

Summer  
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Review

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*"Leadership in Infrastructure Policy"*

Through the generous support of sponsors and friends, the Public Utility Research Center continues to provide programs that are mutually beneficial to the energy, water, telecommunications, regulatory and academic sectors.

## How Can Florida's Water Supply be Managed in Response to Growth?

**A** clean, safe and affordable water supply is truly the life blood of Florida and, one could easily argue, of the nation and the world as well. What are the challenges in planning for a reliable water supply to meet the needs of a growing population? Will Florida be able to meet these challenges as water use continues to strain allocation systems in many parts of the state? If Florida does manage to do so, at what cost and with what strategies? Possible answers to those important questions were the subject of discussion at the PURC-Askew Water Conference this spring in Orlando.

Will decision-makers address water supply management issues throughout the state and eventually reach a broad consensus on water policy for Florida? International Water Association Executive Director Paul Reiter acknowledged it will be hard work, but noted that "sometimes a crisis is your best friend." Several timely droughts as severe as the one that plagued the state in 2000 could ultimately spur the design and implementation of a state-wide water policy plan. Reiter, and



*Stanford University Professor Roger Noll (at podium) answers questions after his luncheon presentation about the economics of urban water systems.*

Stanford Professor Dr. Roger Noll, in his luncheon address, both noted that Florida could learn from the bold initiatives in integrated water planning and management launched in other parts of the world, as well as in the United States.

Science-based water policy was the subject of much discussion. PURC Director of Water Studies Dr. Sanford Berg stressed how engineers, environmentalists, economists, hydrologists, lawyers, planners, political scientists and others offer different perspectives. Each utilizes a variety of tools that will shape the water supply management

agenda.

Indeed, the complex nature of the issue emphasizes the need for stronger collaboration among water management districts, municipalities and others, said Berg, as well as the need to consider creating an independent entity to gather scientific data on which to build a sound foundation for water policy. For example, a water supply authority for the state could coordinate this and other initiatives.

Finally, several speakers at the conference emphasized the role (and education) of the public. While asking the consuming groups to pay the true costs of water may be a political landmine, facing necessary (and sometimes harsh) realities may be the first step toward preventing a future water crisis.

The newly created Water Institute at the University of Florida brings together expertise from across campus (including PURC); the purpose of this interdisciplinary initiative is to improve understanding of aquatic systems and contribute to more effective policies

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# Information Rules: Part II

Mark A. Jamison, Ph.D., PURC Director

*“The problems that exist in the world today cannot be solved by the level of thinking that created them.” – Albert Einstein*

Much of the work of regulation can be traced to two basic information problems. The first is the information asymmetry between the regulator and the utility, namely, that the company knows more about its markets and its costs than does the regulator. This information asymmetry gives rise to things like incentive regulation and discovery processes. The second concern is the information asymmetry between the regulator (or government) and the citizenry, namely, that the regulator knows more about what she does and why than does the public. This asymmetry gives rise to things like

regulating in the sunshine and limits on regulatory discretion.

These two concerns view information in a static sense: Someone knows something that others do not. What if the information problem is dynamic? What if the problem is that the collective pool of knowledge is too limited, implying that regulators and stakeholders all need to learn? Solving dynamic information problems requires additional tools.

There seem to be at least four essential competencies for regulators who want to tackle dynamic information problems. The first competency is the willingness, ability, and self-discipline to listen. Being willing to listen means that the regulator accepts the premise that knowledge is limited – both her knowledge and the collective knowledge of the stakeholders. The ability to listen involves getting on the balcony to understand context, mental frameworks, motivations and relationships, and emerging patterns in what is being said through words and actions. Self-discipline means having the patience to gain understanding before interpreting facts and reaching conclusions.

This self-discipline takes us to our second competency: the willingness to communicate and make oneself understood. Communicating regulatory priorities, policies and decisions is hard because a regulator’s message must satisfy many criteria to be effective. The possibility of judicial review demands rigor and detail. The prospect of setting precedence calls for clarity on principles. The need for legitimacy with policymakers and the public ne-

cessitates plain language and sensitivity to the multiple contexts within which regulatory actions are interpreted.

Our third aptitude is to not alibi, but to act when existing regulatory policies do not match current realities. As we learned from the California energy crisis, ignoring a growing dysfunction leads to bigger problems and more painful resolutions. As Peter Drucker observed, “The most important task of an organization’s leader is to anticipate crisis. . . . To wait until crisis hits is abdication.”

Our last skill is to recognize the difference between person and role. Regulation is the work of people serving in particular roles, such as commissioner, staff attorney, or staff accountant, and the persons filling the roles change. This implies that each person has an obligation to his or her role, meaning that he or she needs to look out for its continuity and its effectiveness. In some respects the role is more important than the person. This is especially true when the role is high in the organization because so much of the success of the organization is dependent on that role.

Regulatory learning is more than obtaining information: It includes facilitating the discovery of new information, interpreting facts, and reaching conclusions about what they mean for public policy towards utilities. ☞

*(Additional information on these competencies can be found in Peter Drucker’s *Managing the Non-Profit Organization*.)*

Conference continued from page 1

for water quality and water quantity.  
☞

*Speakers’ presentations are available online at [www.purc.ufl.edu](http://www.purc.ufl.edu). A copy of the *Askew Report* about this conference can be found at [www.clas.ufl.edu/askew](http://www.clas.ufl.edu/askew).*



*From left, Askew Institute Executive Director David Colburn, International Water Association Director Paul Reiter, Former Florida Governor Reubin O'D. Askew and PURC Director Mark Jamison gather during the conference.*

# Research Activities

## Body of Knowledge

**N**ow online at [www.purc.ufl.edu](http://www.purc.ufl.edu) is a regulatory Body of Knowledge (BoK) that PURC has been developing the past two years in collaboration with the University of Toulouse, the Pontificia Universidad Católica del Perú, The World Bank and a team of international regulatory experts, with funding from the Public Private Infrastructure Advisory Facility.

The BoK consists of an annotated reading list and a glossary of terms. This document identifies state-of-the-art regulatory practices, emerging issues, basic principles, general concepts and case studies that serve as guides to international best practices. The annotated reading list includes an overview of utility regulation, as well as references for further information about topics presented. Work is underway to transform the documents into a comprehensive online resource with links to references, to the glossary and across sections.

## Leadership in Utilities Policy

PURC launches its leadership initiative this summer with a workshop at the National Association of Regulatory Utility Commissioners (NARUC) Summer Meeting co-sponsored with Cambridge Leadership Associates ([www.cambridge-leadership.com](http://www.cambridge-leadership.com)). PURC's plans continue in the development of online advanced training on regulatory issues.

## Research News

“Measuring and Mitigating Regula-

tory Risk in Private Infrastructure Investment,” by Director Mark Jamison, Director of Water Studies Sanford V. Berg and Policy Analyst Lynne Holt has been accepted for publication in an upcoming issue of *The Electricity Journal*. The article can be found online under the Publications link at [www.purc.ufl.edu](http://www.purc.ufl.edu).

PURC is collaborating with researchers at the University of Florida and University of North Texas in a study of the Lifeline Assistance Program (Lifeline) and Link-Up America program (Link-Up) in Florida. These programs, which were created by the FPSC, are part of a nationwide effort directed by the Federal Communications Commission (FCC) to provide financial assistance to low-income telephone subscribers. Recently there has been interest in whether program participation rates in Florida are too low compared to those of the rest of the nation.

The study examines the accuracy of the current participation rates and reasons why eligible customers might not sign up for the programs. The research project will provide Florida policymakers, service providers and other stakeholders with important information for making and implementing Lifeline and Link-Up policies in Florida. Completion of the study is expected in early 2006.

Current PURC research on low-income telephone discount programs and on municipal provision of telecommunications will be presented at the Telecommunications Policy Research Conference in Arlington, Virginia this fall.

Professor Roger Blair, the Huber Hurst Professor of Economics and Legal Studies at UF's Warrington College of Business, has completed two PURC research papers on antitrust issues in telecommunications, “The Interface of Antitrust and Regulation: Trinko” (forthcoming, *The Antitrust Bulletin*) and “Antitrust Injury and Standing in Foreclosure Cases.”

## Visiting Scholar

This summer, PURC welcomes José Luis Gómez Barroso from Spain. He obtained his Ph.D. from the Universidad de Educacion a Distancia (UNED) in Spain and will continue his research on telecommunications during his stay in Gainesville. He was a presenter at the joint PURC-London Business School conference, “The Future of Broadband: Wired & Wireless?” this past February. In recent years, scholars from Korea, China, Turkey, Albania, New Zealand, Ukraine and Switzerland have visited PURC to share their knowledge and experience.

## Upcoming Events

Watch your mailboxes this summer for details about the 2005 PURC Telecommunications Fall Roundtable scheduled October 19 at the FPSC in Tallahassee, as well as information about the 2006 PURC Annual Conference scheduled February 23 and 24, 2006 in Gainesville, a salute to utility regulation in the U.S. ☺



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## Calendar of Events

**July 23, 2005**

PURC/CLA Executive  
Education Workshop for  
Utility Commissioners:  
Leadership in Utilities Policy  
Hilton Austin  
Austin, TX

**October 19, 2005**

PURC Fall Roundtable  
Florida Public Service  
Commission  
Tallahassee, FL

**January 9-20, 2006**

19th PURC/World Bank  
International Training  
Program on Utility  
Regulation and Strategy  
Hilton University of Florida  
Conference Center  
Gainesville, FL

For more information, call  
352/392-6148.

**February 23-24, 2006**

PURC Annual Conference  
Hilton University of Florida  
Conference Center  
Gainesville, FL

For more information, call  
352/392-8677.

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