

The University of Florida's
Public Utility Research Center Fosters
Ties to Business and Government

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September 28, 1982

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THE UNIVERSITY OF FLORIDA'S
PUBLIC UTILITY RESEARCH CENTER FOSTERS
TIES TO BUSINESS AND GOVERNMENT

SUMMARY

The Public Utility Research Center at the University of Florida was formed to improve relationships between business and the University. PURC strives to accomplish this by (1) conducting research designed to improve company operations and/or regulation, (2) preparing students for careers with utility companies and/or regulatory agencies, and (3) helping to improve the public's understanding of regulatory issues.

Interaction takes place on many levels. At the University, utility companies provide guest lecturers for classes, supply students and faculty with corporate data and topics for research, and participate in workshops and seminars hosted by PURC. Off-campus, PURC researchers have testified before legislative bodies and regulatory commissions, and they have conducted seminars at company and commission headquarters. The Center also hosts an annual conference for regulators and industry leaders. Corporate contributions have grown from \$40,000 in 1972 to \$131,400 in 1982; this is perhaps the best indication of business' respect for the program.

Recognizing the importance of similar organizations in other states, PURC has helped faculty at other universities (Georgia, Connecticut, and Illinois, among others) set up utility research centers on their campuses. In the near future, PURC plans to sponsor a workshop at the national Financial Management Association Conference to bring together university, industry, and government people from across the country to discuss the formation of utility research centers.

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TIES TO BUSINESS AND GOVERNMENT

Since its inception in 1971, the Public Utility Research Center (PURC) at the University of Florida has developed numerous links with utility companies and their regulators. It has improved scholars' relationships with business executives by inviting guest lecturers, sharing data and methodologies, and sponsoring campus workshops and conferences. Through on-site seminars, regulatory testimony, and student placement programs, it has become well known and respected within the utility industry.

The Center was begun with the encouragement of College of Business Dean Robert Lanzillotti. It serves the academic community, and it enjoys the support of participants in the utility regulatory process--company executives and Florida Public Service Commissioners. PURC endeavors to meet the needs of these participants, and thus of society, by (1) conducting research that might lead to improved company operations and/or regulation, (2) better preparing students for careers with utility companies and/or regulatory agencies, and (3) helping to improve the public's understanding of regulatory issues by establishing studies of them as parts of the college's core business courses.

WAYS IN WHICH THE BUSINESS COMMUNITY INTERACTS WITH
PURC AND THE COLLEGE OF BUSINESS ON CAMPUS

Guest Lecturers

The members of the PURC Executive Committee, representing 11 utility organizations in Florida and the PSC have proved willing to speak to undergraduate classes. This activity gives the students an opportunity to hear and ask about real world problems and solutions that are encountered in business. Examples include the following:

- (1) Vic Leavengood, Treasurer, General Telephone Company of Florida, gives a lecture each semester to the Managerial Finance classes, drawing examples from the utility industry and Wall Street. His first-hand stories of how cash is raised and managed are particularly absorbing, and he is besieged by eager questioners following his talks.
- (2) David L. Swafford, Executive Director, FPSC, spoke to the Public Utility Economics class via telephone conference call using speaker phones.
- (3) James Herden, Manager of Corporate Economics, Arkansas Power & Light, presented a talk to graduate and undergraduate students in the Public Utility Economics classes on course work useful in business; he illustrated how economic concepts are used in rate case problems.

- (4) Jim Taggart, Financial Vice President of Tampa Electric, and George Schreiber, Vice President of Kidder Peabody, discussed dividend policy with MBA finance students.

Provide Corporate Data

Up-to-date facts and corporate reports are supplied by the companies to faculty members so that instructors in finance and economics can use actual case studies to deal with regulatory issues such as peak load pricing and cost-benefit analysis. In addition, advanced students researching topics have been provided with microdata for estimating quantitative models for dissertations, master's theses, and articles. Feedback from the companies is then an important part of revising or refining the research. Examples of this kind of cooperation include the following:

- (1) Ebasco consulting firm provided historic data covering 10 years to a Ph.D. student, Gael Penland, for her dissertation: "Investment Behavior of Regulated Electric Utilities in the United States, 1964-1977," University of Florida, 1979.
- (2) Southern Bell aided another Ph.D. student when it gave Steven Caudill the appropriate information to allow him to complete his dissertation: "Modeling the Class of Service Choice of Residential Telephone Customers," University of Florida, 1982. In addition, Southern Bell also provided information for a master's thesis by

Martin Grace, "Separations and Settlements: Analysis and Recommendations," August 1981.

- (3) Florida Power & Light greatly assisted PURC with a Department of Energy/Florida PSC contract by providing data for load patterns. A book and numerous articles have emerged from the resultant five-part report, "Metering for Innovative Electric Rates," December 1981:

Berg, Sanford V., et al., Innovative Electric Rates: Issues in Cost-Benefit Analysis (Lexington, Mass.: Lexington Books, 1982).

Berg, Sanford V., "PURPA: Benefit-Cost Analysis for Innovative Rates," Public Utilities Fortnightly, October 18, 1981.

Berg, Sanford V., "Benefit-Cost Comparisons of Load Management Strategies," chapter in Award Papers in Public Utility Economics and Regulation, MSU Institute for Public Utilities, 1982.

- (4) FP&L has had several meetings with Jack Feldman, of the Management Department, and Stephen LaTour, of Marketing, concerning questionnaire development and experimental design on Time of Use Rates.
- (5) Florida Power Corporation, now Florida Progress Corporation, played an integral part in the completion of a Board of Regents grant report, "Quantification and Development of Marginal Cost Based Electric Rates: The Perturbation Method," April 1980, by Sanford V. Berg and Larry Brockman of the Gainesville Regional Utilities.

These illustrative interactions reflect contact with line managers, such as load researchers, accountants, and financial staff. Thus, the reciprocal sharing of ideas and perspectives goes beyond a few formal meetings per year with corporate vice presidents.

Participation in Workshops at UF

Seminars and workshops where experts from the companies make presentations on specific topics and interact on an informal level are given on campus for the benefit of students and faculty. These are examples:

- (1) Eugene Brigham, Finance, hosted a workshop at UF on June 10, 1982, on accounting issues concerning Construction Work in Progress (CWIP), with attendees from Gulf Power, FP&L, FPC, TECO, the FPSC, the Texas PSC, and the Florida Public Counsel's office.
- (2) A member of Wisconsin's Public Service Commission met with Economics faculty members and graduate students in July to discuss "Issues Raised by Utility Diversification and Possible Regulatory Responses."
- (3) K. Laitimer, Bell Labs, presented a talk on "An Application of the Rotterdam Model to the Demand for Communications" in February 1982.
- (4) Several workshops on innovative electric rates have been held on campus.

WAYS IN WHICH PURC INTERACTS WITH THE
BUSINESS COMMUNITY OUTSIDE THE CAMPUS

Testimony

PURC representatives have testified before the Florida Legislature, as well as before various public service commissions, on regulatory issues affecting business and consumers:

- (1) Rate design (Berg).
- (2) Proposals to change regulatory procedures (Lanzillotti).
- (3) Financial consequences of legislative proposals (Brigham).
- (4) Accounting for environmental regulations (Berg), which emerged from a Board of Regents-sponsored study, "Environmental Regulations in Florida: Economic Report on Electric Utilities," 1978.
- (5) Rate design--PURPA hearing (Berg), and declining block rates and peak load pricing (Berg).
- (6) Experimental design and time of use rates (Feldman).
- (7) Population projections for regulation (Lanzillotti).
- (8) Financial implications of CWIP (Brigham).
- (9) Cost of capital (Brigham, Pettway, Vinson: 24 states, plus FCC and FERC)

There have been other, informal, contacts with government agencies, such as the Public Counsel and the Governor's Energy Office.

Conduct On-Site Seminars

On request, PURC-affiliated researchers have made presentations on theoretical and applied topics to companies. These seminars foster good interaction between the businesses and the university. Such workshops in recent years have addressed these subjects:

- (1) Innovative Rates for Peak Load Situations, May 1980. This meeting was held at Tampa Electric Company.
- (2) Telephone Issues of the 1980's, January 1981. This workshop included not only attendees from the telephone companies, but also media representatives. Participants discussed a number of issues facing the telephone industry, including measured service pricing, interstate and intrastate rates, connection charges, and competition.
- (3) Marginal Cost Pricing Methodologies, June 1982. This group met at the Jacksonville Electric Authority for two days.
- (4) Technological Changes in Telecommunications. This was the topic at Southern Bell, 1981.
- (5) A management training seminar, February 1982, at General Telephone Company.
- (6) Time of Use Pricing Seminars at Florida Power Corporation and Florida Power & Light, 1982.

Annual Conference

PURC hosts an annual conference at which topics of mutual interest to the utility industry and the university community are discussed. The conference is designed to bring together leaders from regulatory bodies, industry, and academia to discuss topics of current concern in a non-adversarial environment. Key speakers at past conferences have included: Alfred E. Kahn, economist; Paul Henson, Chairman, United Telecommunications, Inc.; Peter Manus, Vice President, New England Telephone and Telegraph; Henry ("Moke") Rollins, Texas PUC; Richard S. Bower, New York PSC; and Ernest G. Ellingson, General Manager of Economic Services Organization, Georgia Power Company.

Student Support Programs

By offering courses that deal with utility regulation in the University's economics and finance classes, PURC helps students to understand the problems faced by utilities in recent years, and, if their interests lie in that direction, to become productive additions to the utility industry. Through work-study programs several undergraduates have been given experience at a key stage in their career development. For example, an undergraduate recently was placed at Gainesville Gas Company.

PURC also supplements the University Placement Center by arranging interviews for promising students directly with the utility companies. Affiliation with PURC on research

efforts gives UF students an edge in the competitive job search process. Attached is a list showing the former PURC students who are currently working on utility-related issues.

Publications

Usually, publications assist the academic community by disseminating theoretical and empirical results. The attached listing of PURC publications includes many studies which are on the research frontier. Because of our links with the business community, PURC researchers also are encouraged to address policy issues in publications that are read by utility managers, for instance, Public Utilities Fortnightly and Financial Management. Florida executives have often provided feedback on these studies. Material has also been incorporated in Eugene Brigham's widely used texts, Managerial Finance, Essentials of Managerial Finance, Fundamentals of Financial Management, and Financial Management: Theory and Practice. Business executives have read and commented on drafts of chapters, offering real world examples and helping to ensure that the contents are empirically, as well as theoretically, correct. In addition, Brigham wrote the chapter on "Public Utility Finance" for Wiley's Financial Handbook, a tool for both researchers and business executives. PURC's Director, Eugene F. Brigham, and its Executive Director, Sanford V. Berg, have tried to involve the business community in all phases of the Center's work.

CONCLUSION

PURC has served as a prototype organization for a number of universities throughout the country. A number of other universities have requested information regarding the establishment of similar centers. Our model has been emulated at the Universities of Georgia, Wisconsin, Illinois, and Connecticut, and is in the planning stages at the University of Alabama and at William and Mary. Plans are being developed to help expand these activities even further. Thus, PURC is viewed as a successful entity which fosters many links with the business community.

In addition, PURC continues to attract new sponsors, and the level of support from each contributor has been increasing, evidence that the business community views the Center's work as beneficial. For example, the dollar amount of contributions has increased from \$90,400 in 1980 to \$131,400 in 1982, a 45 percent increase. In addition, the Florida Public Service Commission provides financial support, as does the Florida Municipal Utilities Association. Grants and contracts from the DOE and other agencies further augment the support for PURC research.

The Executive Committee which oversees PURC is comprised of vice presidents and presidents from Florida utilities, the Executive Director of the FPSC, and University representatives. Meetings of this group cover a wide range of topics: suggestions of issues to be addressed at meet-

ings, feedback on research, and evaluations of the program. As our work continues to provide benefit to the state and the business community, we look forward to additional projects in the future.