SPECIAL COMMITTEE ON THE FUTURE OF JEA

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TRANSCRIPT OF PROCEEDINGS

DATE TAKEN:  Thursday, May 24, 2018
TIME:  2:03 p.m. - 4:59 p.m.
PLACE:  City Hall
        Council Chambers
        117 West Duval Street
        Jacksonville, FL  22202

This cause came on to be heard at the time and place aforesaid, when and where the following
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PROCEDINGS

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

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

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

COUNCILMAN LOVE: Jim Love, District 14.

COUNCILWOMAN MORGAN: Joyce Morgan, District 1.

COUNCILMAN BECTON: Danny Becton, District 11.

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

COUNCILMAN DENNIS: Garrett Dennis, District 9.

PRESIDENT BROSCH: Anna Lopez-Brosche, Group 1.

COUNCILWOMAN BOYER: Lori Boyer, District 5.
COUNCIL MEMBER WILSON: Scott Wilson,
District 4.

COUNCILMAN HAZOURI: Tommy Hazouri,
Group --

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

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

CHAIRMAN CRESCIMBENI: Thank you, sir.

I do have a couple of excused absences.

Councilman Ferraro is excused, as is
Councilman Schellenberg, Carter and Newby
will not be with us today.

All right. Let's see, we have a couple
of presentations today. And we've been
working hard to get this on the calendar,
but it's taken us a while to get to today.

But we have representatives here from the
Public Service Commission, then later this
afternoon we'll have some representatives
from the Public Utility Research Center at
University of Florida.

So we'll go ahead and begin with the
PSC. You've been distributed a copy of the
PowerPoint that's going to be given. And on
the agenda are some of the items I asked
them to cover in their presentation today.

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

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

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

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

I'm going to try to keep it short. You
have seen the slide deck. It's rather
weighty and has a lot of things. And the reason for that is it sort of can serve as a leave-behind and certainly a resource for questions, which I hope we'll be able to get more time on than the presentation.

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

Here is a brief breakdown of how the Commission is constituted and positions filled. You can see that the legislature appoints the member of the nominating council and the nominating council oversees a public application process, including incumbent members as well, and they produce a list of nominees to the commissioner and,
based on some time constraints, the commissioner -- the governor has to nominate or make an appointment which is subject to confirmation by the senate.

We have staggered four-year terms for all of them. And the Chairman serves for two years by vote of the entire Commission.

That's a brief schematic of the structure.

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

CHAIRMAN CRESCIMBENI: Are you trying to go back?

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

We're a legislative agency with primary authority over the investor-owned utilities, that would be the publicly traded utilities, such as Duke, Florida Power & Light, Gulf Power, or Southern Company. We have jurisdiction over electric, natural gas and wastewater. With specific for wastewater, for example, we regulate only those companies and counties that have seated authority and jurisdiction to the Commission. The statute does provide for an opt-out for private utilities by a county.
And lastly, you can see some residual regulation over telecommunication services, mainly lifelines services and relay services.

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

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

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

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

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

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

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

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

In addition, their rights is to charge rates and recover for their prudent cost as a going concern. And they're also, lastly, entitled to a fair opportunity to earn a
rate of return on their investment. Along
with those rights come the responsibilities.
And that is an obligation to serve, and that
obligation is universal. In plain terms,
anyone that asks for services is entitled to
receive service from that provider, because,
after all, they are the only provider. They
cannot unduly discriminate.

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

They do have the obligation to provide
safe and reliable service. And for that the
Commission engages in safety inspections and
other safety functions to ensure that the
companies that are subject to our
jurisdiction are living up to their side of
the deal.
Same with reliability. The reliability is more of a planning function, which you all may or may not be familiar with. And they -- these are long-lived assets. And usually we have a process that looks out at least 10 years in terms of the planning functions of the various utilities, electric utilities in this case.

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

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

The public interest, second big concept. The public interest is probably the prime standard that we apply -- or that the
Commission, rather, applies in order to achieve -- in order to arrive at its decisions. That's a pretty nebulous concept. And a lot of work and a lot of analysis goes into -- based on our processes, goes into arriving at what the public interest is.

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

Sympathetic gradualism, that's a fancy concept of, you know, rate increases, not rate shock, right. So there is always a consideration, even though in many cases what you're dealing with is increasing cost industries. And so a lot of the consideration comes from sort of -- you sort of back into what's reasonable, it's like
what can the -- how do we avoid the rate
shock in many cases.

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

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

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

So we seek to -- on the Commission we
seek to balance that so that the customer,
again, going back to concept of rate shock
and rate increases, for example, is to try
and take the customer in consideration. And
the utility, by virtue of its rights, the
need to recover for their cost, for example, or to have a chance to earn a fair rate of return, for another example, those are things that there is a responsibility to maintain a viable electric service provider. We cannot favor -- as a balance, you can't favor one side over another and create that imbalance, because, taken to its extreme, you wind up with companies that aren't able to sustain their operations and provide the service that everyone needs, so there is the delicate balance there.

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

I'll give you a good example, for example, storm hardening, storm preparedness. You hear a lot of debate about, you know, whether we should have outages at all, we should strengthen
the system to eliminate the possibility
because no one wants to be without power,
it's so important to our daily lives. But
then the question comes, sure, you can have
that perhaps, in theory, but how much are we
willing to pay for it. So those are the
balances, those are the discussions the
commissioners engage in.

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

So on the subject of rates, we have
three of the most basic mechanisms in order
to engage in providing for and determining
cost recovery for providing service. You
have your annual cost recovery clauses; your
base rate proceedings, so those are the rate
cases, essentially; and lastly, you have
surcharges for storm restoration. So that's a more extraordinary mechanism. But it happens living in Florida, we have it in place pretty much, you know -- it's been around for the last 15, 20 years almost, so that's just because of the reality. And I'll go into all of them with a little bit of detail.

So your annual cost recovery clauses seek to address volatile costs to the utility that -- essentially, they change from year to year. And it is much more cost effective, much more efficient, whether from the standpoint of avoiding rate shock, right, for customers, and just as a matter of operation of the utility business, they are more -- it's a better situation to address them on a yearly basis. The best example is fuel, for example. That's something that utilities don't gain a return on. It's essentially passthrough along with environmental costs that state agencies may turn down requirements that utilities have to make investments to address environmental issues, for example.
Those things, they fluctuate too quickly to properly fit in the normal cycle, for instance, of a rate-based proceeding -- rate case proceeding. Rate cases come along every three or four years. These things move up and down a lot quicker. And they can -- if they're moving in the wrong direction, they can quickly put a utility in a disadvantage as to their operation.

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

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

Your base rate proceeding, that's our bread and butter, essentially, in terms of rate making. They are not held that frequently, and for good reason. They're very highly litigated, they're very
contentious and they're very expensive. So it's a good thing that they don't come around very often. But -- so on the average, three to four years.

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

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

This slide --

CHAIRMAN CRESCIMBENI: Mr. Baez, let me stop you right there, because I'm going through my list of things I was asking about. So I don't think we come back and
talk about the rate of return beyond this slide. So help me out on the rate of return. In your slide, you just have percent, but there is no percent. Is that something that's defined --

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

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

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

CHAIRMAN CRESCIMBENI: I'll wait. I didn't see that slide.
MR. BAEZ: You were talking about cost of capital and so forth.

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

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

You'll see later on there are cases, Supreme Court cases, that sort of set the parameters for what the Commission's activity is going to be, because you're not
just -- in the same ways I told you they each have their own unique characteristics that build into a rate of return, you also look around, right, because in the end, the reality is these utilities are competing for dollars on the market with other utilities sort of like them around the company -- the country, rather. And so there is an outward looking aspect with the setting rate of return, you're trying to create a proper cohort for the utility that you're considering so that you're looking for comparable rates as well, if that makes sense.

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

COUNCILMAN WILSON: No.

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

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

CHAIRMAN CRESCIMBENI: Well, let's hear the question, Mr. Anderson, then we'll vote on whether it's a good one or not.
COUNCILMAN ANDERSON: Well, then I'm not going to ask it.

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

MR. BAEZ: Yes, that's correct.

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

That was my question.

MR. BAEZ: In a roundabout way, the answer to your question is yes. And we're going to get to that, because there's -- when we set a rate of return, we don't throw a dart and then say, that's the point. You have a range. And within that, there is a -- it kind of self-regulates, so that in many cases determines when that window or
when your ability to come and ask for a review of your rates so that you can recover costs properly happens. And it can happen -- it works both ways. So if you're over your range, then the Commission gets involved, as the option; and if you're under your range, the company has the opportunity to petition the Commission.

Now, I say that with a little bit of a caveat, right. These things don't happen -- it's like you say, it's timing. Well, these things are -- happen over time, so picture -- I would hesitate for anyone to picture either the Commission or the utility on both sides of that equation, right, just sitting around waiting for the needle to dip above or below. It has to be persistent. And persistent is a vague term, but it has to be ongoing and predicted to continue, right, before that condition really truly exists, because therein lies your justification too in terms of the administrative process. You have to support every claim that you make, and just like that you have to support your reason for
being there, correct. I hope that answers your question.

COUNCILMAN ANDERSON: It does, thank you.

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

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

And the second one is Hope. And that's where we take the notion of that outward-looking perspective that I had mentioned before, is that you should be comparing apples to apples in a sense. And so that's what leads to not only the unique
rate of return that reflects the unique characteristics of the utility in question, but also doesn't place it at a disadvantage relative to other utilities of its size and scope, for example. There are many points of comparison that I won't bore you with, but that's sort of the notion you get from these cases. And that's what adds a little bit of texture and judgment to the work of the Commission.

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

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

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

MR. BAEZ: Alphabet soup, I can never know who they're talking about. And actually, you have a breakdown of the rate case process. To be brief on that, it's an administrative process subject to Florida Statutes Chapter 120. And it is essentially a hearing that involves testimony and witnesses and cross-examination and
everything else that you see in a hearing, really. And all the aspects of that revenue requirement, you remember that term, that final large number upon which all rates are based, right, all the issues on that revenue requirement are up for discussion at the outset. Some more than others, as you would imagine. And you can see at the bottom there usually it's about a 12-month process before -- from beginning to end when rates actually are coming into force, new rates perhaps.

Much of the work of the commission staff, in particular, is the monitoring function after the rate case. As I had mentioned before, we come up with a range for the rate of return and then monitoring function is what keeps an eye on where in that range of earning a particular utility is for the exact fact, again I reference Councilman Anderson's question, when windows might open, when opportunities or necessities also arise. And then you can see there if the utility is overearning, they can be called in and vice versa.
The next of the three concepts are the surcharges for storm restoration. I know you all have a little bit of experience with what causes the need for storm restoration, so I share your pain. But this has become a necessity and it was -- the concept was instituted probably about 15 years ago from now or 13, right, in the '04, '05 season.

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

But beyond that, we all know the chances
are more likely than not that you undershot your numbers. Whenever there is an excess in storm recovery for any given storm, those reserves get depleted, this mechanism is in place to help re-fund that storm -- not refund, but re-fund, and to also pick up whatever excesses in cost were existed. These processes are by companies -- by company petition. They come and they petition the Commission to do whatever activities are necessary, whatever funding activities are necessary in order to replenish the storm reserves and also to recover any excess restoration costs above that number.

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

Within that storm surcharge mechanism, the Commission does have the ability to, as any deliberative body might have, to establish interim conditions in order not to have that regulatory lag, as we call it, the storm was three years ago and you're getting
the rate hit now later. We can manage that to some extent. So think of all of that being wrapped up into that process.

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

That said, we also have a formal complaint process so that any customer who has some grievance against -- whether about its service or treatment or what have you, whatever the basis may be, with regards to the services being provided by any given provider, they can come to the -- they have the ability under the law to come to the Commission and say, hey, I'm being treated
this or one way or another or here is a
problem that I have. And you can see a long
list of most of the common complaints that
the customers have. I'm sure that none of
them are necessarily foreign or so unique
that all of us have not seen them.

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

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

MR. BAEZ: Yes.

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

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

CHAIRMAN CRESCIMBENI: Okay. I think I
asked you about defining the uniform rate.

So in Florida you have -- you listed the
different utilities, like five
investor-owned electric utilities. So
regardless of where the customer may be
located in the utility's territory, a
customer in Panama City would be paying the
same rate -- your ratemaking process, you
look at the entity globally within the state
of Florida and --

      MR. BAEZ: Yes.

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

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

      CHAIRMAN CRESCIMBENI: With regard to
the storm surcharge, that's also applied
uniformly; correct? So if a hurricane
destroys Dade County but everybody else is
unaffected, anybody that's part of the
utility's system that Dade County is a part
of, they share in the replenishment or the
reestablishment of those reserve funds.
MR. BAEZ: That's correct. I do want to clarify one thing with Mark, because I'm having trouble remembering -- excuse me, remembering whether the storm surcharges are based on -- are they an energy based class or just a flat surcharge -- it's per kilowatt hour.

CHAIRMAN CRESCIMBENI: Our utility --

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

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

MR. BAEZ: To your larger question, Mr. Chairman, the answer is yes. So I'll give you an example. An FPL customer in Daytona Beach would pay both the same rate, and in our latest example, the storm surcharge, they would have the same factor as anyone who was -- for instance, if Daytona Beach had not been damaged, had not suffered damage. There is no allocation to the damaged for that. And the theory being that it does -- I mean, A, I would refer you
back to the undue discrimination. You can't charge similarly situated customers different rates. So that's one limitation. And the second is, over the course of years, eventually there is going to be a situation where Daytona Beach got damaged, unfortunately and God forbid, but you see my point. Eventually it evens out.

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

MR. BAEZ: Yes, they are. And I'll take pieces of it and try and answer your question. So all the petitions that change rates -- and we're talking about rates, and
there is a difference, okay. So for the
rate case proceeding, the base rate, that's
subject to notices and also by law the
Commission is required to have, for example,
customer hearings in the territories.

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

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

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

MR. BAEZ: It's public notice.

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

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

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

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

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

MR. BAEZ: One or two counsel, yeah.
CHAIRMAN CRESCIMBENI: I'm sure. And then how is the public represented? I see where there is --

MR. BAEZ: Great question.

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

MR. BAEZ: Yes, sir.

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

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

CHAIRMAN CRESCIMBENI: Okay. So like a public defender that just represents the general public? And they have the ability to --
MR. BAEZ: In a sense that they don't need any independent -- they intervene at their own discretion and in representation of their -- of their clients, which are the ratepayers. No ratepayer has to ask them to intervene. They are an integral part of the Commission's overall process. So in that regard, yes, they do have representation and they have representation almost at all times.

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

CHAIRMAN CRESCIMBENI: One of the questions that came up at a previous meeting, I listed it on my information that I sent, was do local jurisdictions, let's say a county in the Duke Energy territory or a county in the FPL territory, do they have
any ability to establish minimum service or
storm response standards or is that all
delegated to the PSC at that point?

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

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

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

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

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

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

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

CHAIRMAN CRESCIMBENI: 10.5 return?

MR. BAEZ: 10.5.

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

MR. BAEZ: Well, it's applied to their
investment and infrastructure. And that's sort of -- all of that taken in creates that revenue requirement that I spoke of.

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

MR. BAEZ: Sure.

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

MR. BAEZ: Well, for example, and I'm getting perilously close to a specialty that I'm very dangerous at, so forgive my concern. But, yes, I'll give you an example. Any number of -- let's say transmission lines, for example. Any given percentage might be, what we'll call, jurisdictional, right. And that's a -- it's a mathematical calculation that perhaps is quite complex. I wouldn't know. But you take any example of any asset of a company, part of that asset could be dedicated to wholesale service as opposed to residential, service within the territory. Well, that allocation gets made.
So in my example, if 90 percent of that asset is dedicated to service within its territory, then that becomes jurisdictional and only that 90 percent of that asset gets counted and is subject to recover. I don't know if that answers your question.

CHAIRMAN CRESCIMBENI: That answers it.

I'm assuming, if the company bought a beach-front condo for the CEO, that probably wouldn't be included in your base for computing.

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

CHAIRMAN CRESCIMBENI: Okay. Finally, I think there was a question about undergrounding. Does the Public Service Commission have any kind of position or -- we've had a lot of discussions recently about the cost of post-storm damage and the value of undergrounding. And about 55 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
17 But to your larger question, yeah, we do
18 have a policy towards undergrounding. And
19 right now since -- I think all the utilities
20 have in their tariffs what we'll call
21 differentials in cost. And you recognize
22 that there is a difference in cost to
23 overhead facilities as opposed to
24 underground. Underground is more expensive,
25 et cetera.

26 And right now the way that it gets dealt
with in the company's tariffs is if anyone
is requesting undergrounding, for example, a
municipality that wants to do that for the
general benefit of its citizens, right, can
ask and request for the utility to, we'll
say, price it out. And the way the tariffs
read right now is that the city, for
example, the cost causer, in a way, is the
one that bears the burden for the
difference.

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

Now fast-forward, I mentioned there are
companies, some of the utilities are looking
into, for instance, undergrounding laterals
and other parts of its system. That has a
separate justification, right. That is in
the interest of what's being called now
resiliency and storm hardening as well. So
that creates an independent basis for
rolling these costs in and creating a more
robust system. And now we're into how you
spent the cost across the customer base. So
you've got -- right now you've got two -- I
won't call them parallel, but two thoughts
and two methodologies sort of exist, two
independent justifications in a way.

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

MR. BAEZ: Well, again, to be clear, the
policy -- there is a static policy now,
which is that differential, it's on a
case-by-case basis, customer-by-customer
basis. And that's something that any
customer can access. And I would tell you
more to the point, any group of customers.
I used the example of a municipality,
because it's sort of that's at the level
that it takes place and it presents itself.
And based on the tariffs, there is a
differential. And that differential is the responsibility of the party that's requesting the utility to engage in the underground activity. So that's the policy right now.

CHAIRMAN CRESCIMBENI: How does that party pay for that?

MR. BAEZ: Excuse me?

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

MR. BAEZ: Right. So far so good.

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

MR. BAEZ: I think you've hit on two good ways of addressing it. And as a recovering lawyer, I would tell you that it depends. And it depends on what the number
is and it depends on what kind of funding mechanisms, for example, the municipality would have available to it. They could issue bonds. It depends on how big the number is too.

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

Mr. Love.

COUNCILMAN LOVE: Thank you.

Is it Mr. Baez (pronouncing)?

MR. BAEZ: Yes, sir.

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

MR. BAEZ: Yes. The answer is yes.

COUNCILMAN LOVE: I mean, do you regulate them?

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

COUNCILMAN LOVE: All right. Number
two, this is a longer one, what is the
difference in the regulation between the
IOUs and the municipalities, how do you --
municipals? There is a difference you said
you had limited.

MR. BAEZ: Yes, sir.

COUNCILMAN LOVE: What are the
differences?

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

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

MR. BAEZ: Not formally and not in
process. I'm fairly sure we get calls from
all manner of --
COUNCILMAN LOVE: I'm sure you do. What is the second difference?

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

So you heard me use a term called cross subsidization; that being that, you know, by class your -- the costs caused by a commercial class of customer is being subsidized, for example, by the residential class. So as closely as possible, the cost
to serve a particular class of customers is covered by the revenues from that particular class of customers. Absent that, you've got a cross-- and we, in some instances we do have ability to review that, but not the numbers themselves.

CHAIRMAN CRESCIMBENI: Thank you,

Mr. Love.

Council President Brosche.

PRESIDENT BROSCHÉ: Thank you,

Mr. Chairman.

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

MR. BAEZ: Well, I'll try and be as precise as I can. The salaries themselves, right, are an expense group, if you will, that pours into this larger number that, as I described in some way before, is litigated
and negotiated and so forth. But on the principle that a regulator regulates and doesn't manage, therein lies the question of, you know, well, as long as salaries -- I don't know how to explain it. There is such a thing as a red flag, yes. And there have been cases, you know, where condos and helicopters and jet airplanes become, you know, the sexy topic and whether it's good or bad or what have you.

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

PRESIDENT BROSCHÉ: So through the Chair, so you probably get salaries in a bulk number. I mean, is the executive salary broken out separately?
MR. BAEZ: It is. And again, I mean, it's not that hard to find out an officer's salary if it's a publicly traded company. The SEC is interested in that too.

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

MR. BAEZ: There are various universes, right, that are sort of looked at and maybe either are ascending or descending, so you have the utility industry at large, you have the large utilities, you have the smaller utilities. So depending on scope, correct, you mentioned a term, there are equity ratios, so that can swing a rate of return north or south in and of itself. So I think the best answer to your question is
we are trying to look at every aspect and every way that we know is a valid comparison to try and say in the end, you know what, utility X, which has this kind of profile, right, compared to its other, say, cohorts nationwide, because there may be, there most likely are of the same size or the same or similar profile, and that sort of acts as a reality check when you have that number that says it's north or south or too much or too little compared to its cohort.

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

PRESIDENT BROSCHÉ: So you mentioned -- is it the Office of Public Counsel, is that what it --

MR. BAEZ: The Office of Public Counsel, yes.
PRESIDENT BROSCHIE: And they are representing the ratepayers?

MR. BAEZ: Correct.

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

MR. BAEZ: I think the -- I'm going to answer it yes, and this is why: The Office of Public Counsel is -- remember I mentioned that, for instance, these rate proceedings, they are litigated proceedings, okay. And so the Office of Public Counsel functions as a party to the proceeding. So if you picture the field, right, you've got the utility on one side and you've got the Office of Public Counsel and other interveners. I mean, there are interveners that represent the industrial class or the commercial class, the Retail Federation is often a party. So you've got the two sides and they are engaging in litigation in earnest. So they're propounding discovery
to each other, which the others are sort of
duty bound under the process to provide, and
there is an exchange of information, at the
same time that we're gathering information.
So it's sort of a three-headed monster,
if you will. And at the end of all that --
and all the information is public, right.
So whatever the staff, for example, would
ask, the response to those inquiries becomes
public and is available to the office of
public counsel. Office of Public Counsel,
for example, may have a different question.
That information is available to all
involved as well.
So if you -- so if you see it, they
are -- it's an adversarial process, right.
So there is disagreements as to what's a
reasonable request and so forth, as you can
imagine. But I think the answer is, yes, in
that there is enough information for
everyone to take. And the rules, the laws
do require a certain level of information to
be filed at the outset as well, creates that
basis upon which all other questions are
directed.
PRESIDENT BROSCHÉ: Okay. Through the Chair, my last question, I think, at this point is could you think of an example in one of the rate increase hearings and processes where the Commission denied the rate increase?

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

And so when I say denial, it's not an all-or-nothing proposition. There are costs that are completely justified. There are costs that are subject to argument, right. There are proposed costs that are denied, that are not accepted, that are disallowed.
So the number going in is rarely the number that comes out.

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

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

PRESIDENT BROSCH: Thank you so much.

MR. BAEZ: It's always a possibility.

CHAIRMAN CRESCIMBENI: Thank you, President Brosche.

Councilman Dennis.

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

But thank you --

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

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

MR. BAEZ: No. That you are, because I thought of a better way to put it more artfully.
COUNCILMAN DENNIS: All right. I'll come to it, but not my first question.

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

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

MR. BAEZ: Not all of them.

COUNCILMAN DENNIS: Not all of them.

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

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

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

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

COUNCILMAN DENNIS: Introduce yourself.

MR. FUTRELL: Mark Futrell with the Commission staff.

And, Chairman, if I may respond quickly. There were requests from Duke Energy and Tampa Electric Company and Florida Public Utilities Company for surcharges related to Irma, restoration from Irma. However, in the case of Duke and Tampa Electric, the -- it corresponded to time-wise with the federal tax legislation that reformed corporate tax rates in part. And they were able to identify savings from those corporate tax rate reductions to help offset the cost associated with restoration costs with Irma.
With Florida Public Utilities, we still have an outstanding request that is being processed. We don't have a timeline on when that's going to come before the Commission. But Florida Public Utilities is a small company that operates up in Fernandina and also has a Marianna out towards the northwest part of the state. So those three other utilities did make requests, and that's kind of where those landed.

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

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

As you might imagine, these companies
are massive. And so we take a more targeted approach to the auditing. But in a context of a rate case, then everything sort of becomes -- everything is on the table, everything that's been put on the table gets a look. I'm not sure if that answers -- if that answers your question.

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

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

So I don't know how better to answer you -- answer your question. We do have resources dedicated to that function and, you know, all the rate cases don't show up at once. I mean there's -- it takes 12
months for a reason. And you know, four
months of that is audited, if that makes
sense.

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

MR. BAEZ: Understood. And I think
that's the magic of the word fair, right.
And I think at the outset I said that word
is the one that causes the most trouble. It
is one over which folks disagree with the
most. And that really is the work of the
Commission is to end the public interest,
determine what is fair. And I think you
heard a lot of conversation about everything
that goes into the comparison of like
utilities and how every one of their --

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

MR. BAEZ: Well, and I --

COUNCILMAN DENNIS: And what is that?

MR. BAEZ: Well, and I would refer you
back to the prior conversation. I think
that the rate of return is -- I think it's
equal parts art and science -- or math, if
you will. Because the rate of return is in
large part determined by the specific -- by
the specific cost of capital, for example,
COUNCILMAN DENNIS: So if a company goes out and borrows money and they borrow money at 18 percent, all right, and so then PSC will allow them to charge the ratepayers --

MR. BAEZ: At least that.

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

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

COUNCILMAN DENNIS: So that takes me to my next question. So thank you for that. So if I'm an investor-owned company and I go to buy another company such as JEA, all right, and so I'm going to take on debt, $5 billion of debt to purchase this company. And so as I was flipping through your handout, it basically says that, you know, for debt -- I missed that page. But, you know, the capital costs, you know, long-term, short-term debt, so if a company, a private investor company, investor-owned company, goes out and borrows $10 million to
buy JEA, so, in essence, they can come
petition PSC, because we've gone out and
we're incurring $10 billion in debt and we
want to recover this debt; so therefore,
we're asking for a rate increase or a rate
of return to pay off the $10 billion in debt
in acquiring this particular utility. So in
essence, what the local ratepayers are
paying, we'll see an increase to absorb the
debt in which the utility was purchased; am
I correct?

MR. BAEZ: I --
COUNCILMAN DENNIS: Yes?
MR. BAEZ: I would love to say yes, but
I cannot.
COUNCILMAN DENNIS: But I think you have
to say yes because everything that you're
saying is that an investor-owned company can
petition to increase rates to cover debt.
MR. BAEZ: Well, there is a lot of
assumptions built into your statement.
First of all, they have to be underearning.
COUNCILMAN DENNIS: I didn't hear what
you said.
MR. BAEZ: They have to come and say,
hey, we're not making enough money to cover our obligations as a business. And that hasn't been proven. So that's a threshold question, whether they even have a right to petition the Commission or not. They have to prove that they have an underearning position; otherwise, they're earning within their range despite the $5 billion purchase. And again, these are numbers that we're using and they have no relation to reality.

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

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

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

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

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

COUNCILMAN HAZOURI: Accidentally.

CHAIRMAN CRESCIMBENI: Do you want to ask a question?
COUNCILMAN HAZOURI: Several.

CHAIRMAN CRESCIMBENI: All right.

Mr. Hazouri.

COUNCILMAN HAZOURI: Thank you,

Mr. Chairman.

Mr. Baez, thank you for being here.

Unlike his 5 years, I spent 14 years over in Tallahassee, 12 as a legislator, so I'm somewhat familiar with the PSC.

But I do have just some basic questions and then I have a more serious question.

The nominating committee is appointed by whom in the legislature, the speaker or --

MR. BAEZ: It's appointed by the speaker and the president.

COUNCILMAN HAZOURI: Speaker and president of the senate, both?

MR. BAEZ: Yes, sir.

COUNCILMAN HAZOURI: And then it comes over to the senate for approval.

MR. BAEZ: Right. At the back end.

COUNCILMAN HAZOURI: Who appoints the public counsel for the PSC?

MR. BAEZ: There is a joint oversight committee made up as -- it's a legislative
COUNCILMAN HAZOURI: Not the governor?

MR. BAEZ: No, sir.

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

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

COUNCILMAN HAZOURI: They exist?

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

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

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

MR. BAEZ: Florida Power & Light.

COUNCILMAN HAZOURI: Florida Power & Light in Miami, severe hurricanes --
Mr. Love, I'm thinking about insurance now -- so that's a tremendous amount of damage, electrical damage, what have you, in Miami FP&L. Is that cost spread over all of the FPLs in Florida?

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

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

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

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

MR. BAEZ: Yes.

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

MR. BAEZ: Well, through the surcharge, yes. The surcharge would be applicable to
all its customers.

COUNCILMAN HAZOURI: How is that reflected in the rates?

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

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

MR. BAEZ: Yes, sir.

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

MR. BAEZ: It's a line item.

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

MR. BAEZ: For a particular period of time.

COUNCILMAN HAZOURI: And you-all have experienced that?

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

COUNCILMAN HAZOURI: Okay. Have you-all had any sales of public utilities to private utilities in Florida? Have you-all dealt
with any of those, or have there been any?
I'm not sure if there have been. I know
Tampa Electric was private, so I don't think
that counts.

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

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

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

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

MR. BAEZ: No. So the way I would
categorize it -- the way I would
characterize it is the actual decision to
sell or buy, right, to enter into the
transaction, that's not reviewable by the
Commission, so -- that discreet act;
however, after that agreement is struck, there are financial impacts that I think you alluded to that may or may not come before the Commission depending on what, for instance, the acquiring utility decides to do, right. Because eventually, they've got to seek leave from the Commission to include certain incremental costs or certain transactionable costs as a result of the transaction, for example. But until they do that, it's off the books and is not covered by rates. They're not recovered on it. That's one example.

As to rates to the customers, right, you would expect, let's assume a differential in rate, all right, but since the acquiring utility, in this case it's a regulated utility, since the acquiring utility is under an obligation through that regulatory compact that I spoke of earlier of charging everyone the same, they would have to make some affirmative -- some affirmative act in order to come back into compliance with that. Because they can't have -- theoretically, at least, they can't have two
separate rates for the same type of customer. So you would anticipate some kind of action on that front.

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

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

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

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

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

MR. BAEZ: It would be across the board.

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

MR. BAEZ: Everybody would have the same rate.
CHAIRMAN CRESCIMBENI: Mr. Baez, I think you said earlier every single ratepayer under an existing IOU, let's take FPL, pays exactly the same rate; right?

MR. BAEZ: In a general sense, yes.

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

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

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

MR. BAEZ: No difference.

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

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

The other point is there have to be other costs involved in the purchasing. And you-all have nothing to do with the transaction; you-all just get the end product. And that end product is going to have some kind of a ripple effect on the JEA customers here. And probably a chilling
effect, if you don't mind me saying that, because of the cost -- I know you don't know, but you said you-all haven't dealt with that. You said you've got one -- can I ask you which company it is that's being purchased or maybe you said there's a transaction taking place now.

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

COUNCILMAN HAZOURI: Vero Beach has a public utility?

MR. BAEZ: They do, yes.

COUNCILMAN HAZOURI: And who is looking to purchase it?

MR. BAEZ: Florida Power & Light.

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

    Thank you, Mr. Baez, I appreciate you

being here.

    MR. BAEZ: My pleasure. I'll make sure

that we forward the docket numbers at least

so you all can follow it.

    CHAIRMAN CRESCIMBENI: Thank you,

Mr. Hazouri.

    Mr. Becton.

    COUNCILMAN BECTON: Thank you.

    Through the Chair, Mr. Baez, when it

comes to expanding services, does the PSC

frown upon the idea of current ratepayers

paying part of that cost of expansion?

    MR. BAEZ: Define expanding services.

    I'm sorry.

    COUNCILMAN BECTON: People who don't

have electricity, adding that the utility

going in and installing electric lines or

water and sewer or anything to expand their

services.

    MR. BAEZ: I see what you mean now.

That's part of the utility's planning

function over which the Commission has

oversight, let's start with that. Now, when
you describe an expansion of service in your
example -- and I'll take it a step further,
the planning function of a utility is a
day-to-day function, all right. It's
something that's folded into their business
plan, it's part of their operations. So
they are -- and I would assume -- I've never
worked for a utility, but I would assume
there are folks back in a room somewhere
saying, I know that there is going to be
growth in this area, we need to provide for
that growth. I would refer you back to
their obligation to serve.

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

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

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

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

COUNCILMAN BECTON: Well, I'm saying, if I have a company and I'm going out looking for new customers, there is marketing, there is -- you know, there is capital cost when I get those new customers, right, and
obviously the revenue I take in from my existing customers is helping fund that through gross profit and those types of things, right, retained earnings. But the conversation was more the PSC would not allow us to do that. Your name was specifically mentioned as regulating that activity for which would frown upon costs being incurred by the current ratepayers to do that expansion.

MR. BAEZ: I think -- I'm sorry, Councilman Becton. I think I need to know a little bit more specifically the facts of the expansion. And the reason I answer it that way, excuse me, is this: There are clearly expansions that are subject to their obligation to serve that fall within the operations of the company. Now, we'll lapse back into that, talk about is the financial burden of a company too much that they're placed in a financial disadvantage, i.e., underearning, right, where they would have the right to say, hey, we don't have enough -- these are our operations, this expansion is part of our operations, for
example, but it places us in an
underearnings position.

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

Now, I don't know the details and what
would make a utility representative say that
the Commission would never allow that. I
have trouble with that, because the case
hasn't been made, the petition hasn't been
provided and the folks that are voting are
not here. I don't have a vote on the
Commission, so it's not a question of
whether I will allow it or not, right.
That's a policy decision, or that's a
decision that a commission would make and
that the utility in question in your example
would have the opportunity to access the
process and ask for recovery of those
expenses. And they would make their case
and then the Commission would render a
decision. I think it's too facile a
statement to be making to say they would
never allow it. Again, I say all of this
without knowing any of the facts.

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

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

COUNCILMAN BECTON: Okay. So I mean,
that's what I would hope your answer would be, that it really just boils down to, does it work within your retained earnings, are you staying within your profit margin.

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

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

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

COUNCILMAN BECTON: Has plans what?
MR. BAEZ: Has plans on building its own
generation of a certain size, they would be
subject to siting statute. And as part of
the siting statute -- I think it's 403, I
may be misquoting the statute. But that
siting statute requires the utility to prove
the need for that asset. That hearing and
that determination of need, as a technical
name of the proceeding, would come before
the Commission. And that doesn't matter, as
long as the plant is of a certain size where
it falls within the statute, it doesn't
matter if you're a municipal or you're an
investor-owned utility, you have to prove
the need for that asset before the
Commission.

COUNCILMAN BECTON: Okay. Is that the
only thing?

MR. BAEZ: They also have to file -- if
you're a generation-owning utility, you have
to file what's called a 10-year site plan.
And I think JEA's -- you all may be familiar
with the term. And that really is a look
into the future to better assess what the
overall demands of the state are and how the
separate utilities are planning on addressing their own individual demands within that --

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

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

COUNCILMAN BECTON: Okay. Anything else?

MR. BAEZ: There are safety inspections, safety of facilities, gas and electric, things of that nature. And also we had mentioned before the issue of discriminatory rates. So there is a concept called rate structure. Rate structure is the relationship between the classes of customers. And the easiest one is residential versus commercial, right. I
used it before. So a discriminatory rate
would be in two places, you'd either have
different residential customers getting
different rates unjustifiably. That's a
case of discriminatory ratemaking. And then
you have the whole cross subsidy issue, so
that's rate structure. So if you're -- if
your residents are bearing the cost burdens
of your businesses, of your commercial
customers, for example.

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

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

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

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

COUNCILMAN BECTON: Okay. Thank you,
Mr. Chair.

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

Councilwoman Boyer.

COUNCILWOMAN BOYER: Thank you.

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

And so that if I'm hearing what you're saying in response to Councilman Becton, is that within the bounds of financial prudence and the existing rate structure, if a utility has the capacity to extend service within the area to which they've been given monopoly rights, it is part of their
obligation to serve the customers in that area. And that's kind of how you look at it when you're weighing that.

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

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

MR. BAEZ: Understood, trend lines. I can't speak with specificity as to what we're seeing, I don't know if Mark -- one to one and a half as an overall, seems to be
about one percent growth. Now, clearly there are utilities that may be a little higher than that because they're projecting growth and others that aren't. But one to one and a half seems to be, one to one and a half.

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

MR. BAEZ: It's the current accepted.

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

MR. BAEZ: That's correct.

COUNCILWOMAN BOYER: And that being the case, they're saying that this is a conservative projection in the sense that it overly estimates the demands so to make sure that there is plenty of power available as
opposed to striving for an accurate
projection. Do you think the -- what are
the criteria designed to produce? What are
you hoping to get?

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

Now we're into a more formal territory,
where in response, I believe, to Councilman
Becton's, one of his questions, they have to
prove the need under the siting statute.
And now is when the real business starts, you know, so the numbers gotta be there.

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

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

COUNCILWOMAN BOYER: Yes.

MR. BAEZ: I think that they are having to use -- at the endgame, they're having to use assumptions that, I think, are as close to justifiable and reasonable as possible. There is no profit to be gained by overestimating growth just so that a planning document can show more generation than necessary knowing full well that, at the end of the game, there is going to be an
accounting. Those assumptions are going to get put to the test officially by people who have adverse interests. So the planning document is either going to be valued for its realistic approach and its accuracy or it's just so much paper. And I can't speak to which one it is or if it's any one of those, to be frank. But hopefully, and I believe, you know, JEA is, as well as the rest of -- as well as the rest of the utilities that are putting into this overall planning document, do take it seriously. I mean, because people like you and others will ask the questions about it. And they'll put those assumptions to the test in some way.

COUNCILWOMAN BOYER: So the reason I'm following up with this line of questioning in particular is we've been given two very different trajectories: One that is the 10-year site plan that's filed with you that shows the demand for service, the need for additional capacity, going upward; and another one that when you're projecting potential revenue of the utility, the
challenges the utility faces shows the
demand for service and the need for
additional kilowatts going down. So there
is this wide gap between the two. So the
explanation has been that the criteria used
by the PSC require a calculation that is
much higher than realistic.

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

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

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

CHAIRMAN CRESCIMBENI: All right. Thank
you, Ms. Boyer.
Councilman Anderson, only if it's a good question, though.

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

COUNCILMAN LOVE: Let's vote on that.

CHAIRMAN CRESCIMBENI: The other one was pretty good.

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

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

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

COUNCILMAN ANDERSON: So in coming up with a rate of return, if an organization comes to you and says, listen, we're going to do, A, B and C, here is our pro formas, here is our projections, do you just test that to make sure they're still within the band of health, whatever you call that, the band or is it a --
MR. BAEZ: I understand. The range. I think you're describing a moment in time beyond the moment where -- I don't think they have that kind of relation. The two things don't have the relationship with each other. I'll take part of it first. Yes, a company will file what they call projected (inaudible), so it includes their pro forma, we know we're going to build this in and we know this is coming, et cetera, et cetera, so that our rate base is going to look -- all assumptions necessary, right, the rate base is going to look like X. Then we get into the discussion.

The discussion of the rate of return is a different one, it's a different and discreet one based on all these other things that we've been discussing, because that rate base number is scrubbed, right, and it's vetted and the number becomes what it becomes addressing those projects. But they don't necessarily bear into the conversation of what the appropriate rate of return that analysis ought to be. That's a conversation that takes place at a -- at a separate
point, right. We're in a separate --

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

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

COUNCILMAN ANDERSON: So to Mr. Dennis' point, that's exactly right. I think that was helpful. So you talked about regulating if JEA, for example, wanted to build a new
plant. Does that also go to solar as well if they wanted to produce a solar-generating plant, and electrical generating --

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

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

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

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

MR. BAEZ: I think all imports are included, the import capacity, imported capacity, if you will. So they're treated, in essence, as a power plant, if you will, producing energy for the benefit of the ratepayer.
COUNCILMAN ANDERSON: So if the -- from your standpoint, if an authority entered into an agreement to purchase power from some other location, you believe that, from a fiduciary standpoint, you know, that you're looking to make sure the grid is stable, that that purchase agreement is inclusive, it's included in that calculation?

MR. BAEZ: It is, yes.

COUNCILMAN ANDERSON: It is.

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

COUNCILMAN ANDERSON: And technically that works? I mean, you can get power from
Georgia to Orlando if you need to get it there?

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

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

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

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

COUNCILMAN ANDERSON: Thank you, Mr. Chairman.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Anderson.

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

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

CHAIRMAN CRESCIMBENI: So four of you
MR. BAEZ: Just us four. And I'm the only one that's being allowed to speak today, generally.

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

PRESIDENT BROSCHE: Thank you, Mr. Chairman.

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

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

CHAIRMAN CRESCIMBENI: I think what she means is we had a report done by a company called PFM. I can't remember exactly what that stands for, something management. And they were talking to us about things we might want to look at if we were to sell our
utility. And one of the variables in there was that we could ask the potential buyer to cap rates or restrict rates to a specific inflation over some prescribed time period. Now, they also suggested that might have an adverse impact on the value of the utility, but I think what Ms. Brosche is asking is how would that work since everybody is paying a uniform rate.

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

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

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

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

CHAIRMAN CRESCIMBENI: Interesting. I had something else written down for the topic of the day or the point of the day, but that may have surpassed it. What I had
written down was -- and I hope whoever came
up with this has a parking space somewhere
close to the front door of (inaudible), I've
never been there, but up until that point,
sympathetic gradualism was something that I
found to be truly fascinating.

COUNCILMAN HAZOURI: Me too.

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

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

COUNCILMAN HAZOURI: I like that term,
though.

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

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

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

I've anticipated this presentation. I
found it to be very, very informative.
Thank you so much for making the trip. I
think everybody has gotten a lot out of it. We may have some follow-up questions that we may send you just in writing if you all would be kind enough to answer those.

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

MR. BAEZ: I keep telling him that.

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

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

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

(Brief recess.)

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

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

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

Thank you for coming back up. Certainly we just chatted about this, because I wanted to clarify because I didn't really want to
get into the specific utility that I was referring to. And I'll just clump them together --

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

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

But the -- and so the way gas utilities and I think in a similar sense water utilities apportion their cost or allocate their cost is different than an electric utility. So you have things like connection
charges, contributions and terms and
careful concepts like that that address the lack of
an obligation to serve. So that allows them
to say, you want me to go there, well, this
is what it's going to cost for you to go
there and you owe me that. They don't
spread those specific costs -- under most
circumstances they don't spread those
specific costs to the general ratepayers.
There is a difference.

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

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

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

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

COUNCILMAN BECTON: Well, I go back to
you said -- I go back to the PSC's, the
bullet points you said limited oversight.
So I didn't hear any restrictions as to expansion of services whether it was natural gas, electric, water or sewer, but correct me if I'm -- but since we are saying natural gas needs to have a different --

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

So you too can say we're going to assign the connection -- the cost of connection for any customer to that particular customer and let that be your policy or you can do it,
we're not going to charge anything, we're going to spread it out and absorb it across the general -- that's not a question that we answer.

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

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

And the Commission will consider, well, okay, this expansion, which puts you in an underearnings position, which is the reason,
the legal justification for coming in and asking for a rate increase, that's what we're doing, because it's proven for you to expand. Does that make --

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

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

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

CHAIRMAN CRESCIMBENI: Moving on to --
thank you again.

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

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

We also have Professor Ted Kury from University of Florida.

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

So you all may remember that I had approached Mr. Crescimbeni about the Jessie Ball duPont fund's offer to be helpful to the task force if we could be. We spoke about that in public meeting with President Brosche and Mr. Crescimbeni. And where we
came out is we decided to commission our own
independent study for our own purposes and
for public purposes to help inform your
discretion and the people's discretion.

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

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

DR. KURY: Thank you.

And again, thank you for the invitation
today. So why is a research center
interested in a question like this? It's
really a fascinating question. I realize
that your focus is primarily on the utility
business in Jacksonville, but the reality is
that most people in the world are served by,
essentially, state-owned utilities. We call
them unies here in the United States, but
most places in the world they're known as
state-owned enterprises. And idea of the
value of a state-owned enterprise where you
have significant overlap between the people
who own the system and the people who are
customers of the system, make it not quite
unique in the world of industrial
organization, but pretty special.

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

The day that transaction closes, if that
new owner doesn't maintain the property and
it starts to fall apart, you don't care. If
that new owner doesn't put the same care
into the quality of food or the quality of
service, you don't care. If that new owner
takes all the prices and increases them by
20 percent, you don't care. And why don't
you care? Because you don't have to eat there anymore. But what if you did? What if you still had to eat every breakfast, every lunch, every dinner, you, your family, your friends, every meal for the rest of your life? Now you care. You care about all those other things -- was the price important? Sure, it was. But all those other things were important too.

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

And so every one of the different topics within that scope -- and as I said any questions you have, I'm more than happy to address specifics. I'm going to go topic by topic. But every one of them, it's that idea behind it, what does value mean in this particular context. And when the University
was first contacted by the duPont
dfoundation, I was curious. I thought this
is an important question for a lot of people
in this world. And I started doing some
literature searches, rudimentary ones at
first and I haven't found anybody that's
really addressed the question in quite this
way. And so we're really looking forward to
the opportunity. We anticipate a completion
date of early November for the study. And
as I said, from our standpoint, it's a
fascinating topic. And our hope is that it
is an interesting one for you folks, for
JEAn, for the City of Jacksonville going
forward.

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

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

DR. KURY: The project team is --

CHAIRMAN CRESCIMBENI: The mechanics of
the actual assembly of the study.

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

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

So my expertise is primarily in energy. I have some experience in water, but primarily my expertise is in electricity and
natural gas. David is in water. Cindy is doing legislative and regulatory. And then, as I said, Mark Jamison is the Director of the Center, so he's got oversight responsibility.

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

DR. KURY: Nobody has done anything close to what this project looks like, that's the interesting part about it. If somebody had already done a study to look at the value of a municipal utility, what value means, quite frankly, I would give you that study and we'd be done. So that's part of what makes this exciting is that, you know, we do a lot of work at PURC with investor-owned utilities and municipal utilities, regulators and operators, we run a number of programs at the Center. Now we work primarily with folks outside the United States. We primarily work with folks in Latin America, the Caribbean, Sub-Saharan, South Asia, Pacific islands in the Pacific Rim.
This general question of how does utility performance, utility value, how does that change with ownership structure or with different types of organization structures within it, you know, that's -- I mean, that's the subject of most of our programs.

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

DR. KURY: I am, yes.

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

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

CHAIRMAN CRESCIMBENI: Speaking of Council President Brosche, she's on the
queue for a question.

So, Ms. Brosche.

PRESIDENT BROSCH E: Thank you,

Mr. Chairman.

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

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

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

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

PRESIDENT BROSCHÉ: And they have expressed their willingness to respond to whatever question you have?

DR. KURY: Well, they've expressed a willingness to cooperate the best they can. I think you can't say anything. But I mean, yes, they expressed a willingness to cooperate, but certainly there are -- there are always boundaries.
PRESIDENT BROSCHÉ: Great. Thank you so much.

CHAIRMAN CRESCIMBENI: Thank you, Ms. Brosche.

Councilman Anderson.

COUNCILMAN ANDERSON: Thank you, Mr. Chair.

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

And, Sherry, thank you for helping.

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

DR. KURY: Sure. Some of the other things we're going to be addressing in the study are things like quality of service,
you know. As Mr. Baez pointed out very well, there is that balancing act between reliability of service and cost. And so looking at two utilities solely on the basis of cost isn't always a valid comparison, because there may be other factors that are not being considered. You know, when we make comparisons, we kind of hold in -- economists have a saying, all else equal. It's a really strong assumption. And we make it implicitly in our heads when we're comparing two things, but that's not always a valid -- all else isn't necessarily equal. Again, as Mr. Baez pointed out, every utility has something distinct about them.

So what we're going to be trying to do is we're going to be looking at some of the things that may make JEA distinct. So for example, not every utility in the state of Florida has a district energy system, so that's a component of value. You know, not every electric utility also runs a water/wastewater utility, that's part of the value. You know, quality of service, access to service, you know, other things that
the -- other things that the utility may do.
The return to the general fund, you know, for example, that is -- that's a distinct value. And there is no -- I don't want to say every municipal utility in the state of Florida, but I'm pretty sure. Every municipal utility in the state of Florida returns something to the general fund, but there is no hard and fast rule that it's always X percent.

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

COUNCILMAN ANDERSON: Thank you. That's perfect. And also, I believe, you sort of said it, but certainly value within the context of this community, so employment, community, development, those types of things are, you would say, I think, from what you just shared would be part of that
conversation as well; is that correct?

DR. KURY: Yes, absolutely.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Anderson.

Councilman Dennis.

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

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

DR. KURY: Well, I guess, if I was advising anybody, then I wouldn't be in my
current job, because advocacy is -- that's not what I do. That's not what the research center does. We don't take positions. What we're trying to do is we're trying to answer the general question of what is the value of the utility. What you're getting into speaks more to what is someone willing to pay for that utility. And quite frankly, that question is outside the scope of this study.

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

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

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

DR. KURY: I don't know that the state statute looks at that specifically. I think that's more something that would be considered on the PSC level. But to be honest, I don't know. Certainly that idea will be part of the -- will be part of the study. I know that outside the United
States it's clear. Intangible assets are not allowed under international financial reporting standards. But here in the United States we haven't adopted international financial reporting standards. So lots of utilities maintain intangible assets on their books.

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

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

DR. KURY: Value means different things
to different people.

COUNCILMAN DENNIS: All right. Thank you.

DR. KURY: Sure.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Dennis.

Councilman Love.

COUNCILMAN LOVE: Thank you.

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

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

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

DR. KURY: Yes, sir.

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

DR. KURY: Well, as I said, they all speak to -- they all speak to the -- that value proposition. I am the -- the quality of service benchmarking that we're looking at that will utilize both statistical
methods as well as numerical methods. I'm not aware of, again, another study quite like that that's been done. And so it's going to be interesting to me to see how that -- you know, how that idea of comparing quality of service metrics pans out, because it's actually only -- while it seems like we should have been systematically collecting data on things like cumulative outages and outage frequency for years, the fact is we haven't been systematically collecting that data but for the last four years. You know, typically that data was collected by the state utility commissions for just a subset of their utilities. But within the last four years, the federal government has expanded their data collection efforts to include that type of information from all utilities. And I think that's going to be an interesting part of it.

I also think the idea of taking a look at what -- the other types of services. Again, you know, district energy is -- while it's a popular topic, it's not implemented as much, you know, in North America, say, as
it is in other parts of the world. And so I think looking at that aspect of their business is going to be -- it's going to be very interesting. Again, it's interesting to me to look at things in general that other people haven't taken a look at.

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

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

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

CHAIRMAN CRESCIMBENI: Thank your, Mr. Love.

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

Ms. Magill, thank you again.

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

DR. KURY: I'm not. I have a family obligation this evening.
CHAIRMAN CRESCEMBENI: Are you going to that restaurant to eat?

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

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

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

DR. KURY: Thank you.

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

PRESIDENT BROSCH: Yes. Thank you, Mr. Chairman.

I know I received an email. I suspect that we all received an email, because it's by blind copy from Mr. Jordan Pope that said: Council Members, added, Tuesday, May 15th, 2018, the JEA Board approved the following motion, absent a Board decision to pursue, any activities tied to a
privatization effort would be put on hold. And there was a video link and shared where you can see that.

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

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

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

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

MS. KILGO: Good afternoon. Nancy
Kilgo.

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

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

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

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

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

CHAIRMAN CRESCIMBENI: Ms. Kilgo, you'll
handle that or do you want me to talk to
Jordan, who is, I think, standing in line
for Space Mountain? But I'm sure he's
watching.

MS. KILGO: I will do that for him.

Thank you.

CHAIRMAN CRESCIMBENI: Thank you very
much.

Thank you, Ms. Brosche.

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

Mr. Dennis, did you have something?

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

CHAIRMAN CRESCIMBENI: The compensation
for the CEO and Ms. Dykes?
COUNCILMAN DENNIS: Yes.

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

Thank you, Mr. Dennis.

Mr. Bruderly.

MR. BRUDERLY: Thank you, Mr. Chairman.

My name is David Bruderly.

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

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

In 1990 I came to the realization, as a
consultant back in those days, that the
energy industry was going to change
considerably. We just happened to be going
into a war in 1990 for oil at that time.
And I recognized that the technology was
coming down the pipeline for 21st Century
transportation infrastructure that was going
to be electric motor driven.

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

And I have been working -- Governor
Chiles had Sustainable Commission for South
Florida; Governor Bush had the (inaudible)
Advisory Board; Governor Crist had the
Florida Energy Commission. And I spent
many, many days testifying in front of all
of these bodies working within the framework
of what was now today called synthetic
gradualism about the role of the electric
and gas utilities in the state to serve the public interest.

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

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

Now, I missed your privatization debate because I left the country on December 15th
and I will simply tell -- I'm out of time, right?

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

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

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

And I would encourage all of you to strongly support Aaron Zahn to empower JEA staff to work with Ted and PURC -- I've known Ted and David Richardson for many, many years -- to incorporate sustainability metrics into this analysis that they're doing, and JEA work in partnership with this...
group to basically help us transition to a 21st Century economy so the new folks can learn what you need to know to make an informed decision. And that's not going to be easy, that's a tough job. And --

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

Councilman Bowman.

MR. BOWMAN: Thank you.

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

MR. BRUDERLY: I do.

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

MR. BRUDERLY: Forklifts; right?

COUNCILMAN BOWMAN: -- forklifts that people stand and go up about 40 feet in the air to get products off shelves, those are all hydrogen fuel cells, they have two fuelling stations there and it's amazing to
see. So your vision is starting to come true. Thank you.

MR. BRUDELY: Well, thank you, sir.

It's not just my vision. It's been the vision of a whole lot of people.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Bowman.

Thank you, Mr. Bruderly, for being here.

MR. BRUDELY: Thank you, sir.

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

I have another card submitted, Mr. Gray.

MR. GRAY: Hello. My name is Chap Gray.

I'll be brief.

Just wanted to let you-all know, you-all had a question a few weeks back about what the cost of converting a home to solar energy would be. For the past several weeks, I've been putting together some numbers of my own, and I would be happy to share them with you-all at you-all's convenience, just some numbers on a spreadsheet showing what the cost of solar panels and a Tesla power wall, which is a battery storage system, would be for a
house. Actually, I put it together for my house and two others as a comparison.

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

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

CHAIRMAN CRESCIMBENI: Are those no longer --

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

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

MR. GRAY: I have a flash drive.

CHAIRMAN CRESCIMBENI: Can you leave that with us?

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

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

Mr. Bowman -- Mr. Becton.

COUNCILMAN BOWMAN: It's the hair.

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

Thank you.

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

MR. GRAY: Yes.

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

MR. GRAY: Well, it's easier if you look at the presentation I put together. I put it together using an app called Google Project Sunroof, which appears to me -- I didn't even know about it up until about three weeks ago. It appears to me they took Google Earth and they just use, like, a computer model of the roof of your house to
determine, you know, what it looks like, a
typical solar installation would be.

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

COUNCILMAN BECTON: You said poor
quality?

MR. GRAY: Yes.

COUNCILMAN BECTON: Because I was making
a statement, when I look at people's houses,
I usually see, four, five panels on a
rooftop, it appears, from residential. I
guess I was just kind of curious what is the
expectation from a typical -- is it just
trying to generate 25 percent of their
power, 50 percent? I'm sure a typical home,
refrigerator, washer and dryer, you know,
those types of things have a, you know, I
keep using the word average, typical,
however you want to quantify it, and what
might be the power generation from those
solar panels to a typical household. No
guess from what you looked at, like 50
percent, 25 percent? I mean, I'm not
holding you to anything here, but --
MR. GRAY: Without actually tweaking the Google Project Sunroof numbers, just going with their numbers alone, my house and one of my coworker's houses, we came up short quite a bit as far as the production compared to our average daily consumption over the last year. My father-in-law, whose house is about half the square footage of mine, he was the closest. He was -- I'm going to guess probably about 90, 98 percent, 95 percent.

COUNCILMAN BECTON: Of 100 percent demand?

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

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

MR. GRAY: Well, even on sunny days.
Saying Florida is the sunshine state is a little bit of a misnomer. The output of that plant is very sporadic.

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

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

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

CHAIRMAN CRESCIMBENI: Thank you, Mr. Becton.

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

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

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

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

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

But Mr. Clements has been taking superb notes. We certainly have a very substantial recommendation that's been provided by some
of our contributors to this effort. So I think we could publish a pretty comprehensive report backed up with some pretty amazing appendix inclusions. And I'm going to ask Mr. Clements, he probably regrets having attended today, if you will start working on a draft of that report for us to take a look at at some meeting down the road.

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

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

    COUNCILMAN DENNIS: Through the Chair to the Committee, I know if you go to research, there is a lot of reports. I know for District 9 there's a lot of reports, there's a lot of reports.
And so I hope that, if we're not finished by June 30th, that this Committee will take some action legislatively to basically submit the work of this Committee. I don't know what that is. I don't know if it's been done in the past before, but I think just submitting the report, just putting it in the atmosphere, I think it should be followed up or -- you know, whether it's a resolution or subordinate, but I think there should be some legislative action besides just submitting a report, so.

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

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

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

COUNCILMAN DENNIS: All right. Sounds good.

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

All right. Anything else?

Mr. Becton, are you just waving or do
you want to say something?

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

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