenses. And they would make their case
6 and then the Commission would render a
7 decision. I think it's too facile a
8 statement to be making to say they would
9 never allow it. Again, I say all of this
10 without knowing any of the facts.

11 COUNCILMAN BECTON: My question, I
12 think, is -- the simple part of my question
13 was, you got a neighborhood that doesn't
14 have whatever service we are talking about,
15 it's zero, but it has access to that
16 service, let's say, right out in front of
17 that neighborhood, so in order to supply
18 that neighborhood that service, it just
19 needs to be teed off and built inside that
20 neighborhood. So does that utility have to
21 bring to the PSC that project in any form or
22 fashion to be approved?

23 MR. BAEZ: Not in the way you've
24 described it, not to my knowledge, no.

25 COUNCILMAN BECTON: Okay. So I mean,

1 that's what I would hope your answer would
2 be, that it really just boils down to, does
3 it work within your retained earnings, are
4 you staying within your profit margin.

5 MR. BAEZ: There's any number of metrics
6 that keep them in their lane. And as long
7 as they're in their lane, again, without
8 more detail -- now, there may be specifics
9 even to your example that you and I both
10 don't know as to what drove that response.
11 So not trying to defend the utility in any
12 way, again, I don't know the specifics about
13 it.

14 COUNCILMAN BECTON: So I mean, that's
15 good. I mean, that's what I would kind of
16 expect under a normal -- can you just -- I
17 was reading through your presentation, if
18 you've answered this, maybe just quickly
19 give me the bullet points again. You
20 mentioned that the PSC has limited oversight
21 of public munies. Can you bullet point
22 exactly what those limited oversights are?

23 MR. BAEZ: For example, if a municipal
24 utility has plans on building a power plant.

25 COUNCILMAN BECTON: Has plans what?

1 MR. BAEZ: Has plans on building its own
2 generation of a certain size, they would be
3 subject to siting statute. And as part of
4 the siting statute -- I think it's 403, I
5 may be misquoting the statute. But that
6 siting statute requires the utility to prove
7 the need for that asset. That hearing and
8 that determination of need, as a technical
9 name of the proceeding, would come before
10 the Commission. And that doesn't matter, as
11 long as the plant is of a certain size where
12 it falls within the statute, it doesn't
13 matter if you're a municipal or you're an
14 investor-owned utility, you have to prove
15 the need for that asset before the
16 Commission.

17 COUNCILMAN BECTON: Okay. Is that the
18 only thing?

19 MR. BAEZ: They also have to file -- if
20 you're a generation-owning utility, you have
21 to file what's called a 10-year site plan.
22 And I think JEA's -- you all may be familiar
23 with the term. And that really is a look
24 into the future to better assess what the
25 overall demands of the state are and how the

1 separate utilities are planning on
2 addressing their own individual demands
3 within that --

4 COUNCILMAN BECTON: So that's the JEA
5 10-year plan we hear about, it's nothing but
6 a forecast of revenue?

7 MR. BAEZ: Yes. It is a forecast. It's
8 not so much revenue based, but it's more
9 demand based. It's a more technical-based
10 analysis. The Commission reviews that in
11 the overall. And while they don't make a
12 legal determination, but they will make a
13 determination of sufficiency for planning
14 purposes.

15 COUNCILMAN BECTON: Okay. Anything
16 else?

17 MR. BAEZ: There are safety inspections,
18 safety of facilities, gas and electric,
19 things of that nature. And also we had
20 mentioned before the issue of discriminatory
21 rates. So there is a concept called rate
22 structure. Rate structure is the
23 relationship between the classes of
24 customers. And the easiest one is
25 residential versus commercial, right. I

1 used it before. So a discriminatory rate
2 would be in two places, you'd either have
3 different residential customers getting
4 different rates unjustifiably. That's a
5 case of discriminatory ratemaking. And then
6 you have the whole cross subsidy issue, so
7 that's rate structure. So if you're -- if
8 your residents are bearing the cost burdens
9 of your businesses, of your commercial
10 customers, for example.

11 COUNCILMAN BECTON: Okay. So not the
12 rate itself, but just the discriminatory
13 practice of, like you said, maybe offering
14 discounts within their rate to certain
15 categories?

16 MR. BAEZ: Right, because those
17 prohibitions are something that apply to all
18 utilities, municipal and private owned.

19 COUNCILMAN BECTON: So you would say
20 those are probably the big four -- I mean,
21 probably 90 percent or majority of what you
22 do?

23 MR. BAEZ: Relative to the municipal
24 utilities, yes.

25 COUNCILMAN BECTON: Okay. Thank you,

1 Mr. Chair.

2 CHAIRMAN CRESCIMBENI: Court Reporter,
3 can you hang in there for another 10, 15
4 minutes and take a recess. Okay. Thank
5 you.

6 Councilwoman Boyer.

7 COUNCILWOMAN BOYER: Thank you.

8 Through the Chair, thank you for being
9 here, Mr. Baez. I'm going to focus mostly
10 on the 10-year site plan and kind of
11 industry rate projections. But I did want
12 to go back to Councilman Becton's line of
13 questioning, because we've all heard this
14 statement. But I found it very interesting
15 when you were talking about the tension
16 between when you've created a monopoly and
17 someone has an assigned territory, the
18 obligation to serve that you look at.

19 And so that if I'm hearing what you're
20 saying in response to Councilman Becton, is
21 that within the bounds of financial prudence
22 and the existing rate structure, if a
23 utility has the capacity to extend service
24 within the area to which they've been given
25 monopoly rights, it is part of their

1 obligation to serve the customers in that
2 area. And that's kind of how you look at it
3 when you're weighing that.

4 MR. BAEZ: Generally that's accurate,
5 yes. Sure.

6 COUNCILWOMAN BOYER: Okay. So the
7 question I want to focus on, we haven't
8 talked about it much here, but we have in
9 our meetings, the 10-year site plan
10 forecast. And the 10-year site plan filed
11 by JEA has a growth trajectory that, in
12 fact, is accelerating. And I'm curious in
13 the Public Service Commission's review of
14 these if that is out of the ordinary for the
15 utility 10-year site plans that you're
16 seeing filed or whether they're all kind of
17 similarly protecting a growth rate. What
18 are you seeing as consumption or demand
19 future based on those statewide, not just
20 JEA's? I'm not looking at megawatts; I'm
21 looking at trend lines.

22 MR. BAEZ: Understood, trend lines. I
23 can't speak with specificity as to what
24 we're seeing, I don't know if Mark -- one to
25 one and a half as an overall, seems to be

1 about one percent growth. Now, clearly
2 there are utilities that may be a little
3 higher than that because they're projecting
4 growth and others that aren't. But one to
5 one and a half seems to be, one to one and a
6 half.

7 COUNCILWOMAN BOYER: One to one and a
8 half percent a year seems to be the more
9 tradition -- accepted right now, not
10 necessarily historical, but accepted right
11 now.

12 MR. BAEZ: It's the current accepted.

13 COUNCILWOMAN BOYER: So in your -- what
14 I've heard from the JEA presentations on
15 this is that the purpose of the site plan
16 from your perspective is to ensure that
17 there is sufficient power within the grid
18 collectively to be able to serve the
19 residents of the state.

20 MR. BAEZ: That's correct.

21 COUNCILWOMAN BOYER: And that being the
22 case, they're saying that this is a
23 conservative projection in the sense that it
24 overly estimates the demands so to make sure
25 that there is plenty of power available as

1 opposed to striving for an accurate
2 projection. Do you think the -- what are
3 the criteria designed to produce? What are
4 you hoping to get?

5 MR. BAEZ: I think I understand your
6 question. And I think we need to have a
7 common understanding of what that 10-year
8 site plan represents. And it is, in fact, a
9 planning document. It does not commit --
10 you know, it doesn't commit resources
11 officially and neither does it confer
12 approval of any, you know, bricks and
13 mortar, right. Because all of that, even as
14 they -- even as any utility, JEA included,
15 can travel along with its planning document
16 and continue assuming whatever assumptions
17 went into that planning document, the day
18 comes when they say, all right, now the
19 demand, the growth is here, whatever it is,
20 we were up, we were down, we were on, we
21 were off, but we need to build an asset.

22 Now we're into a more formal territory,
23 where in response, I believe, to Councilman
24 Becton's, one of his questions, they have to
25 prove the need under the siting statute.

1 And now is when the real business starts,
2 you know, so the numbers gotta be there.

3 COUNCILWOMAN BOYER: And I understand
4 that about constructing new generation.
5 What I'm really trying to get is when you
6 create questions and criteria and a
7 calculation methods for development of the
8 site plan, are you trying to get at what you
9 believe is a realistic estimate or are you
10 trying to get at something that you think
11 will provide an extra 20 percent or 40
12 percent more power than we really need in
13 the state?

14 MR. BAEZ: From the utility's
15 standpoint, you're asking?

16 COUNCILWOMAN BOYER: Yes.

17 MR. BAEZ: I think that they are having
18 to use -- at the endgame, they're having to
19 use assumptions that, I think, are as close
20 to justifiable and reasonable as possible.
21 There is no profit to be gained by
22 overestimating growth just so that a
23 planning document can show more generation
24 than necessary knowing full well that, at
25 the end of the game, there is going to be an

1 accounting. Those assumptions are going to
2 get put to the test officially by people who
3 have adverse interests. So the planning
4 document is either going to be valued for
5 its realistic approach and its accuracy or
6 it's just so much paper. And I can't speak
7 to which one it is or if it's any one of
8 those, to be frank. But hopefully, and I
9 believe, you know, JEA is, as well as the
10 rest of -- as well as the rest of the
11 utilities that are putting into this overall
12 planning document, do take it seriously. I
13 mean, because people like you and others
14 will ask the questions about it. And
15 they'll put those assumptions to the test in
16 some way.

17 COUNCILWOMAN BOYER: So the reason I'm
18 following up with this line of questioning
19 in particular is we've been given two very
20 different trajectories: One that is the
21 10-year site plan that's filed with you that
22 shows the demand for service, the need for
23 additional capacity, going upward; and
24 another one that when you're projecting
25 potential revenue of the utility, the

1 challenges the utility faces shows the
2 demand for service and the need for
3 additional kilowatts going down. So there
4 is this wide gap between the two. So the
5 explanation has been that the criteria used
6 by the PSC require a calculation that is
7 much higher than realistic.

8 MR. BAEZ: Councilwoman, I wouldn't
9 characterize it as much higher than real.
10 And if I'm hearing your comment, I think
11 you're referring to -- all utilities plan, I
12 think it's, 20 percent above, because
13 that's -- I always get them confused, it's a
14 reserve margin, right, yes, a reserve
15 margin. So there is a 20-percent cushion
16 built into any moment, and that number
17 fluctuates over years because of lag and
18 stuff. Is that what you're referring to or
19 it is something --

20 COUNCILWOMAN BOYER: No, sir, but thank
21 you for your response.

22 MR. BAEZ: Then to that I'd say I can't
23 speak to the discrepancy in the numbers.

24 CHAIRMAN CRESCIMBENI: All right. Thank
25 you, Ms. Boyer.

1 Councilman Anderson, only if it's a good
2 question, though.

3 COUNCILMAN ANDERSON: Well, all my
4 questions are good questions.

5 COUNCILMAN LOVE: Let's vote on that.

6 CHAIRMAN CRESCIMBENI: The other one was
7 pretty good.

8 COUNCILMAN ANDERSON: Well, I'll try to
9 be quick because I know we're trying to take
10 a break.

11 So you talked about creating a rate of
12 return. And I'm wondering do you consider
13 prospective calculations, so projections
14 rather than actual results, is that included
15 in that decision process?

16 MR. BAEZ: Councilman, I'm not sure I
17 understand your question.

18 COUNCILMAN ANDERSON: So in coming up
19 with a rate of return, if an organization
20 comes to you and says, listen, we're going
21 to do, A, B and C, here is our pro formas,
22 here is our projections, do you just test
23 that to make sure they're still within the
24 band of health, whatever you call that, the
25 band or is it a --

1 MR. BAEZ: I understand. The range. I
2 think you're describing a moment in time
3 beyond the moment where -- I don't think
4 they have that kind of relation. The two
5 things don't have the relationship with each
6 other. I'll take part of it first. Yes, a
7 company will file what they call projected
8 (inaudible), so it includes their pro forma,
9 we know we're going to build this in and we
10 know this is coming, et cetera, et cetera,
11 so that our rate base is going to look --
12 all assumptions necessary, right, the rate
13 base is going to look like X. Then we get
14 into the discussion.

15 The discussion of the rate of return is
16 a different one, it's a different and
17 discreet one based on all these other things
18 that we've been discussing, because that
19 rate base number is scrubbed, right, and
20 it's vetted and the number becomes what it
21 becomes addressing those projects. But they
22 don't necessarily bear into the conversation
23 of what the appropriate rate of return that
24 analysis ought to be. That's a conversation
25 that takes place at a -- at a separate

1 point, right. We're in a separate --

2 COUNCILMAN ANDERSON: So for example,
3 when the analysis is being done, you're
4 not -- the analysis doesn't say, based on
5 this trajectory, you're going to need to
6 increase or decrease rates if you continue
7 to invest?

8 MR. BAEZ: That's a different question.
9 Because that -- that speaks to are you able
10 to absorb -- are you able to absorb all of
11 these pro forma projects within the revenues
12 that are already authorized for it with the
13 status quo. That's a different question.
14 And I would submit to you that, since we're
15 talking about the context of a rate
16 increase, that question has already been
17 answered. The utility has already said
18 there is no way that we can absorb all this
19 capital investment at our current rates.
20 And that's why they're making their filings
21 and asking their --

22 COUNCILMAN ANDERSON: So to Mr. Dennis'
23 point, that's exactly right. I think that
24 was helpful. So you talked about regulating
25 if JEA, for example, wanted to build a new

1 plant. Does that also go to solar as well
2 if they wanted to produce a solar-generating
3 plant, and electrical generating --

4 MR. BAEZ: Above a certain -- 75
5 megawatts, above 75 megawatts it puts you
6 into the siting statute.

7 COUNCILMAN ANDERSON: But not
8 jurisdiction, of course, over residential,
9 so if somebody wants to put a solar on --

10 MR. BAEZ: It's a different subject,
11 yes.

12 COUNCILMAN ANDERSON: Part of our power
13 comes from Georgia. We've had a lot of
14 discussion about that lately. And when
15 you're looking at the system itself, and
16 making sure that we have the appropriate
17 capacity, do you include those sources or
18 does it have to be just generated within the
19 state of Florida?

20 MR. BAEZ: I think all imports are
21 included, the import capacity, imported
22 capacity, if you will. So they're treated,
23 in essence, as a power plant, if you will,
24 producing energy for the benefit of
25 the ratepayer.

1 COUNCILMAN ANDERSON: So if the -- from
2 your standpoint, if an authority entered
3 into an agreement to purchase power from
4 some other location, you believe that, from
5 a fiduciary standpoint, you know, that
6 you're looking to make sure the grid is
7 stable, that that purchase agreement is
8 inclusive, it's included in that
9 calculation?

10 MR. BAEZ: It is, yes.

11 COUNCILMAN ANDERSON: It is.

12 MR. BAEZ: And that's as a raw number.
13 It's a raw number and we're not looking
14 behind -- we're not looking behind to the
15 numbers of the agreement and so forth
16 necessarily, not at that stage. And again,
17 depending on who the entities are, right,
18 they would have to be regulated, at least
19 one of them has to be. But as a raw number
20 to count towards how much capacity is
21 available to meet the demand at a certain
22 point in time for the whole of the state, it
23 does get countered.

24 COUNCILMAN ANDERSON: And technically
25 that works? I mean, you can get power from

1 Georgia to Orlando if you need to get it
2 there?

3 MR. BAEZ: I'm told that it works, sir,
4 yes. I'm not an engineer.

5 COUNCILMAN ANDERSON: I know, but I see
6 one out there.

7 I think that's it -- oh, one more quick
8 question, John -- decommissioning expenses,
9 can they be used to argue for a rate
10 increase?

11 MR. BAEZ: Subject to Mark tackling me,
12 yes. The answer is yes. It's an expense
13 much the same as any other prudent expense.

14 COUNCILMAN ANDERSON: Thank you,
15 Mr. Chairman.

16 CHAIRMAN CRESCIMBENI: Thank you,
17 Mr. Anderson.

18 Mr. Baez or Mr. Futrell, I'm assuming
19 you have other folks with you here.

20 MR. BAEZ: We have our general counsel,
21 Keith Hetrick, who so far hasn't had to
22 correct me on any matters legally that I may
23 have said; and Adam Potts, our legislative
24 liaison, is here also.

25 CHAIRMAN CRESCIMBENI: So four of you

1 here?

2 MR. BAEZ: Just us four. And I'm the
3 only one that's being allowed to speak
4 today, generally.

5 CHAIRMAN CRESCIMBENI: I just wanted to
6 make sure everybody got introduced. I have
7 one final question, so if you will, be
8 quick. And then we will take a recess for
9 the court reporter.

10 PRESIDENT BROSCHE: Thank you,
11 Mr. Chairman.

12 Through the Chair to Mr. Baez, if -- and
13 we've talked about it before, that
14 ratepayers within a particular utility's
15 footprint all pay the same rate, how might a
16 legislative body impose a rate freeze?

17 MR. BAEZ: And by legislative body, you
18 mean a legislative body that oversees the
19 operation of a utility?

20 CHAIRMAN CRESCIMBENI: I think what she
21 means is we had a report done by a company
22 called PFM. I can't remember exactly what
23 that stands for, something management. And
24 they were talking to us about things we
25 might want to look at if we were to sell our

1 utility. And one of the variables in there
2 was that we could ask the potential buyer to
3 cap rates or restrict rates to a specific
4 inflation over some prescribed time period.
5 Now, they also suggested that might have an
6 adverse impact on the value of the utility,
7 but I think what Ms. Brosche is asking is
8 how would that work since everybody is
9 paying a uniform rate.

10 MR. BAEZ: My initial answer is I don't
11 know that it would, but let's --

12 CHAIRMAN CRESCIMBENI: Finally, you get
13 the last question of the day.

14 MR. HETRICK: You have to be able to
15 allow compensatory rates; otherwise, it
16 would be considered a take, and I don't
17 believe you could ever -- a legislative body
18 could impose a freeze under any
19 circumstance.

20 MR. BAEZ: I would add that places a
21 utility in a noncompensatory position.

22 CHAIRMAN CRESCIMBENI: Interesting. I
23 had something else written down for the
24 topic of the day or the point of the day,
25 but that may have surpassed it. What I had

1 written down was -- and I hope whoever came
2 up with this has a parking space somewhere
3 close to the front door of (inaudible), I've
4 never been there, but up until that point,
5 sympathetic gradualism was something that I
6 found to be truly fascinating.

7 COUNCILMAN HAZOURI: Me too.

8 CHAIRMAN CRESCIMBENI: I'm not sure if
9 the marketing department came up with that
10 or who came up with that, but that is
11 outstanding.

12 MR. BAEZ: I'll be glad to pass on the
13 name to you in private, sir.

14 COUNCILMAN HAZOURI: I like that term,
15 though.

16 CHAIRMAN CRESCIMBENI: Mr. Baez, we
17 certainly appreciate you all coming over.
18 Are you staying over tonight?

19 MR. BAEZ: Unfortunately, no. There is
20 a --

21 CHAIRMAN CRESCIMBENI: I thought you
22 were staying for the jazz festival.

23 I've anticipated this presentation. I
24 found it to be very, very informative.
25 Thank you so much for making the trip. I

1 think everybody has gotten a lot out of it.
2 We may have some follow-up questions that we
3 may send you just in writing if you all
4 would be kind enough to answer those.

5 I want to again reiterate that my
6 assistant has been working with Mr. Futrell
7 and he's been extremely cooperative over the
8 past several weeks. He probably should get
9 a couple days off for facilitating.

10 MR. BAEZ: I keep telling him that.

11 CHAIRMAN CRESCIMBENI: But everything
12 has been topnotch. And I really appreciate
13 you all making the journey and informing us,
14 because this is something that we're just
15 not too familiar with. Duval County doesn't
16 have any private utilities that are left
17 that are regulated by the PSC, so this is
18 all kind of foreign to us, so I appreciate
19 it very much.

20 MR. BAEZ: Thank you, Mr. Chairman, we
21 do appreciate the opportunity. We're at
22 your service for any questions after that
23 you may have in the days to come.

24 CHAIRMAN CRESCIMBENI: We may have a few
25 questions.

1 We are going to take a quick, 7-minute
2 recess for the court reporter. Is that
3 adequate or do you need 10? Seven it is and
4 we'll reconvene at 5 minutes after 4:00. So
5 we stand at recess.

6 (Brief recess.)

7 CHAIRMAN CRESCIMBENI: If I can have
8 everyone return to their seats, please, we
9 will reconvene the Special Committee on the
10 Future of JEA. Thanks to PSC folks that
11 made the trip from Tallahassee. We
12 appreciate the presentation.

13 The next item on our agenda for today --
14 Mr. Becton, would you like to go on record?

15 COUNCILMAN BECTON: Through the Chair, I
16 just had a conversation with Mr. Baez to
17 clarify the avenue of questions that I was
18 going down. There is a big distinction that
19 needs to be made, if you would let me bring
20 him back up and ask him, because I really do
21 think it's important for our analysis of the
22 future of JEA.

23 Thank you for coming back up. Certainly
24 we just chatted about this, because I wanted
25 to clarify because I didn't really want to

1 get into the specific utility that I was
2 referring to. And I'll just clump them
3 together --

4 MR. BAEZ: We don't have to name names.

5 COUNCILMAN BECTON: Right. We don't
6 have to name names. But you did make a big
7 distinction as to when I mentioned gas,
8 natural gas, in terms of my question. And
9 I'll go back and, really, re-ask it, you
10 know, when -- if you were to expand natural
11 gas in the county, from PSC's perspective,
12 how would you -- I guess would -- how is
13 that managed in --

14 MR. BAEZ: I think your question makes a
15 little more sense to me now that you
16 clarified. And I think that the distinction
17 is this: The concept of an obligation to
18 serve, I don't believe that question has
19 been answered, honestly, one way or another
20 for a gas.

21 But the -- and so the way gas utilities
22 and I think in a similar sense water
23 utilities apportion their cost or allocate
24 their cost is different than an electric
25 utility. So you have things like connection

1 charges, contributions and terms and
2 concepts like that that address the lack of
3 an obligation to serve. So that allows them
4 to say, you want me to go there, well, this
5 is what it's going to cost for you to go
6 there and you owe me that. They don't
7 spread those specific costs -- under most
8 circumstances they don't spread those
9 specific costs to the general ratepayers.
10 There is a difference.

11 COUNCILMAN BECTON: So you're kind of
12 implying it's much more difficult in the
13 current environment based on that
14 description to expand natural gas into
15 unserved areas.

16 MR. BAEZ: I think that's a fair
17 statement, yes.

18 COUNCILMAN BECTON: Okay. So would that
19 same obstacle exist if that was under a
20 private municipal?

21 MR. BAEZ: Councilman, I'm loathe to --
22 I don't know.

23 COUNCILMAN BECTON: Well, I go back to
24 you said -- I go back to the PSC's, the
25 bullet points you said limited oversight.

1 So I didn't hear any restrictions as to
2 expansion of services whether it was natural
3 gas, electric, water or sewer, but correct
4 me if I'm -- but since we are saying natural
5 gas needs to have a different --

6 MR. BAEZ: Well, let's take that and
7 walk your example out a little farther. I
8 think -- I'm pretty safe in saying that as
9 we don't have jurisdiction over the rates,
10 we neither would we have jurisdiction over
11 how you -- how you implement your connection
12 of policy, for example, whether you say, you
13 know what, we'll connect anywhere any time
14 because we're a municipal, right, and that's
15 our policy. And you have the ability to do
16 it again subject to some limitations we
17 won't get into, but generally speaking, you
18 have the ability and the accountability that
19 flows along with it of doing it in the way
20 that you see fit, all right, in the same way
21 you set the number that you charge.

22 So you too can say we're going to assign
23 the connection -- the cost of connection for
24 any customer to that particular customer and
25 let that be your policy or you can do it,

1 we're not going to charge anything, we're
2 going to spread it out and absorb it across
3 the general -- that's not a question that we
4 answer.

5 COUNCILMAN BECTON: Okay. So just going
6 back to my -- just clarifying my previous
7 question. So if an expansion of service
8 with a private utility of natural gas, would
9 they have to bring that project to the PSC
10 to get approved in terms of that cost being
11 within their -- their cost structure.

12 MR. BAEZ: Well, in that context I would
13 answer that that decision is limited only to
14 those conditions that I have expressed to
15 Councilman Anderson. If it's something they
16 can absorb within their current revenue,
17 then that's a decision that they make. But
18 I don't believe that -- and I also believe
19 that that can get accommodated in a future
20 phase if they're, in fact, underearning, I
21 guess, those are things they have to prove
22 up.

23 And the Commission will consider, well,
24 okay, this expansion, which puts you in an
25 underearnings position, which is the reason,

1 the legal justification for coming in and
2 asking for a rate increase, that's what
3 we're doing, because it's proven for you to
4 expand. Does that make --

5 COUNCILMAN BECTON: Well, I'll just end
6 by asking you this one last question, and if
7 I had to clarify for the Committee here,
8 what is the difference between what you were
9 trying to explain to me, the natural gas
10 example and the electric example?

11 MR. BAEZ: The difference is that, to my
12 knowledge, the question of gas utility
13 having an obligation to serve, as I
14 explained electric utilities, certainly
15 investor-owned electric utilities do in
16 Florida, that specific question hasn't been
17 answered, to my knowledge. And so you can
18 neither claim an obligation to serve or deny
19 that you have obligation to serve. It's
20 sort of a gray area at this time because the
21 question hasn't been asked.

22 COUNCILMAN BECTON: Okay. Thank you
23 very much. You did an excellent job
24 clarifying.

25 CHAIRMAN CRESCIMBENI: Moving on to --

1 thank you again.

2 Moving on to item four, we have a
3 presentation by the Public Utility Research
4 Center.

5 Sherry Magill is here. Sherry, I'm not
6 sure if you're doing the presentation.

7 We also have Professor Ted Kury from
8 University of Florida.

9 DR. MAGILL: Thank you very much,
10 Mr. Chairman. And thank you for the
11 invitation. I will be very brief. I'm
12 going to explain quickly what the Jessie
13 Ball duPont fund is doing and what our
14 expectation is. And then Dr. Ted Kury, who
15 is with the Public Utility Research Center
16 from the University of Florida will speak
17 briefly about the scope of the study, what
18 they hope to learn and when they expect to
19 finish this.

20 So you all may remember that I had
21 approached Mr. Crescimbeni about the Jessie
22 Ball duPont fund's offer to be helpful to
23 the task force if we could be. We spoke
24 about that in public meeting with President
25 Brosche and Mr. Crescimbeni. And where we

1 came out is we decided to commission our own
2 independent study for our own purposes and
3 for public purposes to help inform your
4 discretion and the people's discretion.

5 The scope of questions, quite honestly,
6 came from those conversations and then we
7 added some of our own questions based on
8 conversations we had with others.

9 So with that, thank you. I'm going to
10 turn it over to Dr. Kury.

11 DR. KURY: Thank you.

12 And again, thank you for the invitation
13 today. So why is a research center
14 interested in a question like this? It's
15 really a fascinating question. I realize
16 that your focus is primarily on the utility
17 business in Jacksonville, but the reality is
18 that most people in the world are served by,
19 essentially, state-owned utilities. We call
20 them unies here in the United States, but
21 most places in the world they're known as
22 state-owned enterprises. And idea of the
23 value of a state-owned enterprise where you
24 have significant overlap between the people
25 who own the system and the people who are

1 customers of the system, make it not quite
2 unique in the world of industrial
3 organization, but pretty special.

4 The analogy that I like to think about
5 is imagine that you own a restaurant down on
6 San Jose, okay. And it's your restaurant,
7 so you eat there every breakfast, every
8 lunch, every dinner, your family eats there,
9 your friends eat there. But one day you
10 decide, I'm sick of being in the restaurant
11 business and you decide to sell your
12 restaurant. And you go out, you put a
13 couple of ads in the trade paper, you bring
14 some people in, somebody makes an offer and
15 you look at them and you say, yeah, that
16 offer makes a lot of sense to me, you sell
17 them your restaurant.

18 The day that transaction closes, if that
19 new owner doesn't maintain the property and
20 it starts to fall apart, you don't care. If
21 that new owner doesn't put the same care
22 into the quality of food or the quality of
23 service, you don't care. If that new owner
24 takes all the prices and increases them by
25 20 percent, you don't care. And why don't

1 you care? Because you don't have to eat
2 there anymore. But what if you did? What
3 if you still had to eat every breakfast,
4 every lunch, every dinner, you, your family,
5 your friends, every meal for the rest of
6 your life? Now you care. You care about
7 all those other things -- was the price
8 important? Sure, it was. But all those
9 other things were important too.

10 So you have the scope, you have the
11 individual questions that are being
12 addressed. And I'm certainly happy to
13 answer any questions on that. But the basic
14 idea behind this is looking at this concept
15 of in a utility where there is significant
16 overlap between the people who own it and
17 the people who it serves, what does value
18 really mean.

19 And so every one of the different topics
20 within that scope -- and as I said any
21 questions you have, I'm more than happy to
22 address specifics. I'm going to go topic by
23 topic. But every one of them, it's that
24 idea behind it, what does value mean in this
25 particular context. And when the University

1 was first contacted by the duPont
2 foundation, I was curious. I thought this
3 is an important question for a lot of people
4 in this world. And I started doing some
5 literature searches, rudimentary ones at
6 first and I haven't found anybody that's
7 really addressed the question in quite this
8 way. And so we're really looking forward to
9 the opportunity. We anticipate a completion
10 date of early November for the study. And
11 as I said, from our standpoint, it's a
12 fascinating topic. And our hope is that it
13 is an interesting one for you folks, for
14 JEA, for the City of Jacksonville going
15 forward.

16 At this point, any questions you have,
17 I'm more than happy to address.

18 CHAIRMAN CRESCIMBENI: How will the
19 study unfold in terms of is that something
20 that you're personally involved with or do
21 you use any grad student research? Who
22 actually is doing all the homework, so to
23 speak?

24 DR. KURY: The project team is --

25 CHAIRMAN CRESCIMBENI: The mechanics of

1 the actual assembly of the study.

2 DR. KURY: The core project team is
3 comprised of four folks: Myself, I'm the
4 Director of Energy Studies at the Public
5 Utility Research Center, so I will be the
6 analytical lead on the study. Also on the
7 team is the Director of the Center, Dr. Mark
8 Jamison. And then we brought in two folks
9 from outside the Center, David Richardson
10 and Cindy Miller. And then we're also going
11 to have a law student that will be helping
12 with some of the legal research on that end.

13 So the basic responsibilities, I'm the
14 analytical lead. Mark is providing overall
15 direction. Cindy was at the Public Service
16 Commission for a number of years. And she's
17 doing a lot of the legislative regulatory
18 research and analysis. And then David
19 Richardson was -- he's formerly of GRU, he
20 retired as the CFO there, but he was heavily
21 involved in their water/wastewater
22 divisions.

23 So my expertise is primarily in energy.
24 I have some experience in water, but
25 primarily my expertise is in electricity and

1 natural gas. David is in water. Cindy is
2 doing legislative and regulatory. And then,
3 as I said, Mark Jamison is the Director of
4 the Center, so he's got oversight
5 responsibility.

6 CHAIRMAN CRESCIMBENI: Has your center
7 done anything close to what this project
8 looks like?

9 DR. KURY: Nobody has done anything
10 close to what this project looks like,
11 that's the interesting part about it. If
12 somebody had already done a study to look at
13 the value of a municipal utility, what value
14 means, quite frankly, I would give you that
15 study and we'd be done. So that's part of
16 what makes this exciting is that, you know,
17 we do a lot of work at PURC with
18 investor-owned utilities and municipal
19 utilities, regulators and operators, we run
20 a number of programs at the Center. Now we
21 work primarily with folks outside the United
22 States. We primarily work with folks in
23 Latin America, the Caribbean, Sub-Sahara,
24 South Asia, Pacific islands in the Pacific
25 Rim.

1 This general question of how does
2 utility performance, utility value, how does
3 that change with ownership structure or with
4 different types of organization structures
5 within it, you know, that's -- I mean,
6 that's the subject of most of our programs.

7 CHAIRMAN CRESCIMBENI: Are you familiar
8 with the PFM report that was done by our
9 utility? You have a copy of that?

10 DR. KURY: I am, yes.

11 CHAIRMAN CRESCIMBENI: I think you were
12 here when the Council President asked her
13 question at the end of the previous
14 presentation about an ability to cap rates
15 as they -- a piece of or condition of the
16 sale. Do you confer with the PSC's response
17 to that?

18 DR. KURY: Absolutely. I mean, I'm not
19 a lawyer; I'm an economist. But the statute
20 is clear that utilities have the right to
21 come in for rate increase. They have that
22 right. And, yeah, on legal matters, I'll
23 always defer to the folks over there.

24 CHAIRMAN CRESCIMBENI: Speaking of
25 Council President Brosche, she's on the

1 queue for a question.

2 So, Ms. Brosche.

3 PRESIDENT BROSCHE: Thank you,
4 Mr. Chairman.

5 Through the Chair to Dr. Kury, and
6 possibly Dr. Magill, first I want to say
7 through you, Dr. Magill, thank you very much
8 for your investment in this work and the
9 conversations to get to this point. And do
10 I understand correctly that you had a
11 meeting with JEA or that you had the
12 opportunity or someone had the opportunity
13 to meet with JEA?

14 DR. MAGILL: We met over lunch, Mary Lou
15 Page (ph), Dr. Kury, Cindy Miller and I met
16 with Melissa Dykes and Aaron Zahn over lunch
17 today. They came to my offices. We had a
18 nice give-and-take, we gave them a copy of
19 the scope. They were very complimentary of
20 our doing this and are willing -- more than
21 willing to work closely with Dr. Kury and
22 make sure that he has everything available
23 to him that he might wish. And they said
24 they thought the study questions align well
25 with some of the questions that they have

1 internally. So it was very positive, good
2 conversation.

3 PRESIDENT BROSCHE: Great. And so
4 you'll, Dr. Kury, end up having a request
5 for information or needs for things from JEA
6 or are you doing that independently?

7 DR. KURY: When I wrote up the scope, I
8 actually hadn't contemplating -- I never
9 like to count on cooperation from anybody to
10 the extent -- you know, the scope outline
11 that we would be relying entirely on
12 publicly available information. But we do
13 anticipate filing -- or I don't want to be
14 intrusive. So we're -- at this point we're
15 anticipating filing a single data request to
16 JEA.

17 PRESIDENT BROSCHE: And they have
18 expressed their willingness to respond to
19 whatever question you have?

20 DR. KURY: Well, they've expressed a
21 willingness to cooperate the best they can.
22 I think you can't say anything. But I mean,
23 yes, they expressed a willingness to
24 cooperate, but certainly there are -- there
25 are always boundaries.

1 PRESIDENT BROSCHE: Great. Thank you so
2 much.

3 CHAIRMAN CRESCIMBENI: Thank you,
4 Ms. Brosche.

5 Councilman Anderson.

6 COUNCILMAN ANDERSON: Thank you,
7 Mr. Chair.

8 Through the Chair, welcome. And that
9 was fascinating, by the way, that was a
10 great analogy that you used.

11 And, Sherry, thank you for helping.

12 So I was intrigued by your point of
13 value, because that's really what you were
14 saying is in question, value. And of
15 course, value can be determined in many
16 different ways, you know. Certainly, from
17 our standpoint, we have at least some data
18 points, but clearly you believe there are
19 other value points. Would you -- do you
20 have some thoughts -- I know it's early for
21 you. But do you have some sort of framework
22 on how you might walk through that?

23 DR. KURY: Sure. Some of the other
24 things we're going to be addressing in the
25 study are things like quality of service,

1 you know. As Mr. Baez pointed out very
2 well, there is that balancing act between
3 reliability of service and cost. And so
4 looking at two utilities solely on the basis
5 of cost isn't always a valid comparison,
6 because there may be other factors that are
7 not being considered. You know, when we
8 make comparisons, we kind of hold in --
9 economists have a saying, all else equal.
10 It's a really strong assumption. And we
11 make it implicitly in our heads when we're
12 comparing two things, but that's not always
13 a valid -- all else isn't necessarily equal.
14 Again, as Mr. Baez pointed out, every
15 utility has something distinct about them.

16 So what we're going to be trying to do
17 is we're going to be looking at some of the
18 things that may make JEA distinct. So for
19 example, not every utility in the state of
20 Florida has a district energy system, so
21 that's a component of value. You know, not
22 every electric utility also runs a
23 water/wastewater utility, that's part of the
24 value. You know, quality of service, access
25 to service, you know, other things that

1 the -- other things that the utility may do.
2 The return to the general fund, you know,
3 for example, that is -- that's a distinct
4 value. And there is no -- I don't want to
5 say every municipal utility in the state of
6 Florida, but I'm pretty sure. Every
7 municipal utility in the state of Florida
8 returns something to the general fund, but
9 there is no hard and fast rule that it's
10 always X percent.

11 So those types of things are what -- you
12 know, are the types of things that we're
13 going to be looking at. So what is it that
14 makes, you know, JEA distinct. And then in
15 areas where we can make comparisons, what do
16 those comparisons look like. But then we
17 also want to take into account those
18 idiosyncrasies.

19 COUNCILMAN ANDERSON: Thank you. That's
20 perfect. And also, I believe, you sort of
21 said it, but certainly value within the
22 context of this community, so employment,
23 community, development, those types of
24 things are, you would say, I think, from
25 what you just shared would be part of that

1 conversation as well; is that correct?

2 DR. KURY: Yes, absolutely.

3 CHAIRMAN CRESCIMBENI: Thank you,
4 Mr. Anderson.

5 Councilman Dennis.

6 COUNCILMAN DENNIS: Through the Chair,
7 thank you so much for being here to share
8 with us. I think it's great information
9 about the value, the value of community,
10 value of the various goodwill assets.

11 But my question goes to the core. If
12 I'm an investor, I don't care about that. I
13 care about one thing, the bottom line. So
14 if you were advising, you know, an investor
15 with deep pockets, what would you look at as
16 the value? Is it how many customers we
17 have? How much electricity is being put
18 out? Because those considerations isn't
19 something that I really care about; it's the
20 bottom line. And so if you were advising
21 that type of group, what exactly would you
22 be advising we look at? I mean, I don't
23 care what's going on with --

24 DR. KURY: Well, I guess, if I was
25 advising anybody, then I wouldn't be in my

1 current job, because advocacy is -- that's
2 not what I do. That's not what the research
3 center does. We don't take positions. What
4 we're trying to do is we're trying to answer
5 the general question of what is the value of
6 the utility. What you're getting into
7 speaks more to what is someone willing to
8 pay for that utility. And quite frankly,
9 that question is outside the scope of this
10 study.

11 COUNCILMAN DENNIS: Sure. And I really
12 appreciate that. But as I was sitting here
13 and hearing the value, the goodwill value,
14 you know, versus actually having brick and
15 mortar and trucks and company lines and a
16 power plant, to me it boils down to how many
17 customers or how much territory is a private
18 company. And so I was just curious, you
19 know, what would be the thought process of
20 someone looking at acquiring JEA, because I
21 don't think the primary focus would be the
22 goodwill. The primary focus would be, you
23 know, how many community hours. The primary
24 focus, in my opinion -- and I could be
25 wrong, but the primary focus, how am I going

1 to expand my footprint and what is going to
2 be my ROI on my investment.

3 DR. KURY: Certainly, I can't speak for
4 any potential purchaser. Basically, though,
5 the value of the utility generally comes
6 down to the value part of physical assets
7 and then its value of going concern. And
8 the Florida State Statutes is really clear
9 on how they define going concern. It's
10 basically, you know, how do you take those
11 assets and turn them into business. And I
12 know that sounds nebulous, but that's the
13 state statutes for you. It's a relatively
14 broad term. But again, I don't --

15 COUNCILMAN DENNIS: I don't mean to put
16 you in a situation, but through the Chair,
17 so is goodwill -- does the state statute
18 look at goodwill as an asset?

19 DR. KURY: I don't know that the state
20 statute looks at that specifically. I think
21 that's more something that would be
22 considered on the PSC level. But to be
23 honest, I don't know. Certainly that idea
24 will be part of the -- will be part of the
25 study. I know that outside the United

1 States it's clear. Intangible assets are
2 not allowed under international financial
3 reporting standards. But here in the United
4 States we haven't adopted international
5 financial reporting standards. So lots of
6 utilities maintain intangible assets on
7 their books.

8 But whether an asset is allowed to be
9 recovered or not, as Mr. Baez pointed out,
10 that's -- you know, that's one of the things
11 that people are fighting over during a
12 review of base rates at the PSC. So I can't
13 give you an answer one way or another
14 because, quite frankly, as Mr. Baez pointed
15 out, we're always fighting over different
16 elements of what makes up this revenue
17 requirement. And to the best of my
18 knowledge, there isn't a universal treatment
19 of any item really.

20 COUNCILMAN DENNIS: Right. So through
21 the Chair, so it's fair to say that that
22 intangible may be valued to me or to the
23 City, but it may not be of any value to
24 someone that's looking to acquire this.

25 DR. KURY: Value means different things

1 to different people.

2 COUNCILMAN DENNIS: All right. Thank
3 you.

4 DR. KURY: Sure.

5 CHAIRMAN CRESCIMBENI: Thank you,
6 Mr. Dennis.

7 Councilman Love.

8 COUNCILMAN LOVE: Thank you.

9 Through the Chair to Dr. Kury, thanks
10 for coming.

11 And, Dr. Magill, thank you again for
12 this. This is very interesting.

13 There are 13 topics, and you're going to
14 have all those done by November, your
15 homework?

16 DR. KURY: Yes, sir.

17 COUNCILMAN LOVE: What is your favorite
18 topic? Have you looked at those? Which
19 topic do you think will be the most
20 interesting to you?

21 DR. KURY: Well, as I said, they all
22 speak to -- they all speak to the -- that
23 value proposition. I am the -- the quality
24 of service benchmarking that we're looking
25 at that will utilize both statistical

1 methods as well as numerical methods. I'm
2 not aware of, again, another study quite
3 like that that's been done. And so it's
4 going to be interesting to me to see how
5 that -- you know, how that idea of comparing
6 quality of service metrics pans out, because
7 it's actually only -- while it seems like we
8 should have been systematically collecting
9 data on things like cumulative outages and
10 outage frequency for years, the fact is we
11 haven't been systematically collecting that
12 data but for the last four years. You know,
13 typically that data was collected by the
14 state utility commissions for just a subset
15 of their utilities. But within the last
16 four years, the federal government has
17 expanded their data collection efforts to
18 include that type of information from all
19 utilities. And I think that's going to be
20 an interesting part of it.

21 I also think the idea of taking a look
22 at what -- the other types of services.
23 Again, you know, district energy is -- while
24 it's a popular topic, it's not implemented
25 as much, you know, in North America, say, as

1 it is in other parts of the world. And so I
2 think looking at that aspect of their
3 business is going to be -- it's going to be
4 very interesting. Again, it's interesting
5 to me to look at things in general that
6 other people haven't taken a look at.

7 COUNCILMAN LOVE: You're going to try to
8 be the JD Power for utilities, is that what
9 you --

10 DR. KURY: They already use JD Power for
11 customer satisfaction and all. But I'm
12 looking here at more concrete -- customer
13 satisfaction is concrete, but more objective
14 metrics.

15 COUNCILMAN LOVE: Thank you so much.
16 Looking forward to it.

17 CHAIRMAN CRESCIMBENI: Thank your,
18 Mr. Love.

19 I have no one else in the queue.
20 Professor Kury, thank you for coming.

21 Ms. Magill, thank you again.

22 Drive safely back to Gainesville -- are
23 you staying here for the jazz festival?

24 DR. KURY: I'm not. I have a family
25 obligation this evening.

1 CHAIRMAN CRESCIMBENI: Are you going to
2 that restaurant to eat?

3 DR. KURY: No. My daughter has a
4 ceremony at school.

5 CHAIRMAN CRESCIMBENI: Okay. I thought
6 you were going to that favorite restaurant
7 you ate breakfast, lunch and dinner at
8 before it got sold.

9 All right. Thank you again for being
10 here. We look forward to the report.

11 DR. KURY: Thank you.

12 CHAIRMAN CRESCIMBENI: Next item on our
13 agenda is -- Ms. Brosche, I think this was
14 something that I added with regard to the
15 JEA Board action. Do you want to discuss
16 that?

17 PRESIDENT BROSCHE: Yes. Thank you,
18 Mr. Chairman.

19 I know I received an email. I suspect
20 that we all received an email, because it's
21 by blind copy from Mr. Jordan Pope that
22 said: Council Members, added, Tuesday,
23 May 15th, 2018, the JEA Board approved the
24 following motion, absent a Board decision to
25 pursue, any activities tied to a

1 privatization effort would be put on hold.
2 And there was a video link and shared where
3 you can see that.

4 And my question was we've got -- we've
5 heard now from two independent bodies that
6 are looking to answer questions that we have
7 to conduct the study. And my question is
8 was the -- was providing information that
9 was requested going to be covered under this
10 Board action. And I would like to
11 understand from the Board or from JEA
12 whether or not they'll be responding to
13 requests for information as it relates to
14 this particular Board motion that was proved
15 on May 15.

16 CHAIRMAN CRESCIMBENI: So your question
17 is being asked of whom?

18 PRESIDENT BROSCHE: To JEA, if they can
19 answer that today or if we need to ask --

20 CHAIRMAN CRESCIMBENI: Ms. Kilgo, I see
21 you sitting out there. Are those all JEA
22 people sitting out there with you? Do you
23 or any of them have the ability to address
24 this question?

25 MS. KILGO: Good afternoon. Nancy

1 Kilgo.

2 To the Chair, I think those are all JEA
3 people. I did turn around and look.

4 It is my understanding that we will
5 continue to provide information to all of
6 you that are doing investigations and
7 learning about JEA, but that JEA staff will
8 not pursue itself without Board action any
9 further information about privatization. I
10 will be happy to go back and clarify through
11 the Board or to the Board if you would like.

12 PRESIDENT BROSCHE: Through the Chair, I
13 would like that conversation, because I
14 wouldn't want to get two more weeks down the
15 road when somebody sends a request list and
16 then learns that, according to this motion,
17 that's not going to be provided. So I would
18 like to understand the answer.

19 MS. KILGO: Through the Chair, I will
20 get that answer, but we have not been given
21 any instruction except to be fully
22 cooperative with you.

23 PRESIDENT BROSCHE: That's great. Thank
24 you so much.

25 CHAIRMAN CRESCIMBENI: Ms. Kilgo, you'll

1 handle that or do you want me to talk to
2 Jordan, who is, I think, standing in line
3 for Space Mountain? But I'm sure he's
4 watching.

5 MS. KILGO: I will do that for him.
6 Thank you.

7 CHAIRMAN CRESCIMBENI: Thank you very
8 much.

9 Thank you, Ms. Brosche.

10 Public comment period. I have two
11 speaker cards, David Bruderly and Dwight
12 Brisbane, make your way forward, please.

13 Mr. Dennis, did you have something?

14 COUNCILMAN DENNIS: Through the Chair,
15 before, I guess, the public comment, I would
16 like -- also, I heard the Board took action
17 on compensation, so I would like a little
18 more in depth, you know, along with JEA's
19 other questions that they're bringing back
20 to -- I would like to get in the weeds on
21 the compensation, how the comparison and
22 things like that and how they derive the
23 compensation.

24 CHAIRMAN CRESCIMBENI: The compensation
25 for the CEO and Ms. Dykes?

1 COUNCILMAN DENNIS: Yes.

2 CHAIRMAN CRESCIMBENI: Ms. Kilgo, did
3 you get that? All right. Thank you.

4 Thank you, Mr. Dennis.

5 Mr. Bruderly.

6 MR. BRUDERLY: Thank you, Mr. Chairman.
7 My name is David Bruderly.

8 CHAIRMAN CRESCIMBENI: Bruderly, I'm
9 sorry. I Bruderly mispronounced that.

10 MS. KILGO: I am a semiretired
11 self-unemployed professional engineer who
12 spent my entire 50-some-year career in the
13 energy sector in one way, form or the other.
14 And Mark Futrell and Ted's presence here
15 reminded me that I've been tilling at
16 windmills and advocating sustainable energy
17 infrastructure and policies in Florida since
18 1990. Prior to that I helped Florida Power
19 & Light and Florida Power Corporation and
20 TECO siting studies for electric power
21 generating facilities, the U.S. Navy as
22 well, using nuclear coal, natural gas,
23 biomass, et cetera. So I've lived in this
24 industry my whole life.

25 In 1990 I came to the realization, as a

1 consultant back in those days, that the
2 energy industry was going to change
3 considerably. We just happened to be going
4 into a war in 1990 for oil at that time.
5 And I recognized that the technology was
6 coming down the pipeline for 21st Century
7 transportation infrastructure that was going
8 to be electric motor driven.

9 And I started -- I transitioned my
10 business into being a small business
11 entrepreneur trying to figure out how do I
12 make a living promoting electric vehicles,
13 natural gas, motor fuels, nonpetroleum motor
14 fuels, bio fuels, renewable energy, all of
15 those things that have been so controversial
16 in the headlines recently.

17 And I have been working -- Governor
18 Chiles had Sustainable Commission for South
19 Florida; Governor Bush had the (inaudible)
20 Advisory Board; Governor Crist had the
21 Florida Energy Commission. And I spent
22 many, many days testifying in front of all
23 of these bodies working within the framework
24 of what was now today called synthetic
25 gradualism about the role of the electric

1 and gas utilities in the state to serve the
2 public interest.

3 What we heard today was that you guys,
4 the bottom line, you had the ability and the
5 authority to do pretty much what you want
6 with respect to JEA's business plan. You
7 had to approve it, they have to come up with
8 it. But it can be much more sustainable
9 than what it is today. And it can be built
10 so we can transition our utility, which is
11 based on 19th Century technologies, large
12 centrally powered power plants. Thomas
13 Edison and Tesla invented the grid. And
14 transitioning to a 21st Century
15 technology-based grid. In some respects
16 analogous to what we've seen with the
17 Internet.

18 And this is happening. It's going to
19 happen whether we want it to or not just
20 because technology does move forward. And
21 the rest of the world is moving forward in
22 many respects much more aggressively than we
23 are.

24 Now, I missed your privatization debate
25 because I left the country on December 15th

1 and I will simply tell -- I'm out of time,
2 right?

3 CHAIRMAN CRESCIMBENI: You can wrap up,
4 but, yes, you are out of time.

5 MS. KILGO: When I was in Shanghai,
6 every motor scooter in Shanghai, 50 years
7 ago they were bicycles, today they're all
8 battery electric.

9 The point is JEA has an economic
10 development opportunity. And I think we
11 have an interim CEO, Aaron Zahn, who, when
12 John Delaney shared the new Mayor's Economic
13 Advisory Committee, proposed that
14 sustainability metrics be used to guide the
15 economic development of this community.
16 That recommendation did not leave that
17 committee. But I was there. I saw what he
18 proposed. I talked with him afterwards.

19 And I would encourage all of you to
20 strongly support Aaron Zahn to empower JEA
21 staff to work with Ted and PURC -- I've
22 known Ted and David Richardson for many,
23 many years -- to incorporate sustainability
24 metrics into this analysis that they're
25 doing, and JEA work in partnership with this

1 group to basically help us transition to a
2 21st Century economy so the new folks can
3 learn what you need to know to make an
4 informed decision. And that's not going to
5 be easy, that's a tough job. And --

6 CHAIRMAN CRESCIMBENI: We appreciate
7 that. I do have a question. Mr. Bowman has
8 a question for you.

9 Councilman Bowman.

10 MR. BOWMAN: Thank you.

11 Through the Chair, you may remember that
12 about four years ago you and I talked about
13 hydrogen fuel cells.

14 MR. BRUDERLY: I do.

15 COUNCILMAN BOWMAN: I just want to say
16 did you know that the Amazon facility out at
17 Cecil Commerce Center is running all their
18 lifts, so it's 50 plus vehicles, with
19 hydrogen fuel cells --

20 MR. BRUDERLY: Forklifts; right?

21 COUNCILMAN BOWMAN: -- forklifts that
22 people stand and go up about 40 feet in the
23 air to get products off shelves, those are
24 all hydrogen fuel cells, they have two
25 fuelling stations there and it's amazing to

1 see. So your vision is starting to come
2 true. Thank you.

3 MR. BRUDERLY: Well, thank you, sir.
4 It's not just my vision. It's been the
5 vision of a whole lot of people.

6 CHAIRMAN CRESCIMBENI: Thank you,
7 Mr. Bowman.

8 Thank you, Mr. Bruderly, for being here.

9 MR. BRUDERLY: Thank you, sir.

10 CHAIRMAN CRESCIMBENI: Our next speaker
11 is Dwight Brisbane. Not here?

12 I have another card submitted, Mr. Gray.

13 MR. GRAY: Hello. My name is Chap Gray.
14 I'll be brief.

15 Just wanted to let you-all know, you-all
16 had a question a few weeks back about what
17 the cost of converting a home to solar
18 energy would be. For the past several
19 weeks, I've been putting together some
20 numbers of my own, and I would be happy to
21 share them with you-all at you-all's
22 convenience, just some numbers on a
23 spreadsheet showing what the cost of solar
24 panels and a Tesla power wall, which is a
25 battery storage system, would be for a

1 house. Actually, I put it together for my
2 house and two others as a comparison.

3 CHAIRMAN CRESCIMBENI: So each house is
4 a different square footage or something?

5 MR. GRAY: There are similarities and
6 differences among the three houses.

7 CHAIRMAN CRESCIMBENI: Are those no
8 longer --

9 MR. GRAY: I have the addresses and
10 similarities and differences.

11 CHAIRMAN CRESCIMBENI: Do you have a
12 copy of that with you?

13 MR. GRAY: I have a flash drive.

14 CHAIRMAN CRESCIMBENI: Can you leave
15 that with us?

16 MR. BRISBANE: I can't leave it with you
17 because it has a lot of other stuff on it,
18 but I'd be happy to let you have the file.

19 CHAIRMAN CRESCIMBENI: Can you email the
20 document? Why don't you email it to -- I
21 was going to say my ECA, but she's not here.
22 Staci Lopez will get with you and give you
23 her email address and she'll take it and
24 then distribute it to all the Council
25 persons. Thank you for doing that.

1 You have a question, though.

2 Mr. Bowman -- Mr. Becton.

3 COUNCILMAN BOWMAN: It's the hair.

4 COUNCILMAN BECTON: I just thought it
5 was the last name started with a B.

6 Thank you.

7 Through the Chair, so I had asked the
8 question to kind of get an idea of what a
9 typical solar panel residential installation
10 looks like. And that's what you're
11 offering; correct?

12 MR. GRAY: Yes.

13 COUNCILMAN BECTON: Okay. Can you give
14 me an idea of the energy that is generated
15 from that typical installation, like what
16 percent of the household actually can be
17 generated from that installation?

18 MR. GRAY: Well, it's easier if you look
19 at the presentation I put together. I put
20 it together using an app called Google
21 Project Sunroof, which appears to me -- I
22 didn't even know about it up until about
23 three weeks ago. It appears to me they took
24 Google Earth and they just use, like, a
25 computer model of the roof of your house to

1 determine, you know, what it looks like, a
2 typical solar installation would be.

3 The numbers I came up with, without
4 getting too in depth, you would wind up with
5 poor quality service for a lot of money.

6 COUNCILMAN BECTON: You said poor
7 quality?

8 MR. GRAY: Yes.

9 COUNCILMAN BECTON: Because I was making
10 a statement, when I look at people's houses,
11 I usually see, four, five panels on a
12 rooftop, it appears, from residential. I
13 guess I was just kind of curious what is the
14 expectation from a typical -- is it just
15 trying to generate 25 percent of their
16 power, 50 percent? I'm sure a typical home,
17 refrigerator, washer and dryer, you know,
18 those types of things have a, you know, I
19 keep using the word average, typical,
20 however you want to quantify it, and what
21 might be the power generation from those
22 solar panels to a typical household. No
23 guess from what you looked at, like 50
24 percent, 25 percent? I mean, I'm not
25 holding you to anything here, but --

1 MR. GRAY: Without actually tweaking the
2 Google Project Sunroof numbers, just going
3 with their numbers alone, my house and one
4 of my coworker's houses, we came up short
5 quite a bit as far as the production
6 compared to our average daily consumption
7 over the last year. My father-in-law, whose
8 house is about half the square footage of
9 mine, he was the closest. He was -- I'm
10 going to guess probably about 90, 98
11 percent, 95 percent.

12 COUNCILMAN BECTON: Of 100 percent
13 demand?

14 MR. GRAY: Yes. Now, I obviously work
15 for JEA. So I've got a feel for, you know,
16 what, just, for example, our Brandy Branch
17 solar does. And I can tell you, I can
18 actually show you on -- especially, like,
19 for the last couple of weeks, the output
20 from that plant, which would be the output
21 of just about any solar panel installation
22 is very sporadic.

23 COUNCILMAN BECTON: Well it's been
24 raining; right?

25 MR. GRAY: Well, even on sunny days.

1 Saying Florida is the sunshine state is a
2 little bit of a misnomer. The output of
3 that plant is very sporadic.

4 COUNCILMAN BECTON: I always heard that
5 Florida is not as efficient with solar
6 panels as maybe out west and so forth,
7 humidity and those types of things; is that
8 accurate?

9 MR. GRAY: That statement you just made
10 is accurate.

11 COUNCILMAN BECTON: All right. Thank
12 you, Mr. Chair.

13 CHAIRMAN CRESCIMBENI: Thank you,
14 Mr. Becton.

15 Thank you, Mr. Gray. Thank you for
16 being here.

17 All right. Any announcements? I'll
18 make an announcement. We have no meeting
19 next week.

20 As you probably know, Mr. Bowman sent
21 out a letter yesterday, this Committee was
22 not listed as one that was going to be
23 continuing. So I'm assuming we will sunset
24 on June 30th. If we are not complete, we'll
25 have to meet as a noticed Council Member

1 meeting on the same exact topic.

2 But speaking of completion, I would like
3 to get a sense from the Committee where you
4 want to go. My idea was to try to start
5 formulating some sort of report that we
6 could leave for future Council generations.
7 And I think we have enough information at
8 this point, pending the few outstanding
9 items that Mr. Pope and Ms. Kilgo are going
10 to return to us, to write what I would call
11 the first half of the report, which is
12 basically a summary of our factfinding
13 process. But I'm open to suggestions or
14 guidance on how the rest of the Committee
15 wants to proceed.

16 Once that's complete, if you want to
17 venture into any other forward thinking or
18 recommendations with regard to value, sale,
19 no sale, if sale, this, this, this, I think
20 we need to have a discussion and find out
21 whether we want to address any of those
22 points.

23 But Mr. Clements has been taking superb
24 notes. We certainly have a very substantial
25 recommendation that's been provided by some

1 of our contributors to this effort. So I
2 think we could publish a pretty
3 comprehensive report backed up with some
4 pretty amazing appendix inclusions. And I'm
5 going to ask Mr. Clements, he probably
6 regrets having attended today, if you will
7 start working on a draft of that report for
8 us to take a look at at some meeting down
9 the road.

10 Again, if we're done by June 30th,
11 great. If we're not, we'll have to meet at
12 a noticed meeting. We can keep the same
13 schedule or go to every other week or
14 something like that so that we can plan
15 ahead for it.

16 Anybody else want to contribute to our
17 direction going forward? Nobody? So
18 everybody kind of agrees with that? All
19 right. Fair enough. If there is nothing
20 else to come -- Mr. Dennis, I'm sorry.

21 COUNCILMAN DENNIS: Through the Chair to
22 the Committee, I know if you go to research,
23 there is a lot of reports. I know for
24 District 9 there's a lot of reports, there's
25 a lot of reports.

1 And so I hope that, if we're not
2 finished by June 30th, that this Committee
3 will take some action legislatively to
4 basically submit the work of this Committee.
5 I don't know what that is. I don't know if
6 it's been done in the past before, but I
7 think just submitting the report, just
8 putting it in the atmosphere, I think it
9 should be followed up or -- you know,
10 whether it's a resolution or subordinate,
11 but I think there should be some legislative
12 action besides just submitting a report, so.

13 CHAIRMAN CRESCIMBENI: Can you elaborate
14 on what the action should be?

15 COUNCILMAN DENNIS: I don't know. I'm
16 just putting it out there, but I'll probably
17 make --

18 CHAIRMAN CRESCIMBENI: Resolution
19 honoring and commending the Committee for
20 outstanding -- if you'll introduce that,
21 I'll cosponsor.

22 COUNCILMAN DENNIS: All right. Sounds
23 good.

24 CHAIRMAN CRESCIMBENI: All right. I
25 think the report will be helpful. There are

1 a number of us that won't be here after
2 June 30th of 2019, so I expect, since this
3 topic has come up a few times in the past 11
4 years, it's probably going to come up again.
5 I don't think it's going to be necessary
6 for -- if it comes up in a short time frame.
7 If it comes up in the next four, five years,
8 I think our report will provide excellent
9 base, foundation, whatever you want to call
10 it, so all this ground doesn't have to be
11 revisited and re-plowed to generate -- I've
12 been on City Council, this is my 18th year,
13 resident of Jacksonville for more than 50
14 years. I've learned a lot about JEA in this
15 process that -- I got into the weeds,
16 details about JEA that I really wasn't
17 completely familiar with, even serving as a
18 Council Member, listening to the budget
19 presentations, you know, different pieces of
20 legislation came along. So I think that is
21 going to be a very valuable report going
22 forward for anybody that might have
23 questions like we've had.

24 All right. Anything else?

25 Mr. Becton, are you just waving or do

1 you want to say something?

2 All right. So we'll reconvene at 3:30,
3 two weeks, is that right, two weeks from
4 today. That date is June 7th and I hope
5 everyone has a safe and pleasurable Memorial
6 Day. Enjoy the jazz festival, take an
7 umbrella. This meeting is adjourned.

8 (Meeting adjourned at 4:59 p.m.)

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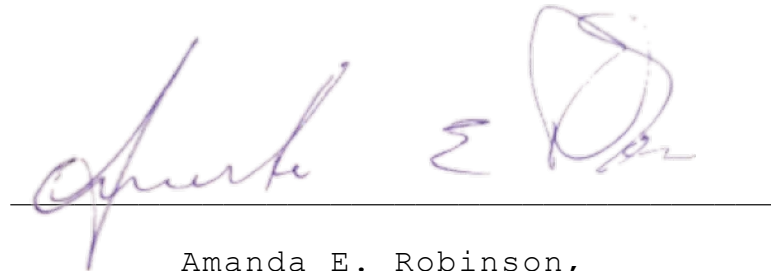
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CERTIFICATE OF REPORTER

STATE OF FLORIDA
COUNTY OF DUVAL

I, Amanda E. Robinson, Registered
Professional Reporter, do hereby certify that I
was authorized to and did report the foregoing
proceedings; and that the transcript, pages 1
through 147, is a true record of my stenographic
notes.

DATED this 1st day of June, 2018.



Amanda E. Robinson,
Registered Professional Reporter