

21 West Church Street
Jacksonville, Florida 32202-3139



October 4, 2019

Dear City Council Members:

As chairman of JEA's Board of Directors, I'd first like to thank you for approving Ordinance 2019-566 last month to ensure that JEA employee pensions are protected throughout the current Invitation to Negotiate (ITN) process.

Understandably, this process includes some uncertainty, not just for you, but also for JEA's employees and the entire community. As previously agreed on with City of Jacksonville policy makers, JEA's Board is carefully balancing and actively working to maximize value for customers, northeast Florida, the environment and the financial benefit of the City of Jacksonville. It is in this vein that I want to address a few of your specific concerns regarding JEA's ITN process:

Concern #1: Short-sighted fix vs. long-term plan

In January 2019, JEA began working to develop a 10-year strategic plan to maximize its four key measures of value: customer, community impact, environmental and financial (CCEF). In the past, JEA was able to take a more traditional approach to strategic planning because the electric and water utilities sector operated in a more predictable business environment. However, considering today's industry and market challenges, JEA's Board determined the way it's "always been done" will no longer work.

After careful deliberation, JEA's Board of Directors made the strategic decision to face an uncertain business reality head-on. We rejected the traditional utility response of raising customer rates, cutting costs, deferring necessary capital expenditures (JEA has underinvested in infrastructure by \$1 billion + in order to pay off excess debt) and laying off employees in favor of forging a new path for JEA.

Below are some alarming facts about JEA's last 10 years:

- a) JEA raised customer rates by 71%;
- b) JEA reduced its workforce by 16%;
- c) JEA's operating expenses increased by 58%;
- d) JEA added 16% more customers;
- e) JEA lost 8% of sales;
- f) JEA's average residential customer consumes 20% less of our product;
- g) JEA's average commercial customer consumes 30% less of our product;
- h) JEA paid off 48% of its debt (\$3 billion); however,

E L E C T R I C

W A T E R

S E W E R

i) JEA is now saddled by a poor contract in a failed nuclear facility allowing another public power agency in Georgia to commit JEA's customers to >\$4 billion of power at 400%+ the price of market power.

As the chair, I know JEA's board is focused on our customers. Delivering results similar to the last 10-years is not the the best course for Jacksonville for the future.

In July, after reviewing all the scenarios available to JEA, absent significant constitutional, statute and charter changes, the Board of Directors unanimously voted to allow JEA's senior leadership team to explore any and all options that would allow JEA to grow and remain relevant to our customers now and in the future. In the end, JEA's ability to provide affordable and reliable energy and water services to our customers is paramount.

I can assure you that no one involved in this complex process is looking for a short-term fix. We are working diligently to gather all the necessary information that will allow our board to work with JEA's senior leadership team to design a utility that can sustain major industry changes and bring the most value to our customers and community both now and for years to come.

Concern #2: Kept in the dark

The ITN process and subsequent "cone of silence" is not meant to keep anyone – especially City Council Members – in the dark. In fact, as outlined in the ITN process, JEA's board will also not know the names of the bidders. Our goal with every procurement – and paramount with this uniquely important, complex one - is to preserve the integrity of this process and ensure a fair, defensible and maximally competitive progression throughout the ITN evaluation and negotiation phases.

I understand the "not knowing" is a source of anxiety for you and your constituents. JEA's board and senior leadership are committed to providing frequent public updates at our monthly board meetings (available publicly at: https://www.jea.com/About/Board_and_Management/Board_Meetings/) as well as through public information distribution (available publicly at: [whatsnextjax.com](https://www.whatsnextjax.com)).

If JEA's Board decides to pursue a non-traditional path following the negotiation phase of the ITN process beyond our perview, the City Council Members will play a critical role in deciding what's next for JEA. You will have the opportunity to review, debate and ultimately vote on whether or not to bring the chosen ITN response directly to Jacksonville voters.

Concern #3: Our multi-media communications approach

JEA's new strategic communications campaign is meant to engage our customers in an important discussion about the future of JEA. With 466,000 electric, 348,000 water and 271,000 wastewater customers in our service area across Northeast Florida, we must use all appropriate and necessary communications tools to deliver fact-based information to all.

It is with this in mind that we directed our professional staff to do their jobs and communicate to everyone in our service area. As you know, today's communications environment requires the use of traditional, digital and social means of communications to reach as many people as possible.

Concern #4: Water rights

Using JEA's four measures of value (CCEF) as a guide, the senior leadership team recommended – and the Board of Directors approved – a list of “minimum requirements” that any outside entity responding to JEA's ITN would have to meet to even be considered as an option by the Board. One of these minimum requirements is to provide 40 million gallons per day of alternative water capacity for northeast Florida.

Notions that JEA is going to sell its water source to the highest bidder are simply untrue. The fact that is being ignored is that JEA doesn't own the water in the first place – it owns the infrastructure such as the pipes that distribute the water to our customers, collection systems that collect sewage and the treatment facilities. The state of Florida owns the water. Nothing we are contemplating will change this fact. For additional facts on this matter please see enclosed “Water Facts” information sheet.

Concern #5: City Council is not engaged in the process

JEA is in possession of the City Council's final report on the *Future of JEA* produced on July 25, 2018. This report, produced by Council Members, does a great job outlining many of the critical concerns of the City Council. JEA is carefully utilizing this report to ensure matters outlined therein are addressed. JEA would like to thank the City Council for such a carefully crafted report.

Additionally, JEA has formally invited the City Council's JEA liaison, Councilman Danny Becton, to participate in the ITN process. The intent of this engagement is to provide City Council Members with the comfort of oversight and input.

Most importantly, should JEA's ITN process trigger a City Council vote, JEA's Board will send all materials to the City Council for review, deliberation and authorization.

As the ITN advances, I hope each of you will appreciate the complex and prescribed nature of the competitive bid process. I ask that you keep an open mind. If you have questions or concerns, please feel free to reach out to me directly. I also encourage you to use Sherry Hall, JEA's Vice President, Government Affairs, to appropriately channel questions and concerns. This is an important conversation for the future of our community, and I encourage both you and your constituents to stay engaged.

Sincerely,



April Green, Chair
JEA Board of Directors

Water Facts

JEA DOES NOT OWN ANY WATER

Florida law doesn't recognize the private ownership of water. Rather, Florida dictates that water is a "public resource" and the USE of that water in northeast Florida is managed exclusively by the St. John's River Water Management District. See Sections 373.016(4)(a) and 373.023, Florida Statutes; See also Village of Tequesta v. Jupiter Inlet Corp., 371 So. 2d 663 (Fla. 1979), cert. denied, 444 U.S. 965 (1979). The ownership of JEA has no impact on the ownership of the water currently being used by the people of northeast Florida.