

SPECIAL COMMITTEE ON THE POTENTIAL SALE OF JEA

Council Members

John R. Crescimbeni, Chair	Doyle Carter
Danny Becton	Al Ferraro
Anna Lopez Brosche	Reggie Gaffney
Garrett Dennis	Bill Gulliford
Joyce Morgan	Tommy Hazouri
Greg Anderson	Jim Love
Aaron L. Bowman	Samuel Newby
Katrina Brown	Matt Schellenberg
Reginald L. Brown	Scott Wilson

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TRANSCRIPT OF PROCEEDINGS

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Jacksonville, FL 22202

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1 P R O C E E D I N G S

2 CHAIRMAN CRESCIMBENI: Good morning,
3 everyone. We're going to call the Special
4 Committee on the Potential Sale of JEA
5 meeting to order. It's Thursday morning,
6 April 19th, 2018. It's 9:00 a.m.

7 We'll begin by having everyone introduce
8 themselves for the record. I, frankly,
9 forgot where we started last time, so we're
10 going to start with Mr. Gulliford.

11 COUNCILMAN GULLIFORD: Bill Gulliford,
12 District 13.

13 COUNCILMAN FERRARO: Al Ferraro,
14 District 2.

15 COUNCILMAN BOWMAN: Aaron Bowman,
16 District 3.

17 COUNCILMAN LOVE: Jim Love, District 14.

18 COUNCILMAN ANDERSON: Greg Anderson, At
19 Large Group 4.

20 COUNCILWOMAN MORGAN: Joyce Morgan,
21 District 1.

22 COUNCILMAN CRESCIMBENI: John
23 Crescimbeni, At Large Group 2.

24 PRESIDENT BROSCHE: Anna Lopez-Brosche,
25 Group 1.

1 COUNCILMAN GAFFNEY: Reginald Gaffney,
2 District 7.

3 COUNCILMAN HAZOURI: Tommy Hazouri,
4 Group 3 At Large.

5 CHAIRMAN CRESCIMBENI: All right. Thank
6 you all for being here. I think I have an
7 excused absence from Mr. Carter, who could
8 not join us today. Let the record reflect
9 that Mr. Becton has now arrived and
10 Mr. Newby.

11 Mr. Newby, you're missing something,
12 unless it's been delivered to your desk.

13 And Mr. Brown is here.

14 So did everybody bring their JEA
15 notebook? I've been dying to ask this
16 question: Mr. Newby?

17 COUNCILMAN NEWBY: We have ours. It's
18 coming in now.

19 CHAIRMAN Crescimbeni: Oh, Mr. Newby,
20 this is sweet revenge right here.

21 COUNCILMAN HAZOURI: Do we get a
22 10-minute wait period?

23 CHAIRMAN CRESCIMBENI: Mr. Newby is the
24 notebook enforcer in another committee that
25 I serve on that he chairs. So I've been

1 waiting since July to reverse roles on him;
2 thank you, JEA, for the opportunity.

3 COUNCIL MEMBER GAFFNEY: You got me
4 today.

5 CHAIRMAN CRESCIMBENI: Anybody that
6 wishes to speak before the committee, we'll
7 have a public comment period towards the end
8 of the meeting. If you'll fill out a blue
9 speaker card up here on this table, complete
10 it in its entirety and drop it in the basket
11 next to the podium, and we will take you up
12 at the appropriate time.

13 I hope everyone enjoyed their day off
14 last week. Hopefully we won't encounter any
15 more cancellations.

16 At upcoming meetings we are going to
17 have a presentation by the Civic Council on
18 their charge. And we're also trying to
19 schedule tentatively for May 10th a
20 presentation from the Public Service
21 Commission. So we were trying to do that
22 via teleconferencing, video
23 teleconferencing. I'm not sure that's going
24 to work out. So we're encouraging them to
25 actually make a physical appearance here.

1 And they'll be here to talk about the
2 general ratemaking process for
3 investor-owned utilities, what constitutes
4 the definition of investment, what statutory
5 guarantees are afforded, private utilities
6 on rates of return on their investment; all
7 those kinds of good things. So it will be
8 very interesting, because, frankly, I've
9 lived here since 1965. I don't have much
10 knowledge about the Public Service
11 Commission. We live in a market that has
12 generally been municipal utilities so we're
13 not used to dealing with that system. So
14 hopefully they'll shed some light on that.

15 Mr. Anderson, did you have a question
16 about --

17 COUNCILMAN ANDERSON: Thank you,
18 Mr. Chairman. Actually, I had a thought.
19 The other thing that might be interesting
20 for the Committee is St. Johns Water
21 Management. I'd like to understand more
22 about how we determine how much water we can
23 pull out of the aquifer and who regulates
24 that and, you know, how that works
25 between -- maybe nobody else is interested,

1 but I am.

2 CHAIRMAN CRESCIMBENI: Well,
3 Mr. Anderson, if no one else is interested,
4 you and I will just have a noticed meeting
5 and we'll talk about that.

6 All right. We are going to try to catch
7 up on some JEA action items that were on our
8 agenda at the last meeting, but we were
9 unable to get to them because we got bogged
10 down on only the first item. So we're going
11 to pick those up today. I think we're going
12 to try to add four more items to the agenda
13 that JEA has brought the materials for that
14 you will insert into your book. I guess
15 that will be tab seven, eight, nine and ten.
16 We'll just have to see how it goes.

17 With that, we'll go ahead and start from
18 JEA. First, I think, Mr. Zahn would like
19 to -- Mr. Zahn and Ms. Dykes will handle the
20 presentation of the items on the agenda
21 relating to JEA today. But Mr. Zahn asked
22 for a few minutes to address the Committee.

23 So, Mr. Zahn.

24 MR. ZAHN: Thank you, Chairman. Thank
25 you, Council Members. Discord -- oh, Aaron

1 Zahn, Managing Director and Interim CEO for
2 JEA.

3 Discord in any form can be paralyzing.
4 Discord without common purpose is not only
5 paralyzing, but can demoralize and is
6 capable of instilling fear. Whether it is
7 an argument amongst parents in front of
8 children, or a public debate about the fate
9 of a company in front of its employees, the
10 impact on the witnessing party is similar
11 and no less poignant.

12 The employees of JEA take pride in their
13 work that they do on behalf of their
14 customers and their community, and as well
15 they should.

16 In many respects the financial and
17 operational performance of JEA is one of the
18 best from -- best managed electric, water
19 and wastewater utilities in the entire
20 country. The public discord over the last
21 four months has felt personal to many of our
22 employees. Over the last couple days, I've
23 actually gotten a chance to experience that.

24 One actually needn't look no further
25 than the red shirts in the audience behind

1 me saying "JEA is ours" to understand how
2 personal that is. I don't know a CEO in the
3 entire world that would consider that level
4 of employee commitment and loyalty to their
5 company as anything short of a blessing.

6 It is true that on November 28th our
7 organization started a conversation for
8 which I must admit we were wholly
9 unprepared. As CEO I now own that matter.
10 I stand here today with humility in the open
11 air. And as the adage goes, you can view
12 the glass half empty or you can view it half
13 full. So as an optimist, I view the past
14 four months to be a journey of
15 enlightenment. It has shed light on some
16 important facts about JEA that were
17 currently maybe not as well known or
18 understood.

19 It has elevated important questions and
20 it has mainly demonstrated that the market
21 landscape and changes in JEA's industry
22 require a new lens upon which we need to
23 view the utility of the future for
24 Jacksonville. In fact, I would submit this
25 Committee, by its very nature, its actions,

1 the questions that you have all asked, is a
2 testament to the importance of JEA's role in
3 the community and that the lens of
4 policymakers in our city should be
5 considered during the path forward for JEA.

6 Over the next 6 to 12 months, our Board
7 and the leadership in consensus plan to
8 engage our employees and all of our
9 stakeholders to map a strategic plan for the
10 future of JEA. And it very well may be
11 that, at the end of that, we need this
12 policy body's assistance in considering
13 modifications to our charter, as Councilman
14 Becton has so artfully suggested, to enable
15 JEA to continue to prosper as it has in the
16 past.

17 With the consensus of the Board of
18 Directors of JEA, the Mayor, and, in fact,
19 the entire senior team, which I met with at
20 length on Tuesday, I will offer a
21 constructive path forward. My plan is to
22 meet with each one of you individually, each
23 of the City Council members individually,
24 and then again with you as the collective,
25 to come to an agreement on this path.

1 Yesterday I started with President Brosche,
2 Vice President Bowman, Chairman Crescimbeni
3 and our council liaison, Councilman
4 Schellenberg.

5 My interpretation of these meetings is
6 that everyone agrees that the path forward
7 needs to be deliberate and constructive.

8 By the end of next week my hope is to
9 have met one on one with each of you so that
10 you can provide your insights as well.

11 Starting at 5:00 p.m. this past Tuesday
12 the consensus of the Board of JEA and the
13 entire senior leadership of JEA, I
14 instructed the entire organization of JEA to
15 focus on only the following priorities:
16 Number one, focus on your core business.
17 Under Ms. Dykes' capable
18 leadership, we are going to return to a
19 stable environment to ensure the
20 stakeholders of JEA that we are committed to
21 the core business of providing our customers
22 electric, water and sewer services, as well
23 as taking care of the employees who serve
24 them. We are going to continue execution on
25 our 2013 plan that has been further updated

1 and cascaded throughout the organization
2 through 2018.

3 Number two, we, as an organization, are
4 going to start looking forward. We are
5 going to implement and execute a smooth and
6 effective transition in leadership --
7 transition of leadership by introducing --
8 by introducing some new vision. And I plan,
9 with Ms. Dykes' help, to work very closely
10 with Mr. McElroy to make sure that the
11 operational and financial performance trends
12 that he led while he was at JEA continue.

13 Third, we are going to listen and gain
14 alignment with our shareholder trustees.

15 Thank Ms. Brosche for that technical
16 term because it's actually a really nice way
17 to frame it up in the context of JEA.

18 The plan is to establish a consensus
19 with JEA's Board of Directors, the City
20 Council, the Mayor around a framework. This
21 framework is one that we will then use to
22 measure a strategic planning process for the
23 future of JEA. I plan in each one of our
24 one-on-one meetings to talk a little bit
25 more in depth about this process and the

1 concept so that, when we can come back
2 together as a collective, we can maybe have
3 an agreement on it.

4 Fourth, I've instructed the senior
5 leadership team to engage all of our
6 employees and all the stakeholders of JEA to
7 start to question the possibilities of
8 greatness and innovation. We are going to
9 initiate a strategic planning process and
10 set a vision for JEA as a utility of the
11 future of Jacksonville. JEA, as it stands,
12 has the potential and is in the position to
13 lead the nation around innovation in
14 electric, water, wastewater and other
15 essential services. And I'm going to stress
16 services because we are a service company.

17 Number five, we are going to, as an
18 organization, starting with me, be stewards
19 of a united community and lead with
20 integrity. That means that our plan -- and
21 we know it's not going to happen
22 overnight -- is to establish unity, trust
23 and open communications with its employees
24 and all of JEA's stakeholders. Simply put,
25 we're going to say what we're going to do,

1 we're going to do it, and then we're going
2 to confirm that we did it.

3 So here is my pledge as the Interim CEO.
4 Number one, I will immediately, and I've
5 already begun, be advocating to policymakers
6 that the conversation around JEA be focussed
7 only on the priorities that I outlined
8 above.

9 Number two, I will be the point person
10 for proactively building bridges with
11 stakeholders of JEA to reach out and listen
12 and understand what, in fact, they think the
13 role and purpose and value of our
14 organization is to this community.

15 Number three, I pledge to guide a
16 deliberate conversation and build consensus
17 around that purpose and around a framework
18 upon which myself, my leadership team, the
19 Board of Directors and these shareholder
20 trustees can start to measure and understand
21 a strategic plan for the future of JEA.

22 And number four, while I'm not doing it
23 now, I plan to listen, I plan to understand,
24 and then I plan to speak, then act. What I
25 mean by this is, I mean to communicate in a

1 concise and deliberate manner the strategy
2 and strategic decisions of JEA prior to
3 action. You will see this materialize in
4 our corporate governance, which I've spoken
5 to the other board members about, in how
6 we're going to focus on that and move it
7 forward. You will see this on how we engage
8 you as shareholder trustees; and you will
9 see this in how we engage our employee base,
10 as well as our community of stakeholders.

11 I appreciate the time and I look forward
12 to working with you. Thank you.

13 CHAIRMAN CRESCIMBENI: Thank you,
14 Mr. Zahn. I see people on the queue.

15 Do you have questions for Mr. Zahn,
16 Mr. Brown? Councilman Brown.

17 COUNCILMAN BROWN: Through the Chair to
18 Mr. Zahn, and I'm going to go over these
19 five priorities, and it may not be the way
20 that you said it. But one dealing with the
21 core business of JEA, to basically looking
22 at the continuing with the 2013, 2018 plan,
23 looking forward, new vision. Number two,
24 strategic planning, establishing a strategic
25 planning process. Number four, engage

1 stakeholders as well as your employees. And
2 then number five, standards of a united
3 community; basically, establishing trust and
4 unity.

5 That, to me, seemed as if we're going in
6 the same direction. What I mean when I say
7 that, you know, we have a segment of
8 Jacksonville that's still without
9 infrastructure. And within the charter it
10 states that JEA is not responsible for
11 installing infrastructure within an existing
12 community. So, basically, we're just going
13 to focus on infrastructure that developers
14 focus on in newer development.

15 So my concern is that we're still going
16 to leave people out. Basically, we're
17 looking at your five core objectives here.
18 And so I'm more interested in -- and I
19 understand it's not just a JEA problem, it's
20 a City of Jacksonville, JEA. It should be a
21 joint venture to resolve an issue that's
22 been plaguing this community -- some
23 segments of our community -- for the last 50
24 years. And that's not a part of your five
25 objectives here. And so I'm interested in

1 that. And so I look forward in our
2 conversation -- and I guess, you know --
3 have you and the Board and senior management
4 at least started to talk about where we're
5 going and what we're going to do in terms of
6 the lack of sewer and water services? And I
7 guess it will be the old county, as well as
8 the Mandarin area and some other areas in
9 Jacksonville.

10 MR. ZAHN: Sure. You know, the
11 difference between a vertically integrated
12 utility and a distributed one is a
13 distributed one looks more like as a service
14 company that delivers a service how the
15 customer wants it, where they want it, and
16 when they want it.

17 I don't have the answer for you,
18 obviously. I look forward to actually
19 understanding more clearly what your concern
20 is and potentially then working it in with
21 the senior leadership team so that can be
22 considered as part of that strategic plan
23 process.

24 COUNCILMAN BROWN: Okay. I'll just give
25 you some information, through the Chair. My

1 concern is the community concern; and that
2 is that we have a senior board that's been
3 in existence -- several of those members
4 have been there for quite some time. To
5 date we do not have a strategic plan as to
6 how we're going to address the concerns of
7 those individuals that was promised sewer
8 and water when we consolidated this city.
9 And I'm really appalled to hear today that
10 the five core areas does not include sitting
11 down with the senior board and coming up
12 with a plan alone with the Council as to how
13 we're going to resolve this issue.

14 So we won't belabor it here, but that
15 should be a part of your conversation as the
16 leadership and it should be a part of this
17 Board, especially the senior board that has
18 been here.

19 No more talking. We need a plan that's
20 going to address the issue. All these other
21 things are great. But you know, one would
22 easily say, how can we say we have a new
23 vision and we're looking forward when we're
24 leaving a segment of this community behind?

25 MR. ZAHN: Yeah. It would be not my

1 implication --

2 CHAIRMAN CRESCIMBENI: Thank you,
3 Mr. Brown.

4 Next is Councilman Gulliford.

5 COUNCILMAN GULLIFORD: Thank you,
6 Mr. Chairman.

7 In light of Mr. Zahn's comments, I think
8 it might be appropriate for the Council to
9 rename and refocus this committee. And I
10 think certainly Special Committee on the
11 Future of JEA would be much more appropriate
12 than the Potential Sale of JEA. And I think
13 that should be our charge in the future.

14 CHAIRMAN CRESCIMBENI: Thank you,
15 Mr. Gulliford. That's already in the works.

16 COUNCILMAN GULLIFORD: Well, that's good
17 to hear that. Thank you.

18 CHAIRMAN CRESCIMBENI: Did you read my
19 email?

20 COUNCILMAN GULLIFORD: No, Mr. --

21 CHAIRMAN CRESCIMBENI: I'm just teasing
22 you.

23 COUNCILMAN GULLIFORD: No,
24 Mr. Crescimbeni. It must have slipped by
25 me, sir. But it's not the only one that

1 slips by me.

2 CHAIRMAN CRESCIMBENI: Councilman
3 Hazouri.

4 COUNCILMAN HAZOURI: I'm afraid to ask a
5 question. Make sure I'm not out of order,
6 Mr. Chairman.

7 Before -- I appreciate the core beliefs
8 that you cited, Mr. Zahn. I need to start
9 from your meeting yesterday, Tuesday, and,
10 you know, when you were selected and
11 Ms. Dykes was selected in your respective
12 positions.

13 Help me get to, while all this is going
14 on in your search, or y'all's search for a
15 permanent CEO, give us an idea of what that
16 process is going to be about. Listening to
17 your HR director saying that one national
18 search firm said, of course, they don't want
19 to touch it because of what's going on over
20 here, that's got to be wiped out, and that
21 integrity has to be restored, as you know.
22 And right now it's not there yet.

23 But tell me, as you write the
24 qualifying -- I heard you say something, and
25 correct me if I'm wrong, that they asked you

1 if you were going to apply for the job, and
2 you said if you're qualified. Are you in a
3 part of preparing those qualifications for
4 the new director, as the new director, as
5 the interim director? It's important to
6 me --

7 MR. ZAHN: I think from a board
8 governance perspective, you know, that would
9 be something that the Chair would take the
10 lead on in terms of working on what is the
11 scorecard relative to the position of a
12 permanent CEO.

13 That being said, to answer your question
14 more fully, one of the reasons why -- and in
15 my experience as a board member and in the
16 past, one of the reasons why I think
17 Ms. Heirs made the statement she made is,
18 quite simply, given the current, as I
19 mentioned, discord of shareholder trustees,
20 given the current -- you know, the potential
21 for a change in some of the strategic plan
22 of JEA going forward, given the -- some of
23 the major elements that this utility is
24 going to need to consider, the skill set in
25 the person that might be aligned to a

1 scorecard -- you know, answers to those
2 questions need to be well vetted, and the
3 stability of the organization getting back
4 to its core business needs to be
5 implemented. And in order to, number one,
6 engage a search firm that will have a
7 capability of going out broadly around the
8 nation and attracting the right talent; and
9 then, number two, mapping a scorecard to, in
10 fact, what the shareholders and the board of
11 directors have envisioned for going forward.

12 COUNCILMAN HAZOURI: I understand that.
13 Let me just step back one more before you
14 get to going out with a national search. I
15 guess my most important question here, are
16 you going to participate in drafting the
17 qualifying -- the qualifications for this
18 new director as the interim director?

19 MR. ZAHN: I'm going to have a hand in
20 craft -- in working with senior leadership
21 and the entire board of directors, as any
22 CEO should, in terms of doing the strategic
23 planning process. I would envision
24 discussing with my board of directors the
25 way they plan on managing this, from a

1 governance perspective, for mapping out the
2 CEO, the permanent CEO scorecard. I can't
3 answer that.

4 COUNCILMAN HAZOURI: You see where I'm
5 coming?

6 MR. ZAHN: I understand.

7 COUNCILMAN HAZOURI: If you're drafting,
8 and you said in your statement, and you can
9 correct me on it, if I qualify based on the
10 qualifications. Well, if you're writing the
11 qualifications, I would assume -- and don't
12 hold me to this -- that you're going to
13 write something that's going to tailor to
14 some of your talents as well. So is that
15 something I shouldn't be believing, or that
16 the public shouldn't believe?

17 MR. ZAHN: You don't know me all that
18 well.

19 COUNCILMAN HAZOURI: No, I don't.

20 MR. ZAHN: But I generally don't want to
21 be in a position where I can't be
22 successful. And if the skills and
23 requirements of the next CEO that's going to
24 lead the company on a permanent basis don't
25 match up to my skill sets, then I can

1 perfectly well go do something different.

2 COUNCILMAN HAZOURI: You see where we
3 follow? We're following one board that just
4 went through these machinations and now
5 we're going back to another one. And I
6 wasn't quite sure. And I like you; I met
7 you. You haven't been on the board long,
8 though, to speak on behalf of the board, I
9 don't think. But when I see what has
10 happened and how they picked you yesterday
11 and Ms. Dykes and how that came about, and I
12 didn't see any other candidate out there, it
13 continues, it continues to create a cloud of
14 mistrust.

15 MR. ZAHN: I understand.

16 COUNCILMAN HAZOURI: I'm not saying
17 about you personally, I'm talking about the
18 process itself.

19 MR. ZAHN: That goes to the pledge that
20 I'm giving you in terms of, you know, to lay
21 out our -- what we plan to do publicly
22 before any action is taken. So I think that
23 goes right in line with good corporate
24 governance. And as I said, I don't have the
25 exact answer on how the Board envisions

1 managing the CEO search, but that would be
2 part of the next 6 to 12 months that the
3 Board would have to deliberate that
4 conversation and come up with a process.
5 That's not my role.

6 COUNCILMAN HAZOURI: Quick one: Do you
7 have a set time that y'all are going to have
8 that RFP out, or RFQ out, for the search
9 firm and then for when you want to have a
10 drop-dead certain date that you want to be
11 able to hire, interview and hire, a new
12 director?

13 MR. ZAHN: I'm two days on the job at
14 this point. I don't have a milestone plan
15 put together.

16 COUNCILMAN HAZOURI: You said you had
17 been on the board. Thank you.

18 MR. ZAHN: Thank you, sir.

19 CHAIRMAN CRESCIMBENI: Thank you,
20 Mr. Hazouri.

21 Mr. Zahn, the statement that you read
22 into the record today, is that something you
23 can provide to all Council members via
24 email?

25 MR. ZAHN: Yes, sir.

1 CHAIRMAN CRESCIMBENI: That would be
2 great. That way we have captured the pledge
3 and your comments to your senior leadership
4 accurately.

5 Council President Brosche, you're next.

6 PRESIDENT BROSCHE: Thank you,
7 Mr. Chairman.

8 Through the Chair to Mr. Zahn, thank you
9 for the opportunity to meet with you and
10 Ms. Dykes yesterday. We had a very -- we
11 had a 45-minute conversation, which I would
12 label, one of my favorite books by Susan
13 Scott, Fierce Conversation. And so I think
14 we had the opportunity to share that the
15 last four months we can't unring the bell,
16 which is what you had indicated. And that
17 prior to that time that -- I can only speak
18 for me, but it's been my sense that our
19 group has had a trusting relationship, an
20 open line of communication with JEA in terms
21 of where things were headed and what was
22 going on and answers to any questions that
23 we had when we had them.

24 And as you're experiencing now, we
25 talked about the trust challenge that

1 exists. And so I appreciate you suggesting
2 that you're going to be very public with
3 what you're doing, where you're going, the
4 conversations you're having, so that
5 everybody can watch and follow and help get
6 back to that place of trust, not just us,
7 but everyone in the community.

8 We also had a discussion about
9 governance, and specifically in relation to
10 the fact that the Board -- and I hate to put
11 the entire Board in that situation when
12 certain actions have been taken at the
13 direction of one board member and not the
14 entire Board. So yesterday I asked you, and
15 I'm not sure if you had the chance to come
16 to a conclusion, who is responsible for the
17 fact that actions have been taken at the
18 direction of one board member and there
19 hasn't been board discussion? Is that the
20 CEO or is that the Board Chairman?

21 MR. ZAHN: So I promised that I'm going
22 to be clear and concise in my answers. And
23 I want this to be -- I want my answer to be
24 taken with a high degree of respect that
25 this person deserves. It is the CEO's job,

1 if instructed by any member of a board of
2 directors, to ensure that the moment you
3 actually decide to take on an action, you
4 own that action. And I can have any board
5 member, over the last decade of my life as a
6 CEO, tell me to do something, and if it is a
7 strategic or material enough matter, I would
8 not take action unless I had first gone back
9 to my board of directors and gained
10 consensus.

11 I'm not going to go back and second
12 guess any individual's actions, but what I
13 will tell you is the buck stops here when it
14 comes to the CEO. And a board of directors
15 is a set of advisors. They provide
16 collective advice. But any one of them
17 individually does not have the authority to
18 instruct the CEO to do anything. In the
19 event the CEO moves forward, they, in fact,
20 take on that authority and responsibility
21 and ownership.

22 PRESIDENT BROSCHE: Thank you, Mr. Zahn.
23 So I hear what you're saying that, if you
24 were asked to hire a consultant, and provide
25 scope and services, and if you were asked to

1 draft an issue, a golden parachute letter,
2 and you were asked to move down a path of
3 evaluating a possible sale of the
4 organization, that you would not move
5 forward without understanding that you had
6 the support of the entire board in those
7 activities?

8 MR. ZAHN: Having been through enough
9 M&A in my entire lifetime, not only would I
10 not take action unless I had consensus of a
11 majority of my board, but I also would make
12 sure that I had spoken to my shareholders,
13 trustees, to make sure there is a
14 willingness to at least entertain the
15 prospect.

16 PRESIDENT BROSCHE: You had a great
17 response yesterday about governance. So
18 could you share a little bit about what
19 you're planning to do moving forward about
20 governance?

21 MR. ZAHN: Sure. One of the first
22 things that we're going to start with is
23 we're going to revamp the way our board
24 packages work. Number one, we're going to
25 shorten them down.

1 Number two -- and I think my Council
2 liaison actually had a huge smile when that
3 happened. Number two, we're going to break
4 it into three components. Number one,
5 strategic, so we're going to outline in the
6 strategic part of the board packages items
7 for discussion. They may -- but they're
8 whiteboard items, they're discussion items,
9 no intention of action.

10 The second issue is operational, which
11 would probably be much more in line with the
12 things you see normally in the board
13 packages in the past.

14 And then the third is, we're going to
15 start doing deep dives. And one of the
16 things we're going to do -- and I've spoken
17 with many in the senior leadership team --
18 is the deep dives are going to focus on --
19 each one on the senior leadership team has
20 the top three things that keep them up at
21 night. And we're going to start elevating
22 those issues for the board to be
23 knowledgeable about it, for the public to be
24 knowledgeable about it.

25 And under your discussion, I think

1 governance could be one of those deep dives,
2 in terms of how, you know, in a unique way,
3 this authority has run this very same way
4 for a number of years under a number of
5 different CEOs. And so without really a
6 consideration of the types of strategic
7 shifts we're considering; whether they be
8 charter changes, privatization,
9 monetization -- all these things are things
10 that really haven't been part of a
11 historical discourse. And so to that end --
12 and, also, the market hasn't been changing
13 the way it is. So to that end, in order to
14 elevate those issues and the potential
15 ramifications, it's really -- the onus is on
16 ourselves as senior leaders to elevate
17 deep-dive issues and provide more clarity.

18 And I'll give you a for instance. We
19 have a \$1 billion dollar capital program for
20 our water side. That is a very significant
21 and -- that is maybe one of the largest
22 capital programs in the entire United
23 States. And it is critical that we hit that
24 on time, on budget, and with the quality
25 that is expected to produce results, or from

1 an operating perspective, in order to meet
2 permanent standards, as well as operating
3 costs. And we need to talk about -- we need
4 to make sure our board is aware of, we need
5 to make sure the public is aware of it. And
6 we need to get the insight of people that
7 have -- from the outside, on perhaps ways
8 where we, as a management team, can ensure
9 that capital plan is, in fact, nailed.

10 PRESIDENT BROSCHE: Great. Thank you
11 very much for that. And I just want to
12 close by saying I want to thank you for
13 admitting that the organization was wholly
14 unprepared for the last four months, which
15 really has thrown us in that place. And to
16 use your words, you can't unring the bell,
17 and neither can we in what we've experienced
18 and what we have heard and know. And so I
19 look forward to the future as well. Thank
20 you.

21 MR. ZAHN: Thank you, ma'am.

22 CHAIRMAN CRESCIMBENI: Thank you,
23 Council President Brosche.

24 Mr. Zahn, if you acknowledge that board
25 members do not individually have the

1 authority to compel the CEO to embark on
2 some task that hasn't been necessarily
3 authorized or approved by the board, how
4 would you characterize behavior that recent
5 months have clearly demonstrated that's
6 occurred?

7 MR. ZAHN: I'm not going to put myself
8 in the shoes of somebody else. I gave you
9 my opinion on how boards and governance
10 should work. But I have no -- I'm not going
11 to go back and second guess someone. We've
12 all lived through life and made decisions.

13 CHAIRMAN CRESCIMBENI: I mean, shouldn't
14 board members recognize they don't have that
15 authority? I think what I'm hearing you say
16 is that a board member should never put
17 themselves in that position of -- you're not
18 saying?

19 MR. ZAHN: No. That's not what I'm
20 saying. I'm saying that, you know, again,
21 one of the things we start talking about as
22 a senior leadership team -- and this might
23 be too much information -- but we've started
24 talking about implementing a framework
25 around conversation where you clearly

1 articulate whether you're discussing
2 something, debating something or deciding
3 something. And it is oftentimes in business
4 and in personal life where, if one person in
5 a conversation is discussing something and
6 another person thinks they're deciding
7 something, a misunderstanding occurs and a
8 bad result comes out.

9 Again, I'm not going to go back and try
10 to second guess what happened. I can tell
11 you how I would handle it as a CEO going
12 forward.

13 CHAIRMAN CRESCIMBENI: Councilman
14 Dennis.

15 COUNCILMAN DENNIS: Through the Chair to
16 Mr. Zahn, thank you for being here. I have
17 a ton of questions, so I'm going to move
18 fast, quite a few yes-or-no questions.

19 When we met before your -- before your
20 first appointment, I felt that you took me
21 down a rabbit trail on some things. So I'm
22 looking for trust. So I'm going to, again,
23 ask you several questions. And so we don't
24 have you under oath, but you are being
25 recorded and we can always go back.

1 My first question: Are you planning to
2 apply for the CEO position?

3 MR. ZAHN: No. I'm not planning --

4 COUNCILMAN DENNIS: The permanent CEO
5 position.

6 MR. ZAHN: No. I am not planning on
7 applying for the permanent position. What I
8 stated, and I'll be very clear again: In
9 the event that the skills and scorecard line
10 up, I would be open to applying. And I
11 would discuss that with the Board of
12 Directors before I did so.

13 COUNCILMAN DENNIS: If this body passed
14 a resolution saying that the interim should
15 not apply for the CEO, would you accept
16 that?

17 MR. ZAHN: If you're willing to -- if
18 you're willing to cut out a perfectly
19 skilled candidate out of a pool, then feel
20 free to -- that's something the policymakers
21 should consider.

22 COUNCILMAN DENNIS: So my next question:
23 Share with us -- there is an article in the
24 TU paper today. Share with us your side of
25 the story of what happened down in South

1 Florida.

2 MR. ZAHN: I'm not going to get into
3 that. You know, that article clearly had an
4 agenda. And --

5 COUNCILMAN DENNIS: But it's --

6 MR. ZAHN: Sir, before you interrupt
7 me --

8 COUNCILMAN DENNIS: No, no, no.
9 Mr. Zahn, I ask the questions. It's very
10 important that you ask (sic) those
11 questions, and the reason why is because you
12 were the CEO when problems happened there.
13 And you stated this morning that the buck
14 stops with you as the CEO of JEA. So it's
15 very, very important to know what happened
16 down there and do you take full
17 responsibility for what happened down there.
18 Please share your side of the story.

19 MR. ZAHN: I provided the contact
20 information for the city manager, the
21 utility director and the Mayor at the time,
22 who were perfectly willing to demonstrate
23 that that was -- that that project, although
24 we had problems, absolutely, that that was
25 an instance of where a corporation and a CEO

1 went above and beyond to try and appease a
2 public and failed to do so. But went above
3 and beyond any contractual requirements
4 that they needed to do in order to educate,
5 invest and repair, you know, a situation.
6 Ultimately, we failed. And that happens in
7 business.

8 COUNCILMAN DENNIS: So through the
9 Chair, do you accept responsibility for
10 being the CEO at the time of what happened
11 down in South Florida?

12 MR. ZAHN: Absolutely.

13 COUNCILMAN DENNIS: All right. Thank
14 you. My next question: You talk about
15 board and governance. And so, as a Council
16 member, one of my responsibilities is to ask
17 questions; not to just go along, ask
18 questions. Do you feel that the board
19 somehow, you know, missed the opportunity to
20 ask you questions during the process of
21 selecting you as the Interim CEO?

22 MR. ZAHN: No. In fact, I think they
23 had ample opportunity, because I ensured
24 that they did. Upon my resignation -- and I
25 was clear in my resignation letter as to

1 what I was exactly going to do -- I went and
2 spent hours outlining what I believed could
3 be a smooth transition process over 6 to 12
4 months. I presented them with a plan, not
5 only in private, but I presented again one
6 more time in the board meeting. I also
7 articulated that, you know, there needed to
8 be some structural changes in terms of the
9 way the senior leadership team was managed,
10 because, candidly, the role of CEO of JEA
11 had changed and morphed. And that it was,
12 as an organization chart was designed
13 previously, it was -- any person, no matter
14 what their skill set or experience level,
15 would have been set up for failure because
16 they had 9 direct reports, 7 board members
17 and 20 shareholder stake members upon which
18 to gauge consensus for the strategic shifts
19 that we're evaluating. And that is not a --
20 that's a feat that is impossible for anyone.

21 So I made my case very clearly. I took
22 the time to make sure that those board
23 members had the opportunity to investigate
24 any and all aspects that they felt were
25 required. You can feel free to reach out to

1 each one of them individually to confirm
2 that.

3 And I also, in fact, sat down with
4 Melissa Dykes to outline what I thought
5 could be a potential path forward that would
6 be for the best interest of the entire
7 organization. And I would submit, by the
8 fact that she and I are partners here today
9 moving forward, that it might have been a
10 compelling argument.

11 COUNCILMAN DENNIS: So when did you
12 start meeting with the board members to lay
13 out your plan?

14 MR. ZAHN: Well, my first meeting was
15 Saturday morning.

16 COUNCILMAN DENNIS: And who was that
17 with?

18 MR. ZAHN: Kelly Flannigan.

19 COUNCILMAN DENNIS: So my next question:
20 You talked about conversation, wanting to
21 end the conversation on pursuing the sale.
22 Now, a conversation --

23 MR. ZAHN: I didn't say that.

24 COUNCILMAN DENNIS: Privatization.

25 MR. ZAHN: I did not say that.

1 COUNCILMAN DENNIS: What did you say?

2 MR. ZAHN: End the conver- -- oh, oh,
3 I'm sorry. I thought you said -- I thought
4 you were implying that my strategic plan was
5 ending in that. Okay. I'm sorry. I
6 misunderstood what you just said.

7 COUNCILMAN DENNIS: It's okay.

8 MR. ZAHN: Yeah. I apologize.

9 COUNCILMAN DENNIS: So go ahead. You
10 can restate what you said. I don't want to
11 misquote you.

12 MR. ZAHN: What I've instructed the
13 entire organization is that, until ordered
14 otherwise, the focus of the company is on
15 those top five priorities and nothing else.

16 COUNCILMAN DENNIS: Ending the
17 conversation, you stated something about
18 ending the conversation. What exactly did
19 you say? I want to make sure I get it
20 correct.

21 MR. ZAHN: By the very nature of
22 focusing on five things that do not consider
23 privatization, we are effectively going to
24 focus on the five things that I outlined.

25 COUNCILMAN DENNIS: And end the

1 conversation of privatization; am I correct?

2 MR. ZAHN: We are going to focus on the
3 five priorities that I outlined. I mean --

4 COUNCILMAN DENNIS: So you're getting to
5 the core of what I'm trying to ask. So
6 ending the conversation is totally different
7 than pursuing. Ending the conversation, we
8 won't talk about it, but we'll still pursue.
9 And so that's my concern.

10 MR. ZAHN: To be clear, we are going to
11 focus and pursue only the five things that I
12 outlined.

13 COUNCILMAN DENNIS: All right. And then
14 a couple more questions here. I filed the
15 bill yesterday revamping the structure of
16 the Board. You talk about governance. Are
17 you aware of the bill I filed yesterday?

18 MR. ZAHN: I am.

19 COUNCILMAN DENNIS: What is your take on
20 it?

21 MR. ZAHN: I think the policymakers have
22 a number of really good heads. And you guys
23 will do a great job determining what the
24 best outcome for that is.

25 COUNCILMAN DENNIS: Okay. And then my

1 last question. In our meeting, and where I
2 felt that you led me down a rabbit trail --
3 and actually I didn't ask. You shared with
4 me how you became on the forefront of being
5 appointed as a board member. Can you share
6 with the Council on what you shared with me
7 on how you became an appointee to the Board?

8 MR. ZAHN: I'm sorry. I don't recall
9 exactly what you're asking me.

10 CHAIRMAN CRESCIMBENI: Restate your
11 question.

12 COUNCILMAN DENNIS: Restate the
13 question: So when I met -- when you were
14 being appointed to the Board -- I didn't ask
15 how you arrived at the spot, but you shared
16 with me that -- the person that recruited
17 you to become a board member. Do you
18 remember that conversation?

19 MR. ZAHN: I remember that the first
20 time I heard of the opportunity to become a
21 board member for JEA was, you know, two
22 senior leadership team members of JEA
23 reached out and said, you know, there is --
24 in fact, talked to me about two different
25 boards. And they said, we think your skill

1 set and experience in the industry would be
2 invaluable as an advisor; and if you'd be
3 open to it, we would like to put your name
4 in front of the Mayor and we would like to
5 put your name in front of a number of other
6 people.

7 COUNCILMAN DENNIS: So you only shared
8 one. You said you were a longtime friend
9 with this one person. Can you share that
10 with the Council?

11 MR. ZAHN: Sir, you know, I don't know
12 your recollection of that conversation, nor
13 do I exact have recollection of the exact
14 words in that conversation either. And I'm
15 not sure how that's relevant.

16 COUNCILMAN DENNIS: Thank you.

17 CHAIRMAN CRESCIMBENI: Thank you,
18 Mr. Dennis.

19 Mr. Zahn, let's just see if we can get
20 the question answered. You acknowledge that
21 two people from the senior leadership team
22 of JEA reached out to you and suggested you
23 might be a good fit on the board for JEA?

24 MR. ZAHN: Yes.

25 CHAIRMAN CRESCIMBENI: Who were those

1 two people?

2 MR. ZAHN: Mike Hightower and Paul
3 McElroy.

4 CHAIRMAN CRESCIMBENI: Thank you.
5 Councilwoman Brown, you're next.

6 COUNCILWOMAN BROWN: Through the Chair,
7 good morning.

8 MR. ZAHN: Good morning.

9 COUNCILWOMAN BROWN: Congratulations on
10 your new position.

11 MR. ZAHN: Thank you.

12 COUNCILWOMAN BROWN: My question to you
13 will be how did you come up with the top
14 five priorities with what the focus would be
15 for JEA moving forward.

16 MR. ZAHN: A lot of sleepless nights
17 over the weekend.

18 Having had the experience of both
19 managing a company, being a private investor
20 in a company, being on a board of a company
21 and being a chairman, you know, one of the
22 things you get really good at is
23 synthesizing down to simple messages that
24 people can understand and start to drive
25 that out throughout the organization and

1 cascade it.

2 I felt those were the top five that
3 would accomplish the goals of, number one,
4 helping our employees and our customers
5 understand that they are, in fact, our
6 number one stakeholder. And then, number
7 two, the remaining balance was a set of
8 priorities, and I really focused on a
9 constructive path forward, as well as I
10 perfectly appreciate that there is a
11 trust-building exercise that needs to
12 undertake, and that's how I came up with
13 some of the others.

14 COUNCILWOMAN BROWN: Okay. The reason
15 why I ask is because you have been on the
16 board for two months; correct? And so I
17 know that recently myself, along with
18 Councilman Brown, and Councilman Dennis, and
19 Gaffney, and Newby, and I think Hazouri
20 signed onto the bill, but we filed a bill
21 concerning the infrastructure issues within
22 the beltway and have a bill that's pending
23 about the charter change.

24 And so based on you seeing that
25 information for the last two months, why did

1 you not consider that being a priority of
2 your organization moving forward, knowing
3 that discussion has been taking place
4 through different committees, conversations?
5 Also the fact that we put in when JEA --
6 when we did the renegotiation agreement, the
7 City of Jacksonville put in \$15 million and
8 JEA put in \$15 million, total of \$30
9 million, to try to do neighborhoods through
10 our plan. I'm just trying to figure out why
11 wasn't that a priority in your schedule,
12 knowing that's been a conversation that
13 we've been having throughout the community
14 for several months now.

15 MR. ZAHN: So I think the tactics
16 brought up by both you, Councilwoman, and
17 the Councilman, those are tactics that would
18 underlie -- continue the execution on the
19 core business, as well as the implementation
20 of the plan forward for JEA. I don't mean
21 to diminish them in any manner other than to
22 say that they are -- you know, those types
23 of items would be considered as part of a
24 path forward. But I needed to start to
25 level up and speak a little bit more about,

1 you know, some global issues that need to be
2 established with both the board and -- so
3 I'm not diminishing that at all.

4 COUNCILWOMAN BROWN: So let me ask you a
5 question. What area do you live in?

6 MR. ZAHN: The beaches.

7 COUNCILWOMAN BROWN: Okay. So do you
8 have water and sewer in your area, a
9 connection?

10 MR. ZAHN: Yes, ma'am.

11 COUNCIL WOMAN BROWN: So what I would
12 like you to do is take, if you don't mind,
13 to take a ride with me in some of the other
14 areas and talk to some of the people in the
15 community. And we're going to start with
16 Mr. Exen that lives in Reggie Brown's
17 district, who has been trying to get
18 infrastructure in his area for probably 30,
19 40 years. And so you said that you wanted
20 to make sure that you involve and you care
21 about the stakeholders. So take a ride with
22 me in my district, take a ride with Gaffney
23 in his district, take a ride with Brown in
24 his district, even Wilson and some of the
25 other areas. Councilwoman Morgan has a lot

1 of infrastructure issues in her district.
2 And ride along with the people and talk to
3 the community of the constituents and figure
4 out and see how that affects them.

5 MR. ZAHN: Were you reading my email
6 this morning?

7 COUNCILWOMAN BROWN: No, I wasn't.

8 MR. ZAHN: Around 5:30 this morning when
9 I was sitting in my office, I actually
10 issued a directive to my customer -- chief
11 of customer service that I wanted to get out
12 and speak with the employees and
13 constituents. And so I would more than
14 happily welcome your -- to ride with you.

15 COUNCILWOMAN BROWN: And my last
16 question would be that you stated to
17 Councilwoman President Brosche about \$1
18 billion worth of capital improvement
19 projects throughout JEA. And one of my main
20 concerns is JSEB. JEA has the lowest
21 percentage, really, of really working with
22 small business owners in our JSEB program.
23 And so I am really looking at what plan, or
24 do you have this as a top priority moving
25 forward with JSEB, small companies.

1 My last comment would be -- before you
2 answer the question would be -- that
3 recently over the last year and a half, I
4 have worked with your senior management
5 staff, and to just change in one little
6 policy, prior to me bringing it up to them,
7 in order for anybody to do business with
8 JEA, they base it on the experience of how
9 long your company has been in business and
10 not base it on the experience of the
11 individual that ran the company.

12 So what is your plan for JSEB
13 participation and how do you plan to work,
14 and is that going to be a top priority with
15 all of the capital dollars that we're
16 spending, to be able to include the JSEB
17 program a little bit more?

18 MR. ZAHN: So I think one of the good
19 hallmarks of a CEO is the ability to say "I
20 don't know" when he doesn't really know.
21 But what I will do is I'll ask one of my
22 team members to take that item down so that
23 I can actually understand more thoroughly
24 your question and understand actually -- the
25 organization already has a number of plans,

1 so I'll determine whether or not there's
2 actually a plan and also report back to you.
3 Does that work?

4 COUNCILWOMAN BROWN: That works. Thank
5 you.

6 CHAIRMAN CRESCIMBENI: Thank you,
7 Councilwoman Brown.

8 Councilman Anderson.

9 COUNCILMAN ANDERSON: Thank you,
10 Mr. Chairman.

11 Good morning. Thank you for being here.

12 First of all, I would like to say thank
13 you again, because, as this has transpired,
14 you have had many personal decisions to make
15 about your business and how you're going to
16 manage this transition. And seemingly, it
17 all came up very, very quickly. And so I'm
18 always, I guess, thankful for civic
19 engagement. And this is a very large civic
20 engagement. So thank you.

21 The second thing is, I've had a chance
22 to meet you. I've had a chance to talk to
23 you. I think you're very bright. I think
24 you've got a vision for the organization.

25 So I -- I have a couple questions that

1 sort of were left off. I don't know if you
2 know this, but I was at the board meeting
3 for about -- it was an hour and 45 minutes,
4 and then the phone was disconnected, and you
5 lost quorum. And you took a five-minute
6 break, and I had to leave and come to Rules,
7 so I missed the best part. But I did get a
8 chance to go back and look at it. And it
9 was all kind of rushed at the end there, you
10 know that.

11 And one of the questions was what is the
12 term of your contract, how much are you
13 going to get paid. And the chair, because
14 he had to finish, he had to get the meeting
15 finished, said, we'll work all that out
16 later. Do you remember that?

17 MR. ZAHN: I do.

18 COUNCILMAN ANDERSON: I bet you do.
19 Have they figured that out yet? Have you
20 got a contract? Have you put that in place
21 yet?

22 MR. ZAHN: So I was just talking to Ryan
23 Wannamacher that -- I said, I think I'm one
24 of the only JEA employees that's currently
25 working for free.

1 No, candidly, I made a pledge that my
2 first priority was to get in front of the
3 Mayor, as well as you, as City Council, and
4 start to create stability for our employees
5 to get back to work. And I haven't really
6 been thinking about myself.

7 COUNCILMAN ANDERSON: Okay. Well, I
8 guess, thank you. You might want to start
9 doing that. But I think -- and I have one
10 philosophical question at the end, okay.
11 But it seems to me that your role is an
12 interim, and you have applied for and the
13 Board has accepted you as an interim CEO.
14 You agree with that; right?

15 MR. ZAHN: I agree with that.

16 COUNCILMAN ANDERSON: I've been involved
17 with a number of organizations that have
18 gone through interim situations, everything
19 from my church to nonprofit organizations
20 that I happen to be lucky enough to be chair
21 of the board when the CEO left. And
22 typically, you look for a caretaker. You
23 look for somebody who is going to kind of
24 keep his hand on the rudder and keep the
25 organization moving forward.

1 But in your case, your argument to the
2 board, and you're stating here that you're
3 an agent of change, that you're somebody who
4 is going to look at this organization
5 fundamentally different. So what do you
6 think the board thought about when they were
7 coming to that conclusion about somebody who
8 obviously had a lot of experience in the
9 organization and was able to keep the rudder
10 moving, or keep their hand on the rudder?
11 Why would they have made that kind of a
12 choice.

13 Thank you, Mr. Chairman.

14 CHAIRMAN CRESCIMBENI: Go ahead.

15 MR. ZAHN: I think one of the
16 fundamental arguments I had was that that
17 experienced individual played not only the
18 key role she already played, but in a more
19 elevated role where, in fact, her sole
20 responsibility was maintaining the rudder
21 and the core business operating, and that
22 the role of CEO of JEA had changed quite
23 dramatically given all the strategic
24 conversations, where it made more sense to
25 split it into two different positions: One

1 as CEO spending -- doing what a lot of
2 public company CEOs of -- you know, do,
3 which is interface with shareholders,
4 interface with board of directors, help them
5 understand, you know, where the company is,
6 make sure there is alignment, build
7 consensus, think through, you know, the
8 vision and the culture and start to -- and,
9 candidly, to help the culture get back to
10 and start to drove culture back to
11 stability.

12 And so I would argue that I think the
13 board, in their decision, didn't choose over
14 one person over another. What they did was
15 they found two people that could work as
16 partners to accomplish a far greater amount
17 in a shorter period of time.

18 CHAIRMAN CRESCIMBENI: Thank you,
19 Councilman Anderson.

20 Councilwoman Boyer.

21 COUNCILWOMAN BOYER: Thank you.

22 Through the Chair to Mr. Zahn, thank
23 you. And we certainly appreciate your
24 stepping in and your efforts at this point.

25 Councilman Dennis was asking a question

1 regarding your continued pursuit of
2 privatization. And your answer was that you
3 were only going to focus on the five subject
4 matters that you listed, the five areas.

5 So my question, to try to get a very
6 specific answer to his, is is it your belief
7 that any one or more of those five focus
8 areas includes investigation of
9 privatization or other financial structures?

10 MR. ZAHN: It would be my -- I believe
11 strategic planning inherently considers
12 resource planning, talent management,
13 capitalization strategies, business model
14 strategies, all of that. But again, I'll
15 come right back to, that is an investigation
16 and a planning process, not an action
17 process. And so going back to governance --

18 COUNCILWOMAN BOYER: So would you
19 consider the hiring of a consultant to do
20 valuation or structure analysis of potential
21 deals or discussing potential transactions
22 with prospective buyers, or people who might
23 participate in some joint venture or
24 something like that, part of a planning
25 process of a strategic initiative?

1 MR. ZAHN: I would consider -- you know,
2 there are obviously grades in which you
3 investigate something, right. The team has
4 already done a lot of investigation over the
5 last four months. After review, I'm not
6 sure any more investigation is necessary.

7 But again, what I would do is sit down
8 with the Board of Directors and ask very
9 clearly, you know, where -- what level -- I
10 mean, business model is clear, we need to
11 look at business model. And you guys are
12 all aware as to the reasons why. Resources,
13 right behind business model, you start to
14 look at that. Talent recruitment and
15 management and retention goes behind that.
16 Culture, and so on and so forth.

17 I think capitalization strategy you --
18 you know, I would have to sit down with my
19 Board of Directors -- and by the way, before
20 I went any further on that, I'm happy to
21 come back here and answer, you know, what
22 the Board of Directors thinks it should be
23 in terms of how much further, or if you
24 really need to go any further around the
25 conversation of what the capitalization

1 strategy is.

2 And by the way, you know, as you are
3 astutely aware because of your experience,
4 capitalization strategy is everything from
5 liability management and, you know, rate of
6 return management. And those types of
7 things are actually things that you need to
8 consider even under the existing structure
9 of JEA as an independent authority. So
10 that's my answer.

11 COUNCILWOMAN BOYER: So if I can try
12 to -- one of the things that I heard in the
13 news -- so I don't know how that was
14 necessarily translated as far as something
15 you said or somebody else said, but that you
16 were encouraging we put a pause button on
17 the discussion of privatization. And I've
18 heard that term used at City Council for now
19 a couple weeks, or a month perhaps.

20 And I guess the real question or
21 challenge that we have is a perception that
22 at some level, internally in JEA, not
23 transparently and widely known, there were
24 conversations regarding various financing
25 structures, privatization, whatever you want

1 to call it, going on unbeknownst to us.

2 MR. ZAHN: Sure.

3 COUNCILWOMAN BOYER: And the question
4 that we're really looking at is if we put a
5 pause button on a public conversation --
6 because I do understand that the public
7 conversation presents a challenge for a
8 private negotiation of any kind of a
9 transaction. But on the other hand, if we
10 put a pause button on the public
11 conversation, do we have some assurance that
12 there is also a pause button on the private
13 conversation? How do we know that?

14 MR. ZAHN: Yeah, sure. I think that
15 goes right back to my conversation of
16 discuss, debate, decide, right. Certainly
17 this committee -- I mean, you are having a
18 conversation around selling versus not
19 selling. And arguably, I would say that
20 you're having that conversation -- I mean
21 this with the most respect -- prematurely,
22 because, in fact, the Board of Directors of
23 JEA and the management team of JEA have not
24 instructed the management team to pursue any
25 such transaction.

1 So there is a point where you can
2 whiteboard, you can discuss, you can argue
3 about the merits. You can, you know, think
4 through kind of -- and any business and
5 board should do that. I think before -- you
6 know, what the City Council should take as
7 comfort is my pledge that before an action
8 is taken -- which I would say before you
9 engage an agent to specifically pursue
10 soliciting bids or going through a process
11 of that -- I should be back here telling you
12 that that is, in fact, the recommendation of
13 the board. And so the comfort you can take
14 is that -- and by the way, even if I got
15 that direction from the board, you're
16 talking 12 months or more before you would
17 ever be able, in a normal world, to be able
18 to debate something.

19 COUNCILWOMAN BOYER: So let me get one
20 more question out very quickly. The -- in
21 that context, though, you are telling me
22 that, if you were engaging in that planning
23 process strategically and having
24 conversations and dialogue about a potential
25 structure, or whatever else, that would

1 happen transparently at your board level?

2 MR. ZAHN: Yes, ma'am.

3 COUNCILWOMAN BOYER: Not in individual
4 meetings between board members and a
5 consultant, or something to that effect?

6 MR. ZAHN: Yes, ma'am. The entire
7 strategic planning process, as I articulated
8 to Ms. Brosche in the question of having a
9 strategy conversation in part of their
10 boards, I would envision elevating those
11 types of concepts in board packages so it
12 would be discussed and deliberated around
13 and no action being taken in that section of
14 the board, absolutely.

15 COUNCILWOMAN BOYER: And I would just --
16 for your information -- I know it's not a
17 question. I'm supposed to ask questions. I
18 would submit that part of what we are doing
19 is strategic as well and not going to the
20 question of sale or not sale. We're
21 developing information.

22 MR. ZAHN: Yeah. Actually, I think, as
23 I said in my opening statement, the
24 questions you're asking are really good
25 guidelines for us to consider as a team in

1 terms of how to manage that at JEA.

2 CHAIRMAN CRESCIMBENI: Thank you,
3 Councilwoman Boyer.

4 Mr. Zahn, do you sense any kind of
5 element of distrust between this body and
6 you and/or the JEA Board?

7 MR. ZAHN: Between the body, no. I have
8 been informed by specific individuals that
9 there are trust issues. And I'm okay with
10 that because --

11 CHAIRMAN CRESCIMBENI: I hope your
12 fourth commitment, which I wrote down, is
13 engage all employees -- I'm sorry, your
14 third commitment, reestablish commitment to
15 shareholder trustees, as one that will
16 hopefully work towards eliminating any
17 distrust that may occur within this body of
18 what's happening, happened or will happen.
19 I hope you will appreciate Ms. Boyer's line
20 of questioning and take that to heart,
21 because I would assume that would include
22 any activity; you meeting one on one with
23 board members to have private conversations
24 about -- and you can call it whatever you
25 want to. I like how you kind of categorize

1 things; discussion, decisionmaking. But any
2 of that that hints at a moving forward with
3 a subsequent board action, I think,
4 constitutes what Ms. Boyer is talking about,
5 and that will certainly very quickly destroy
6 any checkmarks that you put forward for your
7 objective number three in trying to
8 reestablish those connections.

9 MR. ZAHN: I understand that fully.

10 CHAIRMAN CRESCIMBENI: Councilman
11 Gaffney.

12 COUNCILMAN GAFFNEY: How are you doing?

13 MR. ZAHN: I'm great.

14 COUNCILMAN GAFFNEY: I tell you what,
15 Mr. Zahn, when I was on my way here this
16 morning I was going to say what is this guy
17 going to say to us after two days and how
18 can he convince us that he's going to make
19 changes. As I listened to you, I get a warm
20 feeling that we may be headed in the right
21 direction.

22 But I have a couple questions. I was
23 one of the ones that -- and I still am
24 saying I don't want to sell JEA. I said
25 that yesterday, I'm going to say it

1 tomorrow. But at the same time I'm curious
2 to know what's the value of JEA. If that's
3 my thought process, how will you respond to
4 me when it comes to that; not a question,
5 but respond to me. Am I saying that, am
6 I -- I hope I'm thinking like you are. Can
7 you respond to that thought?

8 MR. ZAHN: So with due respect to both
9 PFM and the city auditor, I too also
10 question what the value of JEA really is.
11 And no one would ever know that unless you
12 actually had firm bids, because the value of
13 anything is what a buyer is willing to
14 offer.

15 So I think the answer to that question
16 is one that will allude us unless this
17 body -- unless I got up in front of this
18 body and asked for your permission to pursue
19 the process to solicit such bids for your
20 consideration. So I haven't done that, nor
21 have I been instructed to do that by the
22 Board of Directors, and as you quite clearly
23 have heard me say, nor will it be a priority
24 of mine over the next 6 to 12 months.

25 So I think, you know, as a shareholder,

1 it's a great question to ask. I think, you
2 know, the Mayor has asked that question of
3 making sure that, you know, he understands
4 the value of the asset. I think the PFM
5 report and the city auditor's reports
6 certainly are good data points by well
7 informed and skilled individuals at the
8 concepts of putting ranges on estimates of
9 value. But you know, it's -- you could have
10 a house on the corner of Main and Elm and,
11 you know, developer that wants to develop a
12 30-story high-rise might be willing to pay
13 you 40 times what somebody that just wants
14 to buy the house to live in it. So I don't
15 know the answer to the question.

16 COUNCILMAN GAFFNEY: Okay. Thank you.
17 Couple other questions. So, in saying that,
18 you, in the next couple weeks, you're going
19 to be talking to all my colleagues.

20 MR. ZAHN: As well as you.

21 COUNCILMAN GAFFNEY: And thank you for
22 that. You have heard Councilman Brown,
23 Brown, Brown, talked about septic tanks and
24 infrastructure and areas that are not on
25 your priority list. So in understanding

1 that that is coming from the Council, some
2 of my colleagues who really want to see that
3 part of the priority, given what you heard
4 so far, are you willing to adjust your
5 priority list to make sure that is included
6 when you come back to us?

7 MR. ZAHN: I'm sorry. I was trying to
8 make sure I understood exactly what the
9 question was. Can you repeat that?

10 COUNCILMAN GAFFNEY: Let me try to say
11 it again. I have a minute and 30 seconds.
12 So what I'm basically saying is, you heard a
13 couple of my colleagues talk about water and
14 sewer and infrastructure and needs on the
15 north side of town, anywhere in the city,
16 that is not part of your priority list that
17 you just talked about.

18 MR. ZAHN: It is a part of my priority
19 list. I'm just saying it is a tactic, it is
20 an element of the strategic plan that would
21 be considered part and parcel with financial
22 planning and resource planning, all that. I
23 don't mean to say that that's not -- in
24 terms of how do you address your
25 customers -- that that's not a priority. I

1 just mean to say that that would be an
2 element that needs to be considered in a
3 going-forward plan of an organization. So I
4 think that's a great element. I don't have
5 it as my top five, but it is certainly
6 underneath that strategic planning.

7 What I would envision, and I asked
8 Chairman Crescimbeni this yesterday, which
9 is what is his envisioned work product of
10 this committee at the end. And tell me if
11 I'm mischaracterizing your statement, but it
12 would be a -- you know, a series of
13 questions and guidelines and parameters upon
14 which you, the City Council, view we should
15 navigate JEA going into the future; is that
16 correct?

17 CHAIRMAN CRESCIMBENI: That's fair.

18 MR. ZAHN: So I would imagine then that
19 one of those items would be that, and we
20 would use that as one of the guidelines that
21 we would need as a measuring stone for a
22 strategic plan moving forward.

23 COUNCILMAN GAFFNEY: Let me close by
24 saying this: What I hope, after you talk to
25 all 19 of us and you get an understanding of

1 our priorities, that when you decide to come
2 back to us, you adjust your priorities to
3 meet some of the needs of my colleagues.
4 The reason I say that is because, as
5 Councilwoman Brown said when she was talking
6 about the JSEB -- she's been talking about
7 JSEB for 10 years, even though she's been a
8 Council person for the last two and a half.
9 It seems as though it goes in one ear, when
10 you're talking about management or senior
11 management at JEA; nothing is getting done.
12 What I'm hoping we can accomplish with your
13 leadership is action. And so that's just my
14 recommendation and my hope from you. And
15 I'm looking forward to working with you.

16 MR. ZAHN: I think under the framework
17 concept that I talked to you -- we'll talk
18 more one on one, and I'll bring it back.
19 Under that framework concept upon
20 expectations of shareholder trustees, I can
21 certainly imagine I have at least three that
22 are going to bring that back. There needs
23 to be some element of that. I welcome the
24 conversation.

25 CHAIRMAN CRESCIMBENI: Thank you,

1 Councilman Gaffney.

2 I have Councilman Love, Morgan, Bowman
3 and Ferraro for the first time. We're going
4 to have to take a court reporter break in a
5 few minutes. Let's see if we can get a
6 couple in before that.

7 So, Councilman Love.

8 COUNCILMAN LOVE: Thank you.

9 Through the Chair to Mr. Zahn, thank you
10 for your service. It's hard work, and
11 you're doing some of it now. I like some of
12 your ideas in your plan. And but there is
13 one thing that concerns me: Don't you think
14 it would be smarter to wait for the
15 permanent CEO, because he or she will
16 benefit from the process of figuring out
17 this strategic plan? So strategic planning
18 don't you think it would be better to wait
19 until we get the permanent CEO so he or she
20 will know how you came up with that?

21 MR. ZAHN: Sure. I think that's a great
22 question. Strategic plans have, as you
23 might appreciate, a number of layers. You
24 start at the top level in terms of vision
25 and direction, which I think, you know, we

1 certainly have 19 members, 20 shareholder
2 trustees and board members and a very astute
3 senior leadership team upon which to kind of
4 start to point with the -- to be able to
5 weigh in on what the vision is because that
6 really plays right into the role and
7 responsibility of JEA in the community. You
8 then start to layer that down into
9 initiatives under that strategic plan and
10 then you start to delay -- you know, move
11 that down into tactics.

12 I think you can undertake some element
13 of that, because if you don't, you may
14 find -- the board might find itself
15 designing a scorecard for a CEO with skill
16 sets that are not -- ultimately -- you're
17 hiring a CEO in the absence of some
18 direction, and that's almost a harder thing
19 to do because then you're really relying on
20 that CEO to come back and do the work that
21 I'm actually articulating, which is build a
22 framework. They have to start from scratch.

23 So in the present, you can move forward.
24 There may be then an inflection point where
25 you say, we've gotten far enough on vision

1 and specific strategies that we wish to
2 employ. Now we have the ability as a board
3 of directors -- and not me anymore. But
4 board of directors would have the ability to
5 say, we've gotten far enough, now we can map
6 out what is a scorecard for a permanent CEO.

7 CHAIRMAN CRESCIMBENI: Thank you,
8 Councilman Love.

9 Councilwoman Morgan.

10 COUNCILWOMAN MORGAN: Thank you so much.

11 Through the Chair to Mr. Zahn, Mr. Zahn,
12 thank you for joining us this morning. It's
13 greatly appreciated. I really wasn't sure
14 that you were going to come with, you know,
15 just getting into your new position. So
16 definitely thank you for that.

17 I want to continue questioning along the
18 lines of Council Member Boyer. And you were
19 talking about the discussion, debate and
20 deciding when you have your board meetings
21 and, you know, dealing without agendas. So
22 my question is this: How do you get to the
23 point of setting an agenda that may even
24 begin to, quote, discuss the -- be at a
25 discussion point on an issue like the

1 privatization of JEA without having some
2 kind of conversation beforehand? So how do
3 you put items on the agenda without some
4 discussion beforehand?

5 MR. ZAHN: Well, lucky for us we've had
6 the last four months. So there has been
7 quite a bit of discussion. And if we get a
8 work product that I'm being told to look at,
9 there will be a lot of parameters and
10 guidelines and requests provided to us.
11 That being said, let me be real clear, my
12 belief is business strategy always leads
13 capital strategy, always. So what I'm
14 looking at currently today, and I've
15 discussed this with the senior leadership
16 team over the last two days, is -- and I
17 think there have been a number -- I haven't
18 watched every committee meeting here, but
19 there have been a number of really good
20 questions of how are you going to deal with
21 the trend lines on electric sales and how
22 are you going to deal with some of the
23 elements that are underlying the core
24 business.

25 What I would argue is that that actually

1 is probably the first strategic initiative
2 you guys start -- need to think about. And
3 because that may lead you to morphing how
4 you actually provide the service to your
5 customers, which then may lead you to
6 different resource requirements, which then
7 may lead you to different tools and systems
8 and processes.

9 And at the end of the day, you then
10 eventually get to a point where you say,
11 well, you know, the capital requirements of
12 that new business model, though we think
13 it's superior to the old one, are much
14 different. And you start to then figure out
15 how, you know, can the current business and,
16 you know, as capitalized support that shift,
17 or is it something that needs a policy
18 change from a charter amendment, or is it --
19 is that as simple as what is required, or is
20 it something entirely different.

21 And so I guess, you know, in my very
22 simple mind, when you put something on an
23 agenda to discuss it, it is literally you're
24 putting it out there and saying, hey, there
25 is going to be no staff recommendation,

1 there is going to be no -- we're going to
2 provide data and analytics, like we've done
3 here, we'll try and synthesize it down so
4 it's digestible.

5 And then we'll ask for a board to
6 discuss it and ultimately give some feedback
7 in terms of maybe additional analysis that
8 they might require before you ever move into
9 a debate conversation, which is, really, in
10 any true debate, debating the merits of even
11 moving into a decision conversation. And a
12 lot of times, you know, decisions,
13 discussions and debates just die there and
14 never move to a decision process.

15 COUNCILWOMAN MORGAN: I understand that.
16 But, also, through the Chair, so you would
17 not have any discussion with us, you would
18 not have any discussion with the
19 administration. And, apparently, that's
20 what happened before was that there was
21 discussion somehow with administration and
22 with JEA top executives. So just trying to
23 see how, I guess, maybe you handle things
24 possibly in a different way.

25 MR. ZAHN: To be clear, so, as the CEO,

1 I do report to the Board of Directors and
2 this is a unique position where, you know,
3 the City Council has certain authorities
4 that is much different than any other
5 shareholder base. In a normal process, a
6 CEO would work with its board of directors
7 to gain consensus of the board of directors
8 once there is some sort of consensus even if
9 it's just around a discussion. Then you
10 would go out and sit down with your
11 shareholders and gain their insights.

12 And so I would envision a very similar
13 process, where before you ever moved from
14 one section to the next, you would be
15 interfacing with your shareholder trustees.
16 I hope maybe that helps to alleviate your
17 concern of how we would engage.

18 And you would also talk to your
19 employees, by the way, because that -- in
20 the spirit of what Chairman Crescimbeni has
21 said, we need to -- in very large strategic
22 conversations like this, whether they be
23 business models, capitalization, strategy,
24 resources, CEO searches, we'll need to be
25 very transparent in that.

1 COUNCILWOMAN MORGAN: Thank you. But
2 thoughts come from somewhere. Thoughts,
3 thoughts that go onto agendas, they come
4 from somewhere.

5 MR. ZAHN: I'm not sure I understand the
6 question.

7 COUNCILWOMAN MORGAN: So an item that
8 you are thinking about that is going to be
9 put on an agenda, it comes from somewhere.
10 Does it come just from you? Does it come
11 from a thought that you had either in
12 conversation with someone else? Where do
13 thoughts and items for agendas come from as
14 far as you are concerned, through the Chair?

15 MR. ZAHN: You know, I was a philosophy
16 major. And that actually is a really darn
17 good question. Where do thoughts come from?
18 You know, at the end of the day, I'm going
19 to be interfacing with each one of you
20 individually. You all are going to give me
21 a lot of things to think about, water and
22 sewer, things like that. The senior
23 leadership team will be talking to me, I'm
24 sure bending my ear on things they need.
25 The Board will be talking to me. I'm sure

1 the union leaders and employees will be
2 talking to me, as I plan on getting out and
3 speaking with them.

4 Ultimately, then, you know, it would be
5 my job to find a way to filter that down and
6 prioritize it into the needs of the business
7 that will ultimately have an impact, you
8 know, from greatest impact to lowest impact
9 and what the needs of that business are, you
10 know, and I'll go right back to it, number
11 one, serving the customer and providing the
12 best possible services at the best possible
13 cost structure. And so if you use that as
14 your guiding principle, then you can
15 immediately start to prioritize things, if
16 that makes sense.

17 COUNCILWOMAN MORGAN: Thank you so much.
18 And my last question, through the Chair, is
19 will you -- or do you see the value of this
20 committee, and do you want us to continue
21 attaining information that is prudent just
22 to the future of JEA?

23 MR. ZAHN: I have always been an
24 advocate of shareholders providing their
25 insights to a management team, absolutely.

1 And I think that, as I've said a couple
2 times in this conversation, the work product
3 that you all are going to produce will be an
4 invaluable one for our board of directors
5 and senior leaders team to review in depth
6 to understand and be able to make sure that,
7 in fact, you know, misalignment and discord
8 doesn't occur again.

9 Because, ultimately, the work product
10 you produce back is going to then be
11 utilized as a basis for us to, you know,
12 understand how to satisfy, you know, the
13 desires of our shareholders, and,
14 ultimately, your constituents, which would
15 be the ultimate shareholder.

16 COUNCILWOMAN MORGAN: Thank you so much.

17 CHAIRMAN CRESCIMBENI: Thank you,
18 Ms. Morgan.

19 Mr. Zahn, Committee, we're going to take
20 a short break for the court reporter. We'll
21 take a 10-minute recess. It's currently
22 10:21. So we'll reconvene at 10:31.

23 (Brief recess.)

24 MR. ZAHN: Are you done with me,
25 Chairman?

1 COUNCILWOMAN BOYER: You're doing great.

2 CHAIRMAN CRESCIMBENI: All right. It's
3 10:31. We'll reconvene the meeting. You
4 all can take your seats. Where did
5 everybody go? Let's see, Mr. Bowman was
6 next on the queue. I'm not sure if he's
7 still here or not.

8 Mr. Bowman, are you here?

9 All right. Mr. Ferraro.

10 COUNCILMAN FERRARO: Thank you,
11 Mr. Chairman.

12 And thank you, Mr. Zahn, for being here
13 today. My question is more very direct,
14 under strategic plan and things like that.
15 Worrying about employees, worrying about
16 ratepayers, people responsible. One of the
17 concerns I'm really worried about is the
18 debt. When you meet with all of us, those
19 are some questions I would like to find out
20 a little deeper.

21 As we were talking about some of the
22 debts, I'm concerned about the open-endedness
23 of where -- I know we don't have an exact
24 price of what the JEA is worth, but at any
25 time we should be able to find out what we

1 owe. And that is something I'm very
2 interested in that I haven't been able to
3 get a number on. And I didn't know on any
4 of the open-end debts if in the time you had
5 a chance to look into some of the open-end
6 debts that we have.

7 MR. ZAHN: I have not had a chance yet.
8 But I do -- Melissa and I are making the
9 rounds for each one of the one-on-ones, so
10 we'll make sure to cover that issue. And if
11 she doesn't already have the answer, then
12 we'll get the exact question and come back.
13 Does that work?

14 COUNCILMAN FERRARO: That's works. I'm
15 also interested in some of the capital
16 projects that I heard brought up already
17 tonight. And I do believe in what you're
18 saying about the service of working and
19 moving that forward. I can't agree with you
20 more. And I know it seems like you're
21 getting a lot of pushback, but there is a
22 lot of us up there who want to make sure JEA
23 is extremely successful, as well, through
24 the people paying and also for the
25 employees. So anything we can do to help

1 out, please feel comfortable to reach out as
2 well.

3 MR. ZAHN: Appreciate that. And I hope
4 you understand that actually much of my
5 opening statement was intended to be
6 directed at the employees in terms of what
7 we plan on doing. And they'll continue to
8 hear from me personally.

9 COUNCILMAN FERRARO: Thank you very
10 much.

11 CHAIRMAN CRESCIMBENI: Thank you,
12 Councilman Ferraro.

13 Council Vice President Bowman.

14 MR. BOWMAN: Thank you.

15 Through the Chair to Mr. Zahn, great
16 conversation yesterday with you and
17 Ms. Dykes. Started at 295 and 10 and ended
18 up in Lawtey. So now when I drive down to
19 Gainesville to see my son, I'm going to call
20 you guys, standing phone call, because, man,
21 it made that time go by so quickly. So
22 appreciate that.

23 And as you know, one of the things I
24 said that is your number one priority right
25 now is to take care of your people. They

1 have been under attack. They have lost
2 their leader. You have to come in there and
3 show them that you've got their six. And I
4 know you plan to do that. I want people to
5 hear publicly that you have to come in and
6 take a strong stance. So I appreciate your
7 vision on that.

8 MR. ZAHN: So I'll let you know that
9 I've already been having that conversation
10 with our board. And --

11 MR. BOWMAN: Excellent, look forward to
12 hearing more about that. I think you have
13 seen the Council has -- we've learned a heck
14 of a lot over the last couple months. And
15 what it really shows to me is that we
16 probably needed to know more than we did.
17 And we probably never need to be put in this
18 place again. We only know what your budget
19 is, but we don't know all the things that
20 are going behind the scenes and what our
21 obligations, what our risks are, et cetera.

22 So I think when we talked yesterday, we
23 talked about how disruptive these meetings
24 have been to your organization, the
25 preparation, the coming over here. And I

1 think also what I heard you today say is
2 there is absolutely no efforts going on at
3 this time and certainly not in your future
4 plan time on putting this utility up for
5 sale or even starting the process to do
6 that.

7 So I want to hear a comment on is it
8 your desire that we take a pause on these
9 meetings so you can go in and figure out the
10 organization, start to get alignment, start
11 to get guidance to your people at where you
12 want to go. Because my fear is that we're
13 pulling away a lot of time from your ability
14 to do that right now. So what is your
15 thought on that?

16 MR. ZAHN: I'm never going to tell a
17 shareholder what they should do. I can only
18 tell them what the impact is. And then it's
19 your decision to make in terms of what to
20 continue to do or not to do.

21 As I said in my opening remarks, much of
22 this public discourse -- what you need to
23 appreciate is the employees that work for
24 JEA take a lot of pride in their jobs, so
25 much so that they actually identify it as

1 part of their person. And conversations --
2 and I appreciate the way today is going,
3 because it feels much different, at least
4 for me, although this is the first time I've
5 been in this hot seat, conversations, you
6 know, around -- if we're clear that the
7 conversation is a discussion, then I think
8 our employees can rest peacefully at night
9 that this is a discussion that is not
10 leading to action. It is purely a
11 discussion for you as shareholder trustees
12 to get better information, for you to better
13 understand the utility that the city owns
14 and for you to provide some guidance to the
15 board of directors and to the employment
16 entity, management team on how to better
17 manage the business going forward.

18 So as I said at the beginning, this
19 committee, by its very nature, the questions
20 you asked and hopefully the work product you
21 produce will be invaluable. That being
22 said, it does have a significant toll on not
23 just senior leadership but also directors,
24 management. And that toll is one where, if
25 they don't understand and appreciate that

1 the conversation is really just one of
2 discussion and is not an attacking format,
3 I'm not implying that it is, but when you
4 take something so personally, any questions
5 can start to become -- can feel personal. I
6 know we've all been in that position. Lord
7 knows I have.

8 And the amount of time and effort that
9 does go into preparing packages, because,
10 again, you have people that are very
11 prideful about producing accurate
12 information and full information and
13 providing as much -- everything that they
14 have, it does take quite a bit of time. And
15 I would say that there are -- in talking to
16 senior leadership that oversees the public
17 disclosures, the amount of strain just on
18 that one part of the organization is -- has
19 been described to me as unbearable.

20 So I think a lot of the information has
21 already been provided. And now perhaps more
22 of it is discussion around data that's
23 already been there. So perhaps at this
24 Committee's desire you start to wane down on
25 data request and you start to move towards

1 framing up what the work product might look
2 like, and that might then alleviate it. Is
3 that a fair answer?

4 MR. BOWMAN: Yeah. I mean, I kind of
5 put myself back to my days of taking over
6 Naval Station Mayport. I had 25 department
7 heads and 800 people working for me. And
8 yours is twice that much.

9 MR. ZAHN: Yeah.

10 MR. BOWMAN: And billions of dollars of
11 infrastructure and all kinds of things, I
12 can't even imagine putting myself back in
13 that scenario when I just took over and
14 having to come weekly and brief my
15 leadership on questions that I don't even
16 know yet.

17 MR. ZAHN: Yeah.

18 COUNCILMAN BOWMAN: So certainly my
19 recommendation to my colleagues is that
20 probably now is a pretty good time to stop
21 the meetings and knowing that time is on our
22 side because nothing is happening that is --
23 should be concerning. It should be the
24 opportunity to give you the reins, come back
25 in a couple months and resume our -- come

1 with us and tell us what you think we ought
2 to know.

3 MR. ZAHN: If you're asking me
4 personally, yes, I prefer that. I also have
5 a four and one-year-old that I like to spend
6 some time with. And so far I've been in the
7 office at 5:00 a.m. and leaving well beyond
8 10:00.

9 But, again, I also understand I'm in the
10 role as a CEO. I've chosen that role and to
11 apply and been accepted. And part of my
12 responsibility is answering to shareholders,
13 and that comes with the job.

14 CHAIRMAN CRESCIMBENI: Thank you, Vice
15 President Bowman.

16 Let's see. Council Member Newby, for
17 the first time.

18 COUNCILMAN NEWBY: Thank you to the
19 Chair.

20 Just like some of my colleagues said
21 earlier, you know, listening to your
22 priorities, and not in your priorities was
23 sewer water hookup to areas that need it.
24 Just like I think Councilman Brown said,
25 it's been a 50-year promise, that the city

1 promised some of these residents. And
2 that's something that we need to get done.
3 So I want to get your take on that.

4 And, also, I believe an interim CEO'S
5 job is to guide the ship, you know, calm the
6 ship down. Because one of the things that I
7 don't want is that you set all your
8 priorities and then the new permanent CEO
9 comes in and he has to change what you
10 already started.

11 And another question, are you planning
12 on applying -- I know you said that you
13 weren't really clear. Are you planning on
14 applying for the permanent CEO position?

15 MR. ZAHN: Water and sewer, I hear you
16 loud and clear. I have spoken with the
17 team. They need to provide me with the
18 technical, operational and financial
19 requirements in order to accomplish that.
20 And I promised Councilwoman Brown that I
21 would come back and hopefully lay out a
22 summary of what would be required in order
23 to make that happen. I don't currently have
24 the answer to it. But I've heard you guys
25 loud and clear. I've already asked the

1 team, they assure me there are some answers
2 there. I'm not sure if it's fully vetted or
3 not, but I've heard a lot.

4 The second one?

5 COUNCILMAN NEWBY: The second question
6 is more of a comment. Normally an interim
7 CEO comes in and kind of calms, you know,
8 kind of guides the ship, not so much set
9 priorities, because in a year's time the new
10 CEO, whoever the CEO is going to be, will
11 probably come in with his own priorities.
12 And then once you already started something,
13 then the new person comes in and they have
14 to refocus again, so it was just a comment.

15 MR. ZAHN: My priorities, I hope you can
16 see, they are truly geared at calming the
17 ship down, allowing us to truly serve our
18 customers in the way we've always done and
19 also help employees that serve those
20 employees understand that they -- they have
21 a management team and a board that are going
22 to interface with the shareholder trustees
23 as well as the public and themselves and in
24 a much different manner going forward. And
25 I articulate a little about that in the way

1 we'll structure our board meetings, but I
2 also have some other plans in terms of
3 communication that I'm not ready to discuss,
4 but that I think we'll change a little bit
5 of the way we talk.

6 COUNCILMAN NEWBY: Are you planning to
7 apply for the permanent CEO position?

8 MR. ZAHN: So I'm not currently planning
9 for it. But I will continue to say, if
10 where we get to is where the board designs a
11 scorecard that I believe my skill sets are
12 readily mapped up to, then absolutely I
13 will. But if it has a scorecard that my
14 skill sets don't match, I have no desire to
15 have a job that I'll fail at.

16 COUNCILMAN NEWBY: Thank you, once
17 again, thank you for your willingness.

18 CHAIRMAN CRESCIMBENI: Thank you,
19 Councilman Newby.

20 Mr. Zahn, you said yesterday that you
21 had a commitment at 11 o'clock; is that
22 right?

23 MR. ZAHN: Yes, sir, a pastors'
24 luncheon.

25 CHAIRMAN CRESCIMBENI: How long will

1 that last?

2 MR. ZAHN: Hour and a half, two hours.

3 CHAIRMAN CRESCIMBENI: So you're going
4 to depart at 11:00?

5 MR. ZAHN: I think Melissa -- I think
6 our team is departing at 11:00.

7 CHAIRMAN CRESCIMBENI: The whole team is
8 leaving at 11:00? Who is going to address
9 the items on the agenda? Is Mr. Pope going
10 to hang back and walk us through the tabs?

11 MS. DYKES: Mr. Chairman, Melissa Dykes.
12 I can stay until -- this is a signature
13 event for JEA. We invite almost 45 pastors
14 from around the community to come in and
15 share their congregations' experiences with
16 their utilities, both service and bills, to
17 give us a chance to share some of our really
18 important programs with them, and to be able
19 to brainstorm back and forth about how we
20 can more meaningfully engage with the
21 community. It's a very, very important
22 event for JEA.

23 Mr. Zahn has to leave at 11:00 to make
24 sure that he's prepared to give the opening
25 remarks for that. I'm not a speaker at that

1 event. And so I'm willing to stay for an
2 additional period of time that will help get
3 the committee through some more of its
4 questions on its agenda.

5 CHAIRMAN CRESCIMBENI: All right. Thank
6 you very much. So I have four more Council
7 Members for the second time to ask
8 questions. We'll have to be quick because
9 he needs to be out of here in 17 minutes --
10 or 13 minutes.

11 Mr. Gulliford has hopped on as a
12 first-timer. Mr. Gulliford -- oh, I'm
13 sorry. You are second time. I'm sorry.

14 COUNCILMAN GULLIFORD: Well --

15 CHAIRMAN CRESCIMBENI: Hang on. You are
16 second time. I forgot.

17 COUNCILMAN GULLIFORD: It's up to the
18 interpretation of the Chair. I asked a
19 simple question, and you took some of my
20 time, Mr. Crescimbeni.

21 CHAIRMAN CRESCIMBENI: I took some of
22 your time?

23 COUNCILMAN GULLIFORD: Anyway, I'll
24 try --

25 CHAIRMAN CRESCIMBENI: I'll come back to

1 you.

2 We'll start with Council President
3 Brosche, who is in the queue first.

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

6 Through the Chair to Mr. Zahn, I haven't
7 interacted with you too much. I've had the
8 opportunity to see you at a couple board
9 meetings. And you struck me as someone who
10 is pretty aware. And, as Daniel Goleman
11 would say, has some emotional intelligence.
12 And so when you were asked the question
13 about whether or not you had a sense of
14 distrust from this body, do you want to
15 revisit your answer or you're going to stick
16 with no?

17 MR. ZAHN: What I'm going to say is
18 distrust in what? Maybe be more clear about
19 that.

20 PRESIDENT BROSCHE: I think the question
21 was do you sense some level of distrust from
22 this body between whether it's you, the JEA,
23 do you sense an air of distrust on the topic
24 of JEA as it relates to us and JEA? However
25 you want to encompass JEA.

1 MR. ZAHN: Yeah. If you're asking if
2 the events of the last four months have
3 demonstrated some level of distrust between
4 individuals and collectives, which I would
5 call decision makers, board, management
6 team, administration, and City Council, if
7 there is some level of distrust in any one
8 of those directions, sure.

9 And that's one of the reasons why
10 that -- one of my top ones is to start
11 building the bridge and hoping and doing
12 what I'm doing here today to start
13 demonstrating that, you know, to building
14 that back. And I know it's not doing
15 overnight.

16 PRESIDENT BROSCHE: Absolutely. And so
17 in light of what you just described and the
18 decisionmaking and the lack of transparency
19 and the challenging governance that we've
20 already kind of been through, it strikes me
21 that our inquiry, which really is about the
22 future of JEA, you had described you think
23 it's premature.

24 MR. ZAHN: No. If reframed as a
25 conversation around the inquiry of what the

1 future of JEA is, understanding better the
2 asset that it is, the operations, many of
3 the things that, you know, what brought up
4 in saying there have been some material kind
5 of elements that perhaps this shareholder
6 trustees didn't have great appreciation of,
7 this committee has been great for that.

8 That's why I continue to say, if the
9 work product comes out where there are some
10 guidelines and parameters that come back and
11 better help us understand your expectations,
12 then this committee will produce exactly
13 what we need as a management team and board
14 in order to satisfy you going forward, and
15 also to revisit on a periodic basis to
16 determine whether or not that framework is
17 to ever change.

18 My statement was more around if the
19 committee's sole purpose was to determine
20 whether or not to sell or not sell JEA
21 today, then I think that's a far more
22 premature conversation.

23 PRESIDENT BROSCHE: But based on the
24 events that have transpired, you might be
25 able to guess why there is meaning in that

1 context.

2 MR. ZAHN: I've watched the last four
3 months. I understand the issue.

4 PRESIDENT BROSCHE: My last question is
5 do you think that the people, all the people
6 regain confidence by us pausing the
7 opportunity to publicly restore trust?

8 MR. ZAHN: I'm not going to talk about
9 what other people think or not think. What
10 I'm going to do is continue to do exactly
11 what I said I'm going to do. I will -- and
12 it is my belief that the way you earn trust
13 is you walk the walk. And some people will
14 never trust you. And I can't help that.

15 Because -- but I can -- for people that
16 have open ears and open doors, then I can
17 use that. And I can understand things that
18 I can do in order to build that trust back.

19 PRESIDENT BROSCHE: Great. Thank you so
20 much.

21 CHAIRMAN CRESCIMBENI: Thank you,
22 Council President Brosche.

23 Councilman Brown.

24 COUNCILMAN BROWN: Thank you.

25 Through the Chair, let me just say this,

1 trust is earned through communication. It's
2 not creating a pause of silence, everybody
3 going into their silos and then coming back
4 out. Because during that quiet moment,
5 folks are wondering what is going on, so I
6 would not -- I'll just put that out there.

7 But my question, Mr. McElroy, he came up
8 under a job description. So what would be
9 the notable difference between the skill
10 sets of -- skill sets and education, because
11 we're creating a new job description?

12 MR. ZAHN: Are you asking me what the
13 job description for the permanent CEO is?

14 COUNCILMAN BROWN: No. We have one. My
15 understanding is that you talked about a
16 scorecard and basically, if you are
17 qualified based on the new scorecard, which
18 leads me to believe that there is going to
19 be something different from a previous job
20 description. So what is this skill set or
21 education that you believe may be different,
22 because you were a part of the board.

23 MR. ZAHN: I would imagine that, number
24 one, I can't answer your question because we
25 have not -- I have not talked to the board.

1 The board has not gone through a process of
2 figuring out -- when I use the word
3 scorecard, that, to me, is job description.
4 That's my vernacular for that. Maybe that
5 was a miscommunication, I apologize for
6 that, but job description. Typically,
7 scorecards are one where they develop
8 metrics and things that need to be
9 accomplished.

10 COUNCILMAN BROWN: So I guess a better
11 question is are you qualified for the
12 current, do you meet the qualifications for
13 the current job description?

14 MR. ZAHN: The board certainly thought
15 so, and I certainly thought so by applying.

16 COUNCILMAN BROWN: Okay. So then there
17 shouldn't be any changes there.

18 MR. ZAHN: And I think the senior
19 leadership team has rallied to that analysis
20 as well.

21 COUNCILMAN BROWN: Okay. That's good.
22 We did something here in Jacksonville, Duval
23 County, I'm going to be very quick with
24 this, Duval County Public Schools, the
25 board -- and you were a part of the board

1 that made that decision. The board made a
2 decision because of, I guess, for the sake
3 of transparency that the interim would not
4 be eligible to apply for the permanent
5 position. Why did this board take a
6 different approach?

7 MR. ZAHN: I can't speak for the board
8 of directors.

9 COUNCILMAN BROWN: I thought you was --
10 you're not on the board that made this
11 decision, the board members?

12 MR. ZAHN: Not at the time that I was
13 hired as a CEO -- or as the interim CEO, no.
14 I had resigned.

15 COUNCILMAN BROWN: So there was no
16 discussion with you.

17 So I guess when Melissa comes up, we'll
18 ask you that same question. So if you can
19 think of that. So I think in terms of that,
20 that would be great.

21 The other question, we talked about the
22 board and getting together and coming up
23 with these strategic plans. Some of the
24 same members are there yesterday and they're
25 there today. So as we're looking for an

1 aggressive strategic plan and budget to
2 address the infrastructure, what do you
3 think would be different? We have some of
4 the same board members. And I've been on
5 the Council for 10 years, and I have not
6 been able to get those type of answers.

7 MR. ZAHN: So I think perhaps one of the
8 skill sets that I bring that is dramatically
9 different than other internal candidates and
10 prior CEOs is I have been an innovator and
11 an entrepreneur, as well as a professional
12 investor in all of the sectors that JEA
13 oversees, electric, water, wastewater, real
14 estate, dark fiber. I have been -- you
15 know, so I think one of the things that I
16 have the opportunity to do is bring in
17 resources and connections that perhaps
18 weren't otherwise drawn on in the past.

19 And also I think, you know, much
20 different than prior conversations, we're
21 now at an inflection point and much to
22 the -- you know, whether we like it or not,
23 much that the enlightenment element of the
24 last four months has really shed some light
25 for all of you as policymakers that we need

1 to start looking at the business model of
2 JEA on a going-forward basis and consider
3 potentially what are -- how to position it
4 to take advantage of market trends, Bluetop
5 Solar, dark fiber initiatives. You know,
6 the team has gone and done work on what they
7 call new revenue initiatives, but what I'll
8 tell you is I've reviewed that and I did
9 that, you know, in the past six months as I
10 was doing my own diligence. And no knock on
11 them, but it's not -- those aren't ready for
12 prime-time conversation.

13 So if you're going to combat declining
14 sales, you're going to combat escalating
15 cost and you're going to, you know, think
16 about how to continue to provide your
17 customers the best service where they want
18 it, when they want it, how they want it,
19 then that is a very much different business,
20 one that, you know, I'm more familiar with
21 than a traditionally vertically integrated
22 utility.

23 COUNCILMAN BROWN: Thank you. And I'll
24 stop here. I'll tell you, Mr. Zahn, I truly
25 believe that the attitude of the board will

1 reflect their leadership, okay, that's the
2 first thing. You have an excellent senior
3 leadership team that works well with the
4 community, okay, and all there is except for
5 JSEB. And we are working on that,
6 supporting that. I believe it's important
7 that we promote doing business with local
8 business folks. And we have to, especially
9 the small businesses in Jacksonville. And
10 we really need to do that. And the reason
11 that I heard over the years is because,
12 well, we pretty much do what the city of
13 Jacksonville does. Well, when two people
14 are failing, it doesn't make it right. And
15 we failed in that area. But the senior
16 leadership team is, I think, superb.

17 MR. ZAHN: We couldn't agree more on
18 that.

19 COUNCILMAN BROWN: Thank you. I do
20 appreciate your time. I'll close with this,
21 listen, transparency is real. If you're
22 qualified now and the question is asked, are
23 you going to apply, just say, hey, I'm
24 qualified and I will apply, and let's be
25 done with it.

1 CHAIRMAN CRESCIMBENI: I have two
2 Council Members left on the queue, so if
3 you'll be very quick so you both will have a
4 chance.

5 Councilman Dennis.

6 COUNCILMAN DENNIS: Through the Chair, I
7 will be really quick.

8 And thank you, Councilman Brown, because
9 you must have been reading my notes on the
10 break because I had those same, scorecard,
11 permanent CEO.

12 So, Mr. Zahn, are you planning on
13 applying for the CEO position, permanent CEO
14 position; yes or no?

15 MR. ZAHN: I'm going to tell you again,
16 this is --

17 COUNCILMAN DENNIS: Yes or no?

18 MR. ZAHN: I do not have a --

19 COUNCILMAN DENNIS: Yes or no?

20 MR. ZAHN: I do not have a description
21 for the permanent CEO from the board of
22 directors, and so I cannot make a decision.
23 But I am telling you right now that, if my
24 skill sets line up to that scorecard and
25 that job description, I will absolutely

1 apply for it because I would -- I think --

2 COUNCILMAN DENNIS: Mr. --

3 MR. ZAHN: Wait. Because it would be --
4 for me to have taken the personal and
5 professional deviation I did in order to
6 step into this leadership role to help the
7 community through this transition, it would
8 be not logical for me to continue on in part
9 in trying to design a utility for the future
10 of Jacksonville. That is a personal passion
11 of mine.

12 And so if you're asking me if I would
13 not pursue my personal passion if I was able
14 to do it, well, God bless it, I don't know a
15 person that would deny that.

16 COUNCILMAN DENNIS: So you're not going
17 to answer the question. So let's talk about
18 trust, all right. So you're going to meet
19 with some pastors. So they'll tell you that
20 we owe you -- you know, we have to forgive,
21 we owe you that. But trust has to be built
22 like a house, you know, brick by brick. So
23 I want to know, to build trust, I want your
24 commitment today that as interim CEO, if you
25 meet with any representatives of FPL, Emera,

1 any of the lobbyists, that you will build a
2 portal on your website and share that you've
3 met with any of these individuals that may
4 be potential suitors or buyers as
5 transparency, yes, I met with them on this
6 day, have an open calendar for the community
7 to see that you're meeting with these
8 people. Again, transparency, building
9 trust.

10 So can you give us that commitment today
11 to have an open calendar and let the
12 community know when you're meeting with
13 individuals that will -- or suitors of
14 people that want to buy JEA?

15 MR. ZAHN: Yes. And to be clear, I want
16 to be real clear on something, I don't
17 track -- if I meet with somebody, but they
18 do not disclose who they represent -- I
19 mean, I will do my best to understand the
20 people that I'm meeting with and who they
21 represent. To the extent that they are
22 someone that does not disclose it and I meet
23 with them at a restaurant or something like
24 that, I will, yes, I will give you an open
25 calendar of -- and what I will commit to you

1 is, if the conversation turns to my role as
2 a CEO of JEA, I will immediately disclose
3 that; is that fair?

4 COUNCILMAN DENNIS: Yes. And we'll get
5 more clarification, but, yes, yes.

6 CHAIRMAN CRESCIMBENI: Thank you,
7 Councilman Dennis.

8 Councilman Gulliford, you're the last
9 one.

10 This is your last question, Mr. Zahn.

11 COUNCILMAN GULLIFORD: Thank you,
12 Mr. Chairman.

13 And through the Chair, let's move from
14 conspiracy for a moment into policy. I was
15 a chairman of the committee that
16 renegotiated interlocal agreement with JEA.
17 And I can tell you, Melissa can certainly
18 support this, that JEA fought hard to
19 protect their bottom line. That was really
20 what it got down to.

21 But, of course, the conflict and the
22 conversation really was related to the
23 differences between community betterment
24 and, again, the financial success of the
25 utility. So I don't think that was ever

1 resolved.

2 So my question really is do you think
3 we've reached a point where collectively we
4 need to sit down and maybe establish a
5 mission statement for the future. You've
6 heard this comment about priorities in
7 certain areas with JEA, the services that
8 JEA provides. Yet the unanswered question
9 is what does the city do. For instance, for
10 example, if you're going to run sewer lines
11 to replace septic tanks, that's wonderful.
12 But who pays the hookup cost for that
13 utility, which normally is a homeowner
14 responsibility, which could be \$6,000 per
15 household.

16 So the question becomes do we need to
17 sit down before we do much else and
18 establish a collective mission statement to
19 recognize the value of a community-owned
20 utility versus a private utility.

21 MR. ZAHN: That's a great question. And
22 the framework concept that I mentioned in my
23 opening remarks, which I'm going to speak
24 with each one of you individually about, I
25 believe, goes to that end, which is starting

1 to frame -- it's not -- less of a mission
2 statement and more of a set of understanding
3 of what the expectations of the city and JEA
4 are. And you can look at them and value
5 measures, customer service measure, rate
6 measure, things that are high level that I
7 would hope would be noncontroversial in
8 nature but where we can gain a far greater
9 consensus around, because then as a company
10 we can come back and answer, compared to
11 these expectations, this is what the company
12 can do and this is what the company cannot
13 do. Does that make sense?

14 COUNCILMAN GULLIFORD: Sure. And
15 through the Chair, you make a significant
16 contribution, financial contribution, to the
17 city which we don't write into our general
18 fund without any question of how it might be
19 utilized in the -- at least a portion of it
20 in the direction that we have talked about
21 as far as improvement of service where the
22 city has agreed with you. For instance,
23 that we matched the 15 million to the septic
24 tank enhancement -- or replacement, rather.

25 But I think it needs to be more a matter

1 of policy and go beyond that. I don't know
2 if you necessarily agree, but it sure seems
3 to me like we need to be a lot better
4 defined about how we go forward if that's
5 indeed the case.

6 MR. ZAHN: If you're asking whether I
7 think the city should be monetarily fiscal
8 in deploying capital dollars, I think as a
9 citizen I can agree with you on that.

10 COUNCILMAN GULLIFORD: Sure. I guess I
11 was kind of baiting you with my question.

12 Thank you, Mr. Chairman.

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

15 Mr. Zahn, thank you for being here
16 today. I think you may understand my
17 reluctance yesterday to add the additional
18 13 outstanding items to the agenda. Does
19 that make sense now? Enjoy your lunch.
20 Appreciate your staff remaining behind. You
21 might want to check back with them after you
22 finish eating, we may still be in session.
23 You are welcome to join us if you are.

24 MR. ZAHN: And I will continue with the
25 one-on-ones, those that I have not met,

1 please be sure, I will be getting on your
2 calendar.

3 CHAIRMAN CRESCIMBENI: By the way, the
4 past few times I've met with you, you always
5 have a cup with you. Here is a softball
6 question, what is your favorite beverage?
7 If it's Kool-Aid, don't tell me, but if it's
8 anything else, tell me.

9 MR. ZAHN: Diet Mountain Dew, it's the
10 ambrosia; it's the nectar of the gods.

11 CHAIRMAN CRESCIMBENI: That's not what
12 my guess would have been. I thought you
13 were drinking coffee. All right.

14 MR. ZAHN: I'm from Minnesota.

15 CHAIRMAN CRESCIMBENI: We'll have
16 Mountain Dew for you at our next meeting,
17 Diet Mountain Dew.

18 We're going to try to actually move to
19 the next item on our agenda, which would be
20 revisiting some action items that were left
21 over from the previous meetings, starting
22 with St. Johns River Power Park, which is
23 described under tab two of our book.

24 And, Ms. Dykes, I know you have a more
25 abbreviated approach style, but there are a

1 lot of pages here, so not too abbreviated,
2 please.

3 MS. DYKES: Thank you, Mr. Chairman. I
4 have until 11:30, which is the start of our
5 lunch. And then Jordan Pope has volunteered
6 to remain behind to field the questions.
7 But given it is a relatively short amount of
8 time, I want to be clear on what you would
9 like me to try to cover in that time.

10 When we spoke yesterday, my vision was
11 to go through as many of the questions as I
12 could at the beginning, and then offer it up
13 to questions from Council Members. My
14 concern, if I do that, is I'm going to end
15 up using the bulk of the remaining time on
16 presentation, which won't allow for time for
17 questions.

18 So is your preference that I remain
19 short or is your preference that I try to
20 get through as much information as I can in
21 the time that I have?

22 CHAIRMAN CRESCIMBENI: I'm not sure I
23 understand your question. Are you saying
24 you want to hopscotch on the items on the
25 agenda or are you saying you want to go

1 through all of them with a brief review and
2 then come back for questions? What are you
3 asking?

4 MS. DYKES: My offer yesterday was to
5 try to spend about 20 or 30 minutes and
6 review the next 10 items and then open up to
7 questions about that. Many of those items
8 are simply providing data, so I believe a
9 discussion here at the podium will be
10 relatively short. Some of them do require
11 more depth and --

12 CHAIRMAN CRESCIMBENI: If we spend the
13 next 20 or 30 minutes reviewing all the
14 items, then you leave, and there are
15 questions, who is answering the questions?

16 MS. DYKES: Mr. Pope.

17 CHAIRMAN CRESCIMBENI: Mr. Pope is going
18 to answer all the questions?

19 MS. DYKES: Mr. Pope has volunteered to
20 remain behind to answer the questions he's
21 equipped to answer and take down the ones
22 for follow-up that he's not.

23 CHAIRMAN CRESCIMBENI: Is he still here?
24 I think he rethought the whole volunteer
25 thing.

1 MS. DYKES: Hopefully he's still here.

2 CHAIRMAN CRESCIMBENI: Okay. Let's
3 start with the St. Johns River Power Park.
4 This was a question that came up at a
5 previous meeting about what the original
6 arrangement was with FPL on St. Johns Power
7 Park. It's obviously in the process of
8 being, I think you called it,
9 decommissioned. Is that what you call it?

10 MS. DYKES: Yes.

11 THE COURT: And so what was the
12 decisionmaking process that led to that
13 decision? I think Paul alluded to a few
14 things last week -- or two weeks ago with
15 regard to some comments about CO2 emissions,
16 et cetera. So walk us through that.

17 I'll see how many people light up on the
18 queue. If it's a big number, we're going to
19 answer questions about this before moving
20 on. If it's not, we'll move on and then
21 come back. All right?

22 MS. DYKES: Very good. Thank you,
23 Mr. Chairman. There is, as you've observed,
24 a fair amount of information that's been
25 provided in response to this question. What

1 I would like to do is focus on the pages
2 that I think will best help Council Members
3 understand the answers to the questions that
4 have been asked of us.

5 So if you'll flip, this is behind tab
6 two in your binder, there is a PowerPoint
7 presentation behind the summary. And this
8 is a presentation that was shared with the
9 JEA board at the time that the board decided
10 to recommend the closure of the St. Johns
11 River Power Park.

12 If you'll flip to page 2 in that
13 presentation, there is a graph on this page
14 that is an important graph for Council
15 Members to understand, to understand why the
16 closure of St. Johns River Power Park was so
17 valuable for our customers and community.

18 The top portion of that page is a sales
19 chart that we reviewed with this committee
20 on multiple occasions that shows trends and
21 sales for our utility. The bottom
22 right-hand side of the page is really the
23 most important chart for us to talk about
24 with respect to the St. Johns River Power
25 Park closure. The bottom right-hand side of

1 this page shows capacity in the system, on
2 the gen -- electric generation side compared
3 with the amount of capacity that we're
4 required to maintain in the system. Recall
5 in the electric system we billed out
6 generation capacity to serve the absolute
7 most that our entire community uses all at
8 the same time in a given moment. And that's
9 the amount of capacity that we make -- have
10 to maintain in our system, plus a required
11 reserve margin above that to ensure
12 reliability of the system.

13 What you see on this page is the dash
14 line that shows our absolute peak for 2016,
15 which occurred in the summer. You see in
16 the solid black line going across the chart
17 the amount that we're required to maintain
18 with reserves. And all of the area of the
19 blue bars is generation capacity that we had
20 on the ground before the closure of
21 St. Johns River Power Park that was in
22 excess of our peak demand plus our required
23 reserves. That excess costs money to
24 maintain. And that really was the primary
25 driver behind the closure of St. Johns River

1 Power Park.

2 If I can direct you over to page 7 in
3 that same PowerPoint presentation, there is
4 a summary on page 7 of the benefits of the
5 transaction, essentially why we entered into
6 the transaction.

7 Excuse me, I'm going to rearrange up
8 here.

9 First of all, this -- the closure of
10 St. Johns River Power Park provides rate
11 stability for our customers. It does so by
12 reducing overall system costs pretty
13 substantially. And it also does so by
14 rightsizing our generation fleet.

15 So we measure asset efficiency by
16 utilization rates. In other words, how much
17 of our system are we using on average versus
18 how much do we have on the ground. And this
19 better right-sizes those numbers.

20 It reduced our impact on the
21 environment. It reduced -- this one plant
22 closure reduced JEA's carbon dioxide
23 footprint by 30 percent. It also reduced
24 the amount of nitrogen to the St. Johns
25 River.

1 The closure stimulates economic
2 development by making available large areas
3 of property in and around the port. And
4 also recreational opportunities for the
5 community and proactively addresses the
6 future of the St. Johns River Power Park.

7 So that particular contract was silent
8 on what would happen at the end of the
9 contract that is addressed, the future of
10 the power park through this agreement and
11 plant closure.

12 If you'll turn to page 9 in that
13 presentation next. In spite of all the
14 benefits that we just covered, deciding to
15 close a plant is a horrendously painful
16 decision. And it's painful because of the
17 impact on employees.

18 Our human resources team handled the
19 closure of this plant extremely
20 respectfully. I'm very proud of the work
21 they've been able to do.

22 But I also think it's important to
23 acknowledge the employees that were impacted
24 by the plant closure. These employees at
25 the St. Johns River Power Park were

1 world-class, they operated a world-class
2 plant. Power Park had received operational
3 awards, had a safety record that was
4 probably unmatched in the industry. And
5 we're extremely proud of those employees.
6 And that plant operated for 30 years and for
7 30 years reliably and affordably served our
8 community.

9 I do want to talk about some of the
10 things our HR team did when that plant
11 closure was announced. They provided
12 priority employment opportunities at JEA for
13 employees. They provided outplacement and
14 training services onsite, separation benefit
15 packages including medical benefits through
16 a transition period. 35 percent of those
17 employees could actually retire immediately;
18 they were eligible for retirement. And they
19 were provided pension connectivity for
20 employees that had years of service at Power
21 Park, but who were able to come over to JEA
22 before October 1st, before the general
23 employees pension plan was closed to the
24 employees.

25 Of the 203 employees that worked at the

1 St. Johns River Power Park, 24 left for new
2 jobs before the plant closed; 30 were able
3 to obtain similar jobs at JEA; 25 retired,
4 and hopefully they're enjoying their
5 retirement; 12 had jobs waiting for them at
6 plant shutdown; 25 have been placed since
7 plant shutdown, although we expect that 25
8 number is actually greater since we have not
9 followed all the employees that left the
10 plant since closure.

11 Each employee received a résumé class,
12 they received individual coaching on their
13 résumés. They received interview coaching.
14 We actually held an onsite job fair for our
15 employees at the plant.

16 If you'll flip later behind tab two,
17 there is a second PowerPoint presentation
18 that's included in your package. This is a
19 PowerPoint presentation that was presented
20 by JP Morgan, who was hired by staff to give
21 the board a fairness opinion with respect to
22 the transaction itself. And within that
23 presentation by JP Morgan on page 7, there
24 is a breakdown, there is a cost walk of the
25 impact on our customers of this plant

1 closure. I believe this is responsive to
2 Council Member Ferraro's question about how
3 much it would cost for us to keep the plant
4 in operation. What this shows in the
5 left-hand three bars is the answer to that
6 question. That would have been the cost of
7 keeping the St. Johns River Power Park
8 operating.

9 On the right-hand side what you see is
10 the replacement cost of power for the
11 system. And the remainder of the cost walk
12 concludes with the savings to our customers.
13 And our customers will save, in this
14 opinion, between 450 and \$466 million on the
15 present value basis over the next 10 years.
16 So it's a significant cost savings to our
17 customers.

18 As our planning director likes to quip,
19 the answer to a 200 megawatt need isn't a
20 thousand megawatt coal plant. And this has
21 a lot as to right-size our generation in
22 order to save customers and community money.

23 Mr. Chairman, would you like me to keep
24 going with questions or stop there?

25 CHAIRMAN CRESCIMBENI: I probably have

1 some folks on the queue. So this is what
2 typically happens.

3 Councilwoman Boyer followed by President
4 Brosche and Council Member Ferraro.

5 Ms. Boyer.

6 COUNCILWOMAN BOYER: Thank you.

7 Through the Chair to Ms. Dykes, thank
8 you. First question is on the very first
9 page of your summary, it says JEA has
10 negotiated a proposed settlement with FPL.
11 Is this not final since we're --

12 MS. DYKES: It's final, yes.

13 COUNCILWOMAN BOYER: Second question is
14 on the slide you pointed out on page 2,
15 where it talks about capacity and peak
16 demand it shows increasing -- if you look at
17 the 2017 year, the capacity number only
18 slightly exceeded the reserve requirement,
19 which is including St. Johns River Power
20 Park's production at that point because it
21 was still in business. So why is the
22 capacity shown as substantially increasing
23 in '18 and '19? Does that include the
24 on-lining of Plant Vogtle or where are you
25 showing the excess capacity coming from?

1 What other facility is opening up?

2 MS. DYKES: Let me put an asterisk --
3 through the Chairman to Council Member
4 Boyer, let me put an asterisk next to your
5 observation about it including St. Johns
6 River Power Park operating.

7 Under the SJRPP joint ownership
8 agreement with FPL, we own 80 percent of the
9 facility, they owned 20 percent; however,
10 they had a responsibility to purchase an
11 additional 30 percent of that plant. And
12 that purchase responsibility expired. And
13 so what you see in that first jump up from
14 2017 to 2018 is actually their return of 383
15 megawatts of capacity to JEA due to the
16 expiration of that purchase contract with
17 FPL. So while 2017 does include SJRPP, 2018
18 is really the more applicable year to look
19 at to see what our capacity position looks
20 like with the inclusion of St. Johns River
21 Power Park.

22 Following that you do see step-ups in
23 2019 and 2020, but those step-ups are now
24 shifted out in time because they are Plant
25 Vogtle.

1 COUNCILWOMAN BOYER: And the analysis
2 was that, because of the cost of production
3 at St. Johns River Power Park, it was not
4 feasible to sell in the marketplace the
5 excess capacity between '17 and '18.

6 MS. DYKES: That's correct.

7 COUNCILWOMAN BOYER: And then -- I'm
8 going to let other people ask questions and
9 I'll come back to the rest of mine while I
10 find the pages.

11 CHAIRMAN CRESCIMBENI: Thank you,
12 Ms. Boyer.

13 Ms. Dykes let me ask, so go back to that
14 20 percent, 80 percent, explain that again.

15 MS. DYKES: The St. Johns River Power
16 Park is jointly owned between JEA and
17 Florida Power and Light. JEA owns 80
18 percent of the facility and FPL owns 20
19 percent.

20 CHAIRMAN CRESCIMBENI: Does that mean we
21 put in 80 percent of the capital to build it
22 and FPL did 20 percent?

23 MS. DYKES: No, it does not. There is
24 additionally a purchase contract that's
25 embedded in the joint ownership agreement

1 between JEA and FPL that assigns an
2 additional 30 percent of the capacity to
3 them. For tax reasons that purchase
4 contract, that assignment of 30 percent,
5 terminated before the termination of the
6 joint ownership agreement.

7 CHAIRMAN CRESCIMBENI: Okay. So,
8 essentially, we were splitting power that
9 was generated 50/50 with the power purchase
10 agreement?

11 MS. DYKES: Yes, including all the
12 associated cost of the plant until the
13 termination of that, just the purchase
14 piece.

15 CHAIRMAN CRESCIMBENI: So tell me about,
16 so 20 percent was part of the original
17 contract and then 30 percent the separate
18 agreement, correct, with FPL?

19 MS. DYKES: It's all contained in one
20 joint ownership agreement, one document that
21 governs it. The reason that was done at the
22 time, and this is me speculating a little
23 bit because I wasn't around then, it was --
24 the intent was for it to be a 50/50
25 ownership, but there were significant tax

1 advantages to having it split and then
2 structured the way it was. So they got back
3 to an effective 50/50 ownership, but through
4 a sort of complicated mechanism to allow
5 them to take advantage --

6 CHAIRMAN CRESCIMBENI: How did FPL get
7 their power from the plant? Was there
8 some -- was there like an extension cord
9 that comes out of the plant, like a divider,
10 50 percent goes to JEA and 50 percent and
11 going to FPL? Was there some sort of
12 monthly transaction we did? Were we billing
13 them? How did that work.

14 MS. DYKES: So all of those questions,
15 essentially, yes. The big extension cord is
16 the transmission system. While we can't
17 track, we don't color code and track
18 electrons on the transmission system, they
19 received their share of production from the
20 St. Johns River Power Park. And then we do
21 a monthly billing each month with them.

22 CHAIRMAN CRESCIMBENI: So were you
23 billing them for the 20 percent or the 30
24 percent or 50 percent?

25 MS. DYKES: The 50 percent, although

1 broken down into 20 and 30.

2 CHAIRMAN CRESCIMBENI: And so prior to
3 the decommissioning of the power park,
4 was -- were they obligated to buy 50 percent
5 or they have the option to buy 50 percent?

6 MS. DYKES: It's an obligation.

7 CHAIRMAN CRESCIMBENI: So we continued
8 to sell 50 percent of the power and FPL
9 continued to pay for 50 percent of the power
10 regardless of whether they wanted to buy or
11 had a use for it, we billed it to them?

12 MS. DYKES: It's a little bit more
13 complicated than that. Both of us have
14 input into the dispatch from the facility.
15 And that's driven by each of our individual
16 system needs. And so there was a settlement
17 mechanism in place to make sure that the
18 cost and energy are split 50/50, but the
19 actual dispatch of the facility is driven by
20 system needs.

21 CHAIRMAN CRESCIMBENI: So the declining
22 electric service, we've heard this tale of
23 increasing customer count, declining
24 revenues for the sale of electricity, is any
25 of that decline from the sale attributable

1 to FP&L not purchasing power?

2 MS. DYKES: When we look at system
3 sales, it depends on the measure, I think,
4 is maybe the direct answer to the question.
5 When we --

6 CHAIRMAN CRESCIMBENI: Let's use the
7 measure you're depicting in all the charts
8 that they provided to this committee.

9 MS. DYKES: As depicted in this chart on
10 the top half of this page, no. This is just
11 sales in our service territory, which
12 excludes sell back to FPL.

13 CHAIRMAN CRESCIMBENI: So any change in
14 the sale of electricity from the power park
15 is not reflected in the story that you have
16 been telling the committee all the way back
17 to Mr. Gulliford's committee about declining
18 revenues, none of that is accounted for in
19 that story?

20 MS. DYKES: That's correct.

21 CHAIRMAN CRESCIMBENI: Thank you.

22 Council President Brosche.

23 PRESIDENT BROSCHE: Thank you,

24 Mr. Chairman.

25 Through the Chair to Ms. Dykes, thank

1 you for being here. In the presentations
2 that you provided, there are references to
3 the risks that were considered in the
4 process of making the decision to close
5 SJRPP. Can you speak to how that has
6 ultimately played out from a capacity
7 perspective and how it's impacted
8 reliability?

9 MS. DYKES: Through the Chair, I'll
10 refer Council Members to page 10, which is,
11 I think, where you're referencing in the
12 presentation, in the very first PowerPoint
13 presentation that was provided. There were
14 risks that were considered and shared with
15 our board as part of the evaluation, which
16 is a really important part of the
17 evaluation, especially when you consider
18 impact on our system.

19 So these risks were considered in
20 connection with the closure and mitigated to
21 the extent possible through the transaction
22 itself and through the actions that have
23 been taken sense then. So to date, they --
24 I think it's too soon to be able to provide
25 a definitive answer on how it's played out

1 in our system, but they are still risks that
2 we, of course, continue to monitor.

3 PRESIDENT BROSCHE: So to the extent
4 there have been power challenges or
5 reliability challenges within the system,
6 you're saying that you wouldn't tie that
7 directly to the closure of St. Johns River
8 Power Park?

9 MS. DYKES: Through the Chair to the
10 Council President, are you asking about the
11 incident in January?

12 PRESIDENT BROSCHE: Yes.

13 MS. DYKES: In January we did experience
14 an incident in the electric system that
15 caused us to prolong some of our
16 interruptible customers. And those
17 customers have signed up for rates where
18 they pay a significantly discounted amount
19 for electricity in exchange for us having
20 the right to interrupt them when our system
21 has that need.

22 In that particular instance, my
23 understanding of the incident is that it was
24 a result of a transmission problem that
25 actually occurred in FPL's service

1 territory. And for regulatory reasons we
2 were required to shed load quickly to
3 accommodate their transmission problem. And
4 that happens from time to time within a
5 balancing area. It's very unusual, but
6 because of the very unusual weather and the
7 very unusual system load and some event that
8 occurred south of us, we were required to
9 take those extraordinary steps.

10 And I would be happy to follow up with
11 additional information if that's helpful.

12 PRESIDENT BROSCHE: Okay. And then my
13 last question is either in connection with
14 the closure of SJRPP or in general, are
15 there plans to -- have there been projects
16 to increase capacity or are there plans to
17 increase capacity?

18 MS. DYKES: There are. In fact, we have
19 a capital project on the books for 2019 and
20 2020, which is an upgrade to our Brandy
21 Branch Combined Cycle facility. That
22 upgrade is going to not only increase
23 capacity at that facility by about 75
24 megawatts, which will help close that gap,
25 which is currently short about 200

1 megawatts, but it will also make the whole
2 plant more efficient. It will make the
3 plant, in other words, have to burn less
4 natural gas to -- per megawatt hour of
5 electricity that's produced.

6 I do want to clarify too, I made a
7 comment that we were short electricity. We
8 have closed that gap with the power purchase
9 agreement. But to the extent we can expand
10 that capacity at Brandy Branch, it will
11 reduce the amount that we have to purchase
12 on the market.

13 PRESIDENT BROSCHE: So you -- so we had
14 capacity, we closed the plant. And you
15 would point to all the benefits that you
16 went over as to reasons why, in light of the
17 fact that you had to go out and buy
18 additional capacity?

19 MS. DYKES: Yes. I closed with the
20 comment that our planning director has made
21 the comment that you don't fill a 200
22 megawatt need with a thousand megawatt
23 plant. And that's essentially what
24 continuing to operate the St. Johns River
25 Power Park would have done. So it's much

1 more efficient, much more cost effective for
2 our whole community for us to have taken
3 that admittedly painful step and replaced it
4 with a purchase power option until Plant
5 Vogtle comes online and can fill that need.

6 PRESIDENT BROSCHE: Great. Thank you
7 for sharing that with us.

8 CHAIRMAN CRESCIMBENI: Thank you,
9 Council President Brosche.

10 Councilman Ferraro.

11 COUNCILMAN FERRARO: Thank you.

12 Through the Chairman to Ms. Dykes, thank
13 you for being here. I'm getting a little
14 bit confused, because the number 80 and 20
15 was a different number than I thought was
16 being sold as far as what we have here.
17 Going to what you just said about the
18 upgrading, let's go to one of the reasons
19 that we shut it down was because of the CO2
20 and the fuel we were using; is that correct?

21 MS. DYKES: Through the Chair, I would
22 comment that that wasn't a primary driver.
23 The primary drivers were economic. The
24 environmental benefits are incredibly
25 important. And I'm very glad to have the

1 environmental benefits, but they weren't
2 really the primary driver in making the
3 decision.

4 COUNCILMAN FERRARO: So the CO2 credits,
5 that wasn't a big driver?

6 MS. DYKES: Not in the closure of the
7 plant, it was not.

8 COUNCILMAN FERRARO: That's the way I
9 understood it. So we're going to be
10 buying -- we're not able to hit the mark
11 that we need unless we change some of the
12 numbers, so we're having to buy offline at
13 other places extra energy is what I'm
14 hearing you say.

15 MS. DYKES: We are having to buy enough
16 to bridge the time between now until when
17 Plant Vogtle comes online, that's correct.

18 COUNCILMAN FERRARO: And we really don't
19 know when that is?

20 MS. DYKES: I'm not sure I understand
21 the question.

22 COUNCILMAN FERRARO: When we get the
23 power from Vogtle.

24 MS. DYKES: Oh, that's correct. We have
25 a stated construction completion schedule,

1 but it will be completed when it's
2 completed.

3 COUNCILMAN FERRARO: So we don't know?

4 MS. DYKES: I agree.

5 COUNCILMAN FERRARO: So we need to
6 maintain a certain amount of power, which we
7 have with the St. Johns River, we had that
8 one. So we're closing it down to put our
9 eggs in a basket with another company that
10 we don't know whether that's going to happen
11 even if the 2,000s is the mark, a thousand
12 at least we had guaranteed, and we couldn't
13 do something more with the plant here?

14 MS. DYKES: Through the Chair to
15 Councilman Ferraro, I think you ask a great
16 question. And there is a couple things
17 that, I think, are important to remember.
18 One is our need at this point in time is
19 between 150 and 200 megawatts. And we were
20 going to be responsible for paying all of
21 the carrying cost and all the full freight
22 on a thousand megawatts at St. Johns River
23 Power Park.

24 When you look at what's gone on in the
25 market broadly with respect to sales, that's

1 not unique to JEA. That is an industry-wide
2 trend in sales, where sales are sought
3 everywhere in the electric industry. And
4 the benefit for our customers is that, at
5 least to a financial perspective, is it has
6 created this opportunity to go out and buy
7 replacement power much more inexpensively
8 than it would have cost us to maintain that,
9 even just the 200 megawatt portion of that
10 facility, much less --

11 COUNCILMAN FERRARO: I get that part,
12 but we couldn't do something different with
13 the power plant? Because it sounds like
14 there were things we could have done instead
15 of just getting rid of the whole thing.

16 MS. DYKES: Through the Chair to
17 Councilman Ferraro, I'm certainly open to
18 suggestions. In the opinion and estimates
19 of our management team and professionals,
20 the best option for the community and for
21 our customers was the closure of the plant.

22 COUNCILMAN FERRARO: Okay. When the
23 money is being used, because I've heard a
24 couple different things, that parts were
25 going to be sold off and part of it was

1 going to be kept for JEA, the generating
2 parts, which includes everything, so where
3 does the money go for that on your books
4 when you decommission the power plant and
5 you take that, where does that money go when
6 we're looking at all the books?

7 MS. DYKES: Through the Chair to Council
8 Member Ferraro, let me make sure I
9 understand your question. Are you
10 asking -- St. Johns River Power Park, from
11 an accounting perspective, is it a separate
12 financial entity and is accounted for
13 separately and consolidated into the
14 electric system financials. So is your
15 question about the consolidation?

16 COUNCILMAN FERRARO: My question is I
17 wanted to find that out, what you just said.
18 I just wanted to make sure that was clear.
19 So it is completely separate. There is no
20 mixing to where you can show that the demand
21 or you can show that money going in to JEA
22 would be anything part of the this power
23 plant, it would be completely separate,
24 nothing would be mixed is what you're
25 saying?

1 MS. DYKES: Through the Chair to Council
2 Member Ferraro, what I'm saying is that we
3 record on a consolidated basis. And there
4 are flow of funds that go in and out between
5 the electric system and St. Johns River
6 Power park related to our share of the
7 operating expenses and now the closure
8 expenses of the St. Johns River Power Park,
9 the contributions from FPL related to the
10 closure and decommissioning of St. Johns
11 River Power Park and other debt service and
12 debt related expenses. Does that answer
13 your question?

14 COUNCILMAN FERRARO: It doesn't. I'll
15 get with you offline on that. But I will
16 say a lot of my questions have already been
17 answered and I'm happy to hear what you guys
18 have done with the 200 employees. So thank
19 you.

20 CHAIRMAN CRESCIMBENI: Ms. Dykes, right
21 now the closure costs are being split evenly
22 between JEA and FPL, the two partners in the
23 separate entity?

24 MS. DYKES: Correct.

25 CHAIRMAN CRESCIMBENI: And my

1 understanding was the decommissioning
2 includes the removal, demolition, whatever
3 you want to call it, of two cooling towers
4 and the heat generating plant; is that
5 correct?

6 MS. DYKES: That is correct.

7 CHAIRMAN CRESCIMBENI: So, essentially,
8 what you have left over is a piece of land?

9 MS. DYKES: Mr. Chairman, with a couple
10 of minor corrections. There is a substation
11 on the site that is incredibly important for
12 the operation of our system, and that
13 substation will remain. The site itself
14 also remains a permanent power plant site,
15 which is a valuable addition to the system
16 to the extent we ever have capacity needs in
17 the future.

18 As to the future of the land itself,
19 that's going to be determined. We don't
20 actually own the land yet, it's still
21 jointly owned between us and FPL, it will be
22 for the next couple of years while we finish
23 decommissioning.

24 CHAIRMAN CRESCIMBENI: At some point
25 that could be sold, I'm assuming you would

1 split the sale cost or sale revenue between
2 JEA and FPL.

3 MS. DYKES: Under the agreement that we
4 have negotiated with FPL, at the end of
5 their remediation of the site, that land, it
6 will come solely to JEA. So to the extent
7 something happens with it, those proceeds
8 will accrue to JEA.

9 CHAIRMAN CRESCIMBENI: Do you have a
10 value on that property?

11 MS. DYKES: Not at this time.

12 CHAIRMAN CRESCIMBENI: You haven't done
13 a study on that, real estate appraisal,
14 nothing? You have no idea what it is worth?

15 MS. DYKES: It has not been appraised to
16 date, to my knowledge.

17 CHAIRMAN CRESCIMBENI: Thank you.

18 Mr. Becton.

19 MR. BECTON: Thank you.

20 Through the Chair, Ms. Dykes, my
21 colleagues have asked some really good
22 questions on this, which is going to allow
23 me to keep my comments kind of short here
24 because I want to get to the heart of what I
25 think will be very helpful in this.

1 Plant Vogtle, that time period when
2 those decisions were being made was when,
3 kind of year-ish?

4 MS. DYKES: It was prior to my time, but
5 my understanding is 2007, 2008. The
6 contract itself was executed in 2008.

7 MR. BOWMAN: All right. And St. Johns
8 River, this power plant decision process
9 consideration, when was that?

10 MS. DYKES: Over the past, say, 12 to 18
11 months.

12 MR. BOWMAN: So '15, '16?

13 MS. DYKES: '16, '17 is probably a
14 better time frame.

15 MR. BOWMAN: '16, '17 is a better
16 description. So we have this perfectly good
17 plant that's got excess capacity in it,
18 because whether FPL is in it or not, I mean,
19 if they're not in it, it gives us a lot of
20 power for the future. I guess I want to
21 understand, and I think this is where a lot
22 of the questions were, so we have this -- we
23 have this power plant that's, for the most
24 part, I guess, it has some debt on it, let's
25 say it's paid for, almost paid for, you're

1 30 years in and there is a point of, I
2 guess, maybe 50 years or something that's
3 got a life -- it's got a lifecycle, but 30
4 years doesn't sound like very long.

5 And we have a board at some point that's
6 looking at capacity back in '7 and '8 and
7 saying we need more because they go out and
8 make this huge investment in Plant Vogtle.

9 I want to understand the matrix in terms
10 of how you have described that all of the
11 math added up to make this a good business
12 decision. And because it just sounds to me
13 like, we have this -- we had this capacity,
14 yes, it was in coal and, as you put it, the
15 environmental part was a piece, but it
16 wasn't a major piece, you just said. And
17 that's where I want to understand. I want
18 to understand we made -- what kind of
19 investment we're making in Plant Vogtle,
20 what we expect that energy cost to be versus
21 the matrix of this St. Johns River Plant
22 that we only have so much in debt. So it's
23 kind of like we almost have it paid for, but
24 we're still saying the return on the
25 investment in Plant Vogtle is better than

1 the return on investment of something we
2 kind of have paid for and even though the
3 cost of operating might be a little bit more
4 expensive. Is that something you think you
5 can kind of graphically put together in like
6 a one-pager to make that illustration clear
7 and concise?

8 MS. DYKES: Through the Chair to Council
9 Member Becton, I think the answer is
10 probably yes, but I want to make sure I
11 understand exactly the information you're
12 looking for. So maybe let me start with an
13 analogy. I would take Vogtle out of the
14 equation on power park just for a minute.
15 Because at the time that the power park
16 decision was made, that Vogtle contract was
17 signed, there is no out. It is a given in
18 terms of solving for the best solution for
19 our customers in our community.

20 So just thinking about power park for a
21 minute -- and forgive me if this is a
22 terrible analogy because I'm thinking of it
23 on the fly. But let's say you're driving to
24 work every day in a 30-year-old school bus.
25 And you have -- it's a giant school bus and

1 the gas for the bus is expensive or diesel
2 or whatever the bus uses and the cost to
3 maintain the bus is pretty expensive. And
4 it's just you. And you're not -- at one
5 point maybe you had a school bus full of
6 people that you were taking to work with
7 you, but sitting here today, all those
8 people aren't there anymore and it's just
9 you in the school bus.

10 And let's say you have an opportunity to
11 replace your school bus with pick your
12 favorite small car. And when you look at
13 all the costs that you had of driving that
14 school bus to work, all the gas costs, all
15 the maintenance costs, all the parking
16 expenses if you had that, and you compare
17 that to the cost of your small car, all the
18 same costs, the gas cost, the maintenance
19 costs, the parking place, and your math
20 comparing those two says that it's going to
21 cost you half as much to drive the small
22 car, then you drive a small car.

23 And that's exactly -- that's essentially
24 the analysis that went into the closure of
25 the St. Johns River Power Park. It was

1 bigger than we needed. The dispatch cost
2 for coal is significantly higher than it is
3 for natural gas in today's market. And
4 it's -- the operating costs are very high
5 for a solid fuel power plant.

6 And when our load had declined, our
7 system peaks had declined, there wasn't a
8 good business reason for us to maintain a
9 thousand megawatt power plant to meet what
10 has turned out to be a very small need.

11 MR. BOWMAN: Well, I love analogies, but
12 I'm not sure that one is applicable in the
13 fact that I live in a 30-year-old house --
14 fixing to be 30-year-old house, and I would
15 put it up against new construction on any
16 given day. You know, a building and
17 construction is a lot different than a
18 vehicle that's out there that's lifecycle is
19 usually just very short lived, five or six
20 years, we're talking about buildings that
21 are out there, 30, 50 years, lifecycles and
22 so forth.

23 I guess the point of the matter is is
24 this just a decision based on a bad
25 decision, which makes kind of two bad

1 decisions now that it's hindsight being
2 20/20 and -- because we want to understand
3 as a Council too have we just not had as
4 shareholders our eye on the ball? And one
5 of the things we learned from your board is
6 that we need to have a better eye on the
7 ball in terms of the oversight of JEA in the
8 board decisions, that it's actually very
9 important, very impactful to the city at
10 large because when we get into situations
11 like this and it's several years after the
12 fact, all we can do is look backwards.

13 And the point I'm trying to make is, as
14 a Council, we might need to have a bigger
15 insight ongoing than we've had because of
16 decisions like this and ask more questions,
17 because I can tell you in three years of
18 sitting here on this Council, there has been
19 very few questions asked about JEA
20 decisions. And I think that might be one of
21 the things we learn out of this committee is
22 that that needs to change.

23 But I do want to understand still the
24 matrix, the financial decisions as you
25 presented them today in terms of there was a

1 capital expenditure into Plant Vogtle. If I
2 remember correctly, it's only a 20-year
3 energy commitment that we're going to get
4 and how much that fuel cost is going to be
5 over those 20 years including the capital
6 investment that we make versus, okay, so we
7 kept the Jacksonville power park, St. Johns
8 power park online, what would that same cost
9 have been over the next 20 years. Let's do
10 a comparison. Yes, it's looking back a
11 little bit, but if you don't pay attention
12 to history, you're destined to repeat it.
13 And I'm trying to get to that point where we
14 pay attention to the past history. Thank
15 you.

16 MS. DYKES: Through the Chair to Council
17 Member Becton, a couple of observations.
18 The first is that I completely support
19 Mr. Zahn and his vision for having open,
20 transparent communications with all of our
21 stakeholders and it being a new day and an
22 opportunity for us to build bridges. And I
23 think your comments and observations are
24 well heard in the context of that message.
25 And I'll be sure to relay that to him as

1 well when I see him in just a little bit.

2 As it relates to the comparison between
3 power park and Plant Vogtle, I would be
4 happy to provide that comparison. The one
5 reality that I'll share with you, though, in
6 providing the comparison is at the time the
7 decision was made with respect to the
8 St. Johns River Power Park, there was no
9 choice on the Plant Vogtle contract. That
10 contract had been entered into in 2008 and
11 we certainly had been working hard since I
12 joined JEA in 2012 to mitigate the impact of
13 that contract on our customers and our
14 community.

15 We've done some big creative things that
16 will help, but it wasn't a choice. It
17 wasn't as though we could have said, well,
18 let's not do this over here and let's do
19 this over there. Over here was a done deal.
20 And so our only focus and choice was over
21 there. And that was what we used to make
22 the decision about St. Johns River Power
23 Park. So I'm happy to provide that
24 information, but I just want to make sure
25 you had that.

1 CHAIRMAN CRESCIMBENI: Thank you,
2 Mr. Becton.

3 And I think what I heard, wasn't today,
4 earlier, was that we can purchase power, we
5 can purchase the megawatt power from
6 somebody else cheaper than what we could
7 have produced it for today at St. Johns
8 River Power Park; is that accurate?

9 MS. DYKES: That's correct.

10 CHAIRMAN CRESCIMBENI: Councilman
11 Dennis.

12 COUNCILMAN DENNIS: Thank you.

13 Through the Chair to Ms. Dykes, thank
14 you for being here, this is my first --
15 first time meeting you. I've heard so many
16 things about you. And it's true, you're
17 very impressive. And just the past 40
18 minutes of your explanation and just going
19 over the slides, I've learned more in the
20 short period on questions that I've had, and
21 I just want to thank you for it.

22 And I want to piggyback on Councilman
23 Ferraro, over and over and over through this
24 whole process it's been all about CO2 with
25 the St. Johns River Power Park. And that's

1 what, you know, when Councilman Ferraro
2 said, that's what I was led to believe too,
3 that was the driving force behind it. So I
4 want to thank you for clarifying that. And
5 thank you for again, just your clarity and
6 depth.

7 And Councilman Becton talked about, you
8 know, telling stories to kind of paint a
9 picture. But, you know, this is more just
10 comment, you know. I was sitting here just
11 listening to you and listening to you just
12 share information, I started to think about
13 my 16-year-old son and just recently it was
14 cold outside, I said, son, where is your
15 jacket. Oh, it's not cold to me. A few
16 days later my son caught a cold. And I
17 turned to my son and said, that's the reason
18 why I'm 43, I'm your dad; and you're 16, and
19 you're the son. And I'm saying that to say
20 thank you for -- you know, with the changes
21 in JEA, thank you for staying on and riding
22 the ship.

23 Today I feel -- after your presentation,
24 short presentation, I feel confident. I
25 feel reassured that we're going to get the

1 information we need to really look at where
2 JEA is going. And I'm going to leave it
3 right there. I'm going to, for lack of a
4 better word, drop the mic, because I may say
5 a little more and may step on some toes, so
6 I'm not.

7 But, again, thank you for your clarity.
8 Thank you for breaking it down so we can
9 understand as we really look to evaluate our
10 city-owned utilities. So thank you.

11 MS. DYKES: Thank you very much for your
12 kind comments.

13 CHAIRMAN CRESCIMBENI: Here is a piece
14 of trivia you probably didn't know about
15 Ms. Dykes, you probably won't appreciate
16 this, but until very recently she used to
17 drive a big yellow school bus to work.

18 Mr. Gulliford.

19 COUNCILMAN GULLIFORD: Mr. Chairman, I
20 think you need to put the joke book away.

21 Through the Chair to Ms. Dykes,
22 Ms. Dykes when the consideration on shutting
23 it down started, was it JEA that initiated
24 it or was it FP&L?

25 MS. DYKES: Through the Chair to

1 Councilman Gulliford, I honestly don't
2 remember. I think it was probably FPL.

3 COUNCILMAN GULLIFORD: And through that
4 process, obviously, they have been a strong
5 supporter in taking that action; correct?

6 MS. DYKES: They have.

7 COUNCILMAN GULLIFORD: And I think that
8 speaks volumes certainly to the action that
9 JEA has taken in going along with it. I'm
10 sure there were a great number of
11 discussions between both entities to make
12 the decision that in their eyes would
13 benefit both parties. So there was never
14 any real resistance from FP&L to do that
15 then?

16 MS. DYKES: Through the Chair to Council
17 Member Gulliford, that's correct. It was a
18 collaborative negotiation.

19 COUNCILMAN GULLIFORD: And through the
20 Chair, in respect to some of the questions
21 you were asked about the impact of
22 decisions, would it be fair to say what you
23 witnessed in making a lot of these strategic
24 decisions is that you see a long-term
25 impact, you make long-term commitments only

1 to be impacted by unexpected rules changes
2 and market changes. You're making decisions
3 just like you brought up the fact that the
4 30-year life or longer of the coal plant was
5 made in a decision at a time when the
6 decision was coal was a great thing to burn
7 in power plants because it's the cheapest
8 fuel source. And yet, as we moved along, we
9 saw the last administration take a very
10 strong stance against coal as a fuel source,
11 and of course you saw a market shift as far
12 as price of coal versus natural gas. So
13 there we are kind of stuck with that
14 decision you made on an asset that has a
15 useful life of 30 years or beyond. Would
16 that be a fair assumption?

17 MS. DYKES: Through the Chair to Council
18 Member Gulliford, I think your comments are
19 extremely important especially as it relates
20 to the question around whether CO2 was a
21 primary driver for the shut down of the
22 St. Johns River Power Park. While it wasn't
23 a primary driver, this shutdown decision had
24 merit and stood economically all on its own.
25 The CO2 benefit can't be understated because

1 I can't predict what's going to happen in
2 the next federal election, whether it's
3 congress or the president. And any change
4 in administration, particularly if it goes
5 back to Democratic Party, could reintroduce
6 some of those very regulations that you
7 mentioned.

8 COUNCILMAN GULLIFORD: Through the
9 Chair, I think I participated and you were
10 there in some of the sky-is-falling sessions
11 we had with Mr. McElroy where he was
12 updating us on the onerous impact of what
13 was being proposed as far as regulations on
14 coal fire plants in particular.

15 MS. DYKES: Yes.

16 COUNCILMAN GULLIFORD: Thank you.
17 Thank you, Mr. Chairman.

18 CHAIRMAN CRESCIMBENI: Thank you,
19 Mr. Gulliford.

20 Councilwoman Boyer.

21 COUNCILWOMAN BOYER: Just a very quick
22 question and point. Councilman Crescimbeni,
23 you pointed out the fact that upon closure,
24 once everything is resolved on the land, we
25 end up being the sole owner of the land. We

1 are also the sole owner of the debt
2 obligation, isn't that correct, that we have
3 the continuing obligation to pay the
4 outstanding debt?

5 MS. DYKES: That is correct. There was
6 debt that was issued to finance the capital
7 associated with the power plant. And that
8 debt has been retired. It was retired at
9 closure. There remains debt outstanding
10 that was used to fund the pollution control
11 equipment that was installed on the plant.
12 And that debt will remain outstanding, and
13 is a strain of cost. And even with that
14 strain of cost, it still made economic
15 sense.

16 COUNCILWOMAN BOYER: Correct. That's
17 the 281 million that you referenced in the
18 PowerPoint that we still have to pay
19 associated with SJRPP?

20 MS. DYKES: Through the Chair, that's
21 exactly correct.

22 COUNCILWOMAN BOYER: Thank you.

23 CHAIRMAN CRESCIMBENI: All right. We
24 have no further questions on that item. So
25 what is your -- you want to move on to the

1 next item?

2 MS. DYKES: Mr. Chairman, I have to beg
3 your forgiveness, because I'm needed at the
4 pastors' lunch. But I am turning the mic
5 over to Jordan -- assuming Jordan is back,
6 I'm happy to turn the mic over to Jordan to
7 proceed with answering the remainder of the
8 questions.

9 CHAIRMAN CRESCIMBENI: Is that a noticed
10 lunch, because we can all just walk over and
11 continue to talk about --

12 MS. DYKES: I do not believe it's a
13 noticed lunch, unfortunately. I'm sorry.

14 CHAIRMAN CRESCIMBENI: All right. Thank
15 you for being here, Ms. Dykes. Enjoy your
16 lunch.

17 And do we have any volunteers from the
18 audience that would like to resume the
19 presentation?

20 MR. POPE: Jordan Pope, JEA. I'm not
21 sure if I'm a volunteer or if I was
22 voluntold, but I am here either way.

23 CHAIRMAN CRESCIMBENI: I think
24 voluntold. You know how that goes, though;
25 right, Mr. Pope?

1 MR. POPE: Yes, sir. If we --

2 CHAIRMAN CRESCIMBENI: We completed tab
3 two.

4 MR. POPE: That's wonderful. If we
5 could move to tab three. And we handed out
6 in the packet today a one-page addition to
7 tab three.

8 CHAIRMAN CRESCIMBENI: I'm not sure
9 those packets have been handed out. Let's
10 distribute those. Distribute them to the
11 committee members that are here, and take
12 note of who is not here, and get them a copy
13 of that, and have their CA insert it.

14 The first couple pages you want us to
15 put behind what is already in tab three?

16 MR. POPE: There is one page titled
17 Possible Example of New JEA Business Lines
18 that should be -- that I've ask you place
19 behind tab three.

20 CHAIRMAN CRESCIMBENI: So these first
21 two pages go at the end of tab three, right,
22 Possible Example of New JEA Business Lines
23 and --

24 MR. POPE: And that is just the agenda
25 that we sent to you. So referencing the new

1 page for tab three, we've heard some
2 discussion today about the strategic plan of
3 JEA, and in particular the reference to
4 Councilman Becton's question from a couple
5 weeks ago regarding what JEA looks like in
6 5, 10, 20 years; and the question of what
7 JEA's charter looks like now and what maybe
8 it could look like.

9 So this one page is just an example.
10 It's based on current estimates. It's not
11 been part of any strategic planning
12 discussion that you necessarily heard about
13 going forward from today. It is certainly
14 part of the strategic planning discussion
15 that JEA has had that we started in 2013.
16 So this is just illustrative of what may be
17 available or what JEA could look at as far
18 as new or expanded business lines.

19 And it kind of speaks for itself. I'm
20 not intending to go through each of these
21 line by line.

22 But I do think that tab three and the
23 question that it addresses is the question
24 that will be answered over the coming months
25 as that strategic plan is developed.

1 And so, Mr. Chairman, I would ask that
2 you look at this as an example, but it is by
3 no means the full answer to the question
4 that is being asked. And that is a question
5 that will be looked at over the coming
6 months.

7 CHAIRMAN CRESCIMBENI: Okay. Questions
8 on this, Mr. Becton?

9 COUNCILMAN BECTON: Thank you.

10 Through the Chair, Mr. Pope, I think
11 this is probably right up your will house,
12 this question here, in the fact that as JEA
13 considers its services or even services that
14 might be on this page. And some of the
15 conservation from some of my colleagues was
16 expanding your service into existing
17 neighborhoods.

18 What limitation beyond financial does
19 JEA have in terms of being able to make that
20 investment into folks who don't have those
21 services now but you could expand into
22 versus, from my understanding, the private
23 sector has the PSC, and in the PSC, there is
24 some, I guess, limitation to how they can go
25 and reach back to people, use current

1 revenues and reach back and invest into
2 people who are maybe not on the grid, so to
3 speak. Does that make sense? Do you
4 understand my question?

5 MR. POPE: Through the Chair to
6 Councilman Becton, yes, sir, I think so. If
7 I could address wastewater, there is no
8 charter restriction there in expanding into
9 our existing service territory. It is a
10 financial discussion, certainly.

11 Now, as we look at some of these
12 business lines, there are things that may
13 need to change. But to address that water,
14 wastewater question we heard about today,
15 there are no charter restrictions
16 necessarily.

17 COUNCILMAN BECTON: Okay. So would it
18 be true then by us owning our utility beyond
19 financial, say we could print money and we
20 had all the money we need to do what we need
21 to do, there is no restriction for us making
22 investments to increase our footprint on
23 electric, on water, on perhaps any other
24 service that we might provide versus the
25 private sector is governed by how -- maybe

1 state rules, PSC rules that pretty much
2 limits their ability to do that?

3 MR. POPE: Through the Chair to
4 Councilman Becton, we still are subject to
5 PSC rules in certain areas. We send them
6 our rate cases, and they review that. Our
7 territory electric-wise is set by the public
8 service commission.

9 So to the extent we go beyond electric,
10 beyond water, sewer, beyond anything in our
11 charter, I'm not comfortable making that
12 blanket statement that we would not be
13 subject to any PSC rule or any other
14 governing agency. But I do certainly think
15 as far as charter amendments are needed,
16 yes, you have that local control here.

17 COUNCILMAN BECTON: As you know, as you
18 might remember, a year, year and a half ago,
19 you and I spoke about expanding -- it was
20 like reclaim, I think it was like reclaim
21 water. So I'm just kind of going back to
22 our conversation then. It was just based on
23 a financial decision, this is how much it
24 costs versus not only does this -- is this
25 how much it costs, we can't take current

1 ratepayers' dollars and invest them into
2 that. It was just a matter of dollars and
3 cents; right?

4 MR. POPE: Yes, sir.

5 COUNCILMAN BECTON: Okay. Because I was
6 having a separate conversation on a private
7 sector utility. And the answer that I was
8 getting on that was we can't take
9 Mr. Crescimbeni's payment that he makes for
10 whatever I was looking into, and help me get
11 that utility that I had to fund -- that I
12 had to fund the capital investment, that I
13 had to fund the infrastructure, and those
14 type of things, because I was being -- the
15 private sector was being governed that
16 strong-handed that they couldn't utilize
17 those revenues from current ratepayers in
18 order to expand their service.

19 Does that sound familiar or does that
20 sound like something you might have some
21 knowledge of?

22 MR. POPE: It sounds familiar. And it's
23 not just a matter, I think, of cost. And
24 I'm woefully unprepared to address this, but
25 I do think there are bond covenant issues

1 related to that system expansion that I
2 think someone else could better answer your
3 question and perhaps follow up on today.
4 But there are financial, significant
5 financial considerations that need to be
6 taken into account when doing the type of
7 expansion work.

8 COUNCILMAN BECTON: Always. Financial,
9 we understand, there are limited dollars and
10 we have to invest those dollars. But I
11 guess I'm trying to separate that decision
12 based on I just can't do it because I can't
13 take a ratepayer's dollars that they pay in
14 to me providing these services and use those
15 dollars to expand the service.

16 Because as we know, out there in the
17 marketplace, whatever store we go into,
18 whatever product we buy, their marketing
19 dollars are built into the price of that
20 product, which goes out to try to get more
21 people to buy that product, or open more
22 stores, or do those type of things. There
23 is an investment inherently into, because
24 whoever the company is, it makes them
25 stronger to have more customers. Do you

1 follow me?

2 MR. POPE: Yes, sir.

3 COUNCILMAN BECTON: And there goes to
4 the point of JEA, if JEA is going to be our
5 utility for the next hundred years, how do
6 we make you guys more, you know, stable,
7 more stronger. And that's to help you build
8 your customer base. And sometimes that
9 makes a very good case for making that
10 financial investment to -- only beyond just
11 saying these people deserve water and sewer,
12 but I'm trying to get to other utilities too
13 that might be on this list, why we might be
14 going in that direction, because it makes
15 the utility, it makes the company stronger
16 to have more customers and a more bigger
17 customer base that can actually increase
18 their sales by more utilization. Does that
19 make sense?

20 MR. POPE: Yes, sir.

21 COUNCILMAN BECTON: So I would like to
22 get more deeper into the weeds on that and
23 find out if those are -- there are some
24 differences between us having control as a
25 public municipal versus private. Thank you.

1 CHAIRMAN CRESCIMBENI: Thank you,
2 Mr. Becton.

3 Councilman Dennis.

4 COUNCILMAN DENNIS: Through the Chair to
5 Mr. Pope, I had a question for Ms. Dykes,
6 but I was just so caught up in her
7 presentation and just her wealth of
8 knowledge, so I'm going to ask you the
9 question. Back to the St. Johns River Power
10 Park, and she talked about employees and
11 that JEA absorbed some of those employees.
12 Do you know if FPL absorbed any of those
13 employees or did we take the brunt of the
14 human capital at the close of that -- or the
15 decommission of that plant?

16 MR. POPE: Through the Chair to Council
17 Member Dennis, I'm not aware if FPL absorbed
18 or took on some of those employees. But I
19 would be happy to follow up and let you
20 know.

21 CHAIRMAN CRESCIMBENI: Some of them were
22 FPL, weren't they?

23 MR. POPE: The employees at the
24 St. Johns River Power Park were employees of
25 the St. Johns River Power Park. It was a

1 separate entity.

2 CHAIRMAN CRESCIMBENI: Okay. You want
3 to go through the rest of tab three? And
4 then I probably need to give my court
5 reporter another small break.

6 Are you good? You shook your head in
7 both directions.

8 COURT REPORTER: I don't need a break.

9 CHAIRMAN CRESCIMBENI: You don't need a
10 break. Never mind.

11 COURT REPORTER: Thank you.

12 MR. POPE: To the Chairman, the first
13 page is really kind of summarizing what's
14 behind the rest of it. And so to the extent
15 that this really is at the heart of the
16 question being asked that we addressed
17 earlier today, I think it deserves the
18 months we've talked about to come back and
19 more fully answer the question. But this --
20 what you have behind here, again, is just
21 information that is -- some of these are
22 current business lines, but a lot of this,
23 again, on the first page is what could be.
24 It is an example of what could be.

25 So with your permission, I would like to

1 move to tab four.

2 CHAIRMAN CRESCIMBENI: Hang on. These
3 are all drafts too; correct? I see draft on
4 my pages, right-hand side. So this is just
5 conceptual?

6 MR. POPE: So let me take you -- let's
7 start on the first page after the new page
8 we added today, JEA Annual Revenue and
9 Expense Projection. The first three
10 mentioned, pole attachment revenue, wireless
11 colocation leasing revenues and dark fiber
12 leasing revenues, those are existing
13 revenues to JEA.

14 The page behind that is the dark fiber
15 broken down. The page behind that is a dark
16 fiber program that the JEA board passed a
17 resolution to seek Council's approval to
18 expand that offering. So that is an example
19 of possible revenues. That is a projection.

20 And then behind that is the wireless
21 colocation, and on the back page of that the
22 pole attachment, which is, we know from
23 other discussions, happening now, existing
24 business, existing revenues that JEA has.

25 CHAIRMAN CRESCIMBENI: Okay.

1 Councilwoman Boyer.

2 COUNCILWOMAN BOYER: Thank you.

3 Through the Chair to Mr. Pope, but what
4 Councilman Crescimbeni is referring to is on
5 our copies they're all stamped "draft." Can
6 you go back, I mean not today, and figure
7 that out? I don't know who put that there
8 and why and if there is an updated version
9 of these that we are supposed to be looking
10 at or if these were ready for release.

11 MR. POPE: Through the Chair to Council
12 Member Boyer, I think draft was put on there
13 as we were developing this tab, and it
14 probably should have been taken off before I
15 handed it to you. But I will confirm and
16 let this entire committee know.

17 COUNCILWOMAN BOYER: Okay. And then my
18 only other question in terms of your -- if
19 you'll take it back in terms of your
20 investigation into additional lines or
21 additional revenue streams is not just
22 additional business lines, but -- and I know
23 you've already discussed the efficiency of
24 operation. And I think there is a great
25 effort that's already been put toward that.

1 But there is a third dimension of this
2 that I find intriguing, which is, if we are
3 perceived as a good acquisition target by
4 others, what are we adding to their
5 performance menu that perhaps we could
6 capture, or how can -- there is some reason
7 that others would find us a desirable
8 target, and whether that is potential growth
9 in the area that they foresee or, I mean,
10 who knows. I don't know what that is. But
11 I would just ask, as you're looking at
12 growth and revenue future vision, that you
13 also kind of give us insight into that, what
14 makes us a great acquisition and how can we
15 take advantage of those same factors.

16 MR. POPE: Through the Chair, we will be
17 happy to do that question.

18 CHAIRMAN CRESCIMBENI: Nothing else on
19 three. No one else on the queue. So let's
20 go on.

21 MR. POPE: Thank you. Tab four, the
22 first page is a chart our board receives
23 every month. This is a residential electric
24 bill comparison. And at the Chairman's
25 request, this will be sent every month now

1 to the Council. I understand this was at
2 one time sent every month, and we will
3 resume that practice. This is inclusive of
4 all charges, including storm charges. So
5 this is a residential electric rate
6 comparison for the state of Florida. This
7 is municipals and investor-owned utilities.

8 CHAIRMAN CRESCIMBENI: So this will
9 always appear on the chart from lowest on
10 the left to highest on the right and the
11 players' positions may change; is that
12 right?

13 MR. POPE: Yes, sir.

14 CHAIRMAN CRESCIMBENI: All right.
15 Questions on this?

16 Mr. Love.

17 COUNCILMAN LOVE: Thank you.

18 Through the Chair to Jordan, what --
19 where do you get that information? Does it
20 say there?

21 MR. POPE: I believe this information is
22 publicly available.

23 COUNCILMAN LOVE: Is it through
24 publicpower.com, or is it something we can
25 look up?

1 MR. POPE: Let me correct myself.
2 Through the Chair to Councilman Love, we do
3 a rate survey. We reach out to these
4 utilities and gather this information.

5 COUNCILMAN LOVE: Okay. Thank you.

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

8 Mr. Becton.

9 COUNCILMAN BECTON: Thank you.

10 Through the Chair, just reconfirm, so
11 these rates do include any special
12 assessments?

13 MR. POPE: Yes, sir.

14 COUNCILMAN BECTON: That -- in what time
15 period?

16 MR. POPE: This is current. This is
17 April 2018.

18 COUNCILMAN BECTON: So it's a point in
19 time of April 2018?

20 MR. POPE: Yes, sir.

21 COUNCILMAN BECTON: Okay. Thank you.

22 CHAIRMAN CRESCIMBENI: All right,
23 Mr. Pope.

24 MR. POPE: The following page is a
25 residential electric rate comparison. This

1 is JEA to investor-owned utilities going
2 back to 2010. And I will note that since
3 2010 JEA's electric bills have been lower by
4 26 percent.

5 CHAIRMAN CRESCIMBENI: State that again.
6 So?

7 MR. POPE: JEA's electric bills are 26
8 percent lower now than they were in 2010.

9 CHAIRMAN CRESCIMBENI: Is this rate
10 comparison all -- the all-in rate like
11 you're depicting on the bars on the previous
12 page?

13 MR. POPE: Yes, sir. This is all
14 charges, fees, storm fees, et cetera, taxes.

15 CHAIRMAN CRESCIMBENI: All right. No
16 questions.

17 MR. POPE: The following page is water
18 and sewer rate comparison in Florida. And
19 this includes all charges, taxes and fees.
20 And you can see JEA sits roughly at the
21 bottom third.

22 CHAIRMAN CRESCIMBENI: Okay.

23 MR. POPE: The following page is an
24 electric rate comparison for commercial
25 customers. And this is across the

1 Southeast. And you will not see specific
2 utility names on this, rather it's more
3 generic. But this is -- what this compares
4 is roughly the size of Jinko Solar. And you
5 can see the JEA is about the middle of the
6 pack when compared to the rest of the
7 Southeast.

8 And so the Southeast is competitive when
9 it comes to electric rates. And we
10 recognize that. And we recognize the
11 importance of electric rates when in the
12 context of economic development.

13 So behind this page are JEA's two
14 different economic development programs that
15 we employ to assist in attracting new
16 businesses to our service territory. And
17 these -- just for clarification, these
18 amounts exclude, unlike the other pages,
19 taxes, fees, et cetera.

20 Would you like to hear a little overview
21 of the economic development programs, or I
22 can move on? It's up to you, Mr. Chairman.

23 CHAIRMAN CRESCIMBENI: Anybody object?
24 Let's get the summary of the EDP.

25 MR. POPE: Sure. So the first economic

1 development program referenced is for new
2 customers who must be in need or demand of
3 300 kilowatts or more, and bringing on at
4 least 15 new employees, they have to be new
5 or expanding customers within the JEA
6 service territory.

7 And that year-one discount, it's a
8 seven-year program, year-one discount starts
9 at 30 percent. It's on a declining discount
10 rate schedule. You can see that there at
11 the bottom of the first page.

12 In certain areas within JEA where we
13 have excess capacity, we do offer a more
14 desirable program, I guess you might say,
15 where the discount starts at 35 percent.
16 And that 35 percent can go through the first
17 three years, and then the discount starts to
18 decline. So that's actually within the
19 nine-year program.

20 So these two are available. And they're
21 a very specific program; you have to meet
22 the qualifications.

23 The other program is a program where in
24 very limited controlled circumstances JEA
25 can look at our rate structure with the

1 entity that might be coming in, and this is
2 really meant for a large, I would say,
3 community impact project. Think a thousand
4 employees, a very large electric user. We
5 have never used that rate. We have looked
6 at using that rate. But our board did
7 approve that, I think, maybe 18 months ago
8 so that, in the event electric rates did
9 become a large part of attracting a large
10 employer to the area, we would have the
11 benefit of being able to work with them.

12 That concludes my comments,
13 Mr. Chairman, on that tab. But I would be
14 happy to answer any questions.

15 CHAIRMAN CRESCIMBENI: There was a
16 reference earlier today about interruptible
17 service. Is that an economic --

18 MR. POPE: The interruptible class --

19 CHAIRMAN CRESCIMBENI: -- program?

20 MR. POPE: Excuse me. The interruptible
21 class is a tariff rate within our rate
22 structure. It's not part of any economic
23 development program.

24 CHAIRMAN CRESCIMBENI: Who is that
25 available to?

1 MR. POPE: Interruptible class, I think
2 it's available to anyone who wants to be in
3 it. These are business customers -- the
4 interruptible rate is currently closed.

5 CHAIRMAN CRESCIMBENI: All right. So
6 what does that mean, nobody can get in it?

7 MR. POPE: That's correct. No new
8 customer or no one can go onto that rate now
9 if they're not already on it.

10 CHAIRMAN CRESCIMBENI: So the only
11 people in the program now are business
12 customers, commercial accounts?

13 MR. POPE: Yes, sir.

14 CHAIRMAN CRESCIMBENI: Any questions on
15 tab four?

16 Seeing none, you can continue, Mr. Pope.

17 MR. POPE: Tab five is responsive to the
18 question about volunteer and ambassador
19 hours. You can see, over the past three
20 years and change, JEA employees have
21 volunteered approximately 25,000 hours,
22 volunteering ambassador hours within our
23 community. And you can see the value of
24 those volunteer hours in a program that
25 allows JEA employees to spend eight hours

1 each year volunteering with an organization.

2 A list of organizations that the JEA
3 employees volunteer with for going and doing
4 ambassador activities for are on the page
5 following the first page showing the
6 volunteer and ambassador hours.

7 This does not capture, though, the
8 amount of volunteer and ambassador
9 activities that JEA employees do on their
10 own time. We, quite frankly, don't track
11 that. If someone takes annual leave or does
12 something on the weekend, that is not
13 captured within JEA.

14 So, Mr. Chairman, I think the hours
15 would probably be a lot higher if that was
16 something we did capture. But we think this
17 number and value it gives to the community
18 is quite impressive.

19 Following the first two pages showing
20 the hours and the value of those hours and
21 the organizations that JEA has volunteered
22 with is a list of JEA's memberships within
23 the community and JEA's sponsorships of
24 community events going back to our fiscal
25 year '13.

1 CHAIRMAN CRESCIMBENI: Do you have the
2 value of these sponsorships or --

3 MR. POPE: Yes, sir. I believe they're
4 included year by year the --

5 CHAIRMAN CRESCIMBENI: I see them.

6 MR. POPE: Yes, sir. I'm sorry.

7 CHAIRMAN CRESCIMBENI: Council Auditor,
8 can you run this and get totals for us on
9 these pages that are broken down by
10 organization? Thank you.

11 All right. Continue, Mr. Pope.

12 MR. POPE: Continuing on to what I'll
13 call a little booklet there entitled
14 Customer Assistance Programs, JEA has a team
15 that does an incredible job of finding
16 resources available to low-income customers
17 who might have a difficult time paying their
18 utility bill. And if you have time, I would
19 encourage you to read this booklet. It is
20 reflective of the very good work that our
21 team does. They really do work hard every
22 day to have resources identified when our
23 customers call to express their need for
24 assistance in paying their bill.

25 I will draw your attention to page 6

1 where you can see from our fiscal year '17
2 some of the funding sources and the number
3 of customers that were able to have
4 assistance as a result of those funding
5 sources. And it provides the amount that
6 was available to assist those customers.

7 CHAIRMAN CRESCIMBENI: These numbers
8 would include local social service agencies
9 like catholic charities, et cetera; is that
10 right?

11 MR. POPE: Through the Chairman -- or to
12 the Chairman, I believe that would be
13 included in the second line entitled Social
14 and Health Organizations.

15 CHAIRMAN CRESCIMBENI: And is this
16 standard throughout the electric/water
17 business or is this -- how does JEA stack up
18 to investor-owned companies? Do they have
19 similar programs?

20 MR. POPE: To the Chairman, other
21 utilities do have similar programs. I would
22 ask that you turn to the last page of this
23 tab, where our team has provided a brief
24 summary on what may differentiate JEA from
25 other utilities programs and why we are very

1 proud of ours.

2 CHAIRMAN CRESCIMBENI: Last page?

3 MR. POPE: Yes, sir, what differentiates
4 JEA.

5 CHAIRMAN CRESCIMBENI: Okay. You want
6 to kind of highlight that for us?

7 MR. POPE: Sure. As part of our
8 program, we do a number of outreach
9 activities and partnerships, including the
10 list you see there with our Light It Forward
11 program and our Senior Day, which is where
12 we bring in a segment of the community to
13 help them understand what assistance is
14 available to them.

15 And then below that you would have just
16 a summary of what some other investor-owned
17 utilities do that are similar to our
18 neighbor-to-neighbor program, which is a
19 customer-funded program, whereby they can
20 contribute additional monies on their bill
21 to help other people in need that might need
22 that assistance to make their bill.

23 But we have a very aggressive outreach
24 program and a very committed team when it
25 comes to this issue.

1 CHAIRMAN CRESCIMBENI: Okay. Anything
2 on tab six?

3 Mr. Pope, you go through this material a
4 lot faster.

5 MR. POPE: Let's not jinks it. Behind
6 tab six is a question responsive to the
7 10-year capital plan of JEA. We appreciate
8 the opportunity to provide the five-year
9 capital plan so as not to create any
10 disclosure issues. You can see starting in
11 2019 JEA has an aggressive capital plan,
12 we've already referenced some of that today,
13 specifically on the water and wastewater
14 side.

15 Let me be clear, this is JEA's existing
16 system. This is maintaining and operating
17 and keeping up to the level of -- the level
18 expected of our community to keep that
19 system running. And this is -- again, this
20 is an aggressive five-year plan, but one
21 that is needed.

22 And behind the summary page is a list of
23 our capital projects over the next five
24 years. And I don't intend to walk you
25 through each of those lines. And, of

1 course, we'll be talking more about this
2 come July when we submit our fiscal year
3 budget. But as you can see, we have a lot
4 of work to do when it comes to our capital
5 plan.

6 CHAIRMAN CRESCIMBENI: Questions from
7 the committee?

8 Councilwoman Boyer.

9 COUNCILWOMAN BOYER: Through the Chair
10 to Mr. Pope, so I appreciate the information
11 that's here and, obviously, have not fully
12 digested it. But my real question is, for
13 our benefit, do you think it would be
14 possible to take -- when you start looking
15 at those detailed project lists, and I know
16 you have a column that differentiates
17 district energy, energy, water, sewer, you
18 know, breaks them in those big categories.
19 But could we kind of group them, perhaps?

20 So what I'm looking at is is there a
21 part that is repairing and building a new
22 client or, you know, something like that.
23 And is there a part that is a work on a
24 failing lines.

25 I mean, I'm trying to kind of understand

1 how within electric it's apportioned, and
2 whether that's consistent year to year, or
3 do you kind of plan out -- so what we do in
4 our CIP is we may have a big expenditure on
5 a bridge or a drainage project, and we'll
6 try to put that, like, in one year and then
7 the next year we spend more on parks or
8 something else so we're kind of balancing it
9 out. I'm trying to understand if you do
10 that or if you try to have a -- we created
11 some things that we called, I don't know,
12 floors, but there was a name, like a minimum
13 spending amount on certain categories that
14 we did every year to make sure we didn't
15 fall too far behind on some of those.

16 Can you give us a little bit more of
17 breakdown and information on it to make it
18 easier to understand how those priorities
19 are set into focus? Because I guess what
20 I'm -- putting it in our context, we had a
21 situation a number of years ago where we
22 were really strapped on the capital side,
23 and we weren't spending much money on fleet
24 replacement. And then we were faced with
25 having a bunch of vehicles that were, you

1 know, over their mileage limits, had high
2 service requirements, all that kind of
3 stuff. So now we had to make a huge lead
4 expenditure, and how we were we going to do
5 that.

6 What I want to know is are we keeping
7 up. Is this a hold-your-own capital budget?
8 Is this a little better than hold-your-own
9 and we're actually making improvements for
10 the future capital budget? I'm trying to
11 understand where we are. Because as we know
12 that you are paying down debt, from a cash
13 flow management standpoint, a decision could
14 be made to dedicate more towards capital
15 projects. We had a bit of that discussion
16 at the budget last year when I was trying to
17 inquire about that.

18 So this would be a perfect time for us
19 to understand your philosophy about capital
20 reinvestment versus debt paydown and to --
21 kind of what the policy decision is and the
22 thought process is on how much you put into
23 capital reinvestment.

24 MR. POPE: Through the Chair to
25 Councilwoman Boyer, yes, we will do that.

1 We do track our capital budget by other
2 categories. It just so happens we gave you
3 the way we break it down for the Council
4 Auditor during budget review.

5 I regretted as I was sitting down
6 earlier listening, we actually have a
7 one-page for each system as to how we
8 prioritize our capital projects that I wish
9 I had included. And I will certainly
10 include that.

11 COUNCILWOMAN BOYER: Thank you.

12 CHAIRMAN CRESCIMBENI: Thank you,
13 Ms. Boyer.

14 MR. POPE: Okay. Moving to tab seven.
15 This is a one-page summary of -- related to
16 a question regarding JEA's generating
17 sources and capacities. And so the top
18 portion titled Energy, that is the energy
19 produced from those facilities. The bottom
20 portion is the capacity, the megawatts of
21 those facilities.

22 And so just to draw your attention that
23 while midway down Brandy Branch Combined
24 Cycle is a third of the energy produced, it
25 is roughly -- and I'm going to show my

1 not-so-good on-the-fly math skills, it is
2 roughly 15 percent or so, 13 percent, of the
3 capacity of our system. And so I would have
4 to ask an engineer to actually explain how
5 that all works. But this is responsive to
6 the question of our generated sources and
7 capacities.

8 CHAIRMAN CRESCIMBENI: Okay. You're
9 going to have to do that one again. So you
10 lost me. The green is what?

11 MR. POPE: The green is the energy
12 produced from an individual facility you see
13 listed there.

14 CHAIRMAN CRESCIMBENI: Produced for what
15 time period?

16 MR. POPE: I'm sorry. These are both
17 for calendar year '18.

18 CHAIRMAN CRESCIMBENI: So we have two
19 Kennedy generators, and they produced 146
20 and 86 megawatts respectively.

21 MR. POPE: Megawatt hours.

22 CHAIRMAN CRESCIMBENI: If we go down to
23 the lower chart, they're capable of
24 producing 150?

25 MR. POPE: Their capacity is 150

1 megawatts. So megawatt is capacity,
2 megawatt hours is energy produced.

3 CHAIRMAN CRESCIMBENI: Okay. I gotcha.
4 Council President Brosche.

5 PRESIDENT BROSCHE: Okay. So what are
6 the numbers in the middle column?

7 MR. POPE: Through the Chair to Council
8 President Brosche, those are probably
9 numbers that could have been taken out or
10 displayed a little easier to read. That is
11 our Kennedy seven, that's how we refer to
12 it. It's Kennedy generating unit seven,
13 Kennedy generating unit eight. It's really
14 almost utility jargon that we will do better
15 next time in presenting.

16 PRESIDENT BROSCHE: Okay. Thank you.

17 CHAIRMAN CRESCIMBENI: What happened to
18 North Side 4 through 32? Are there such
19 things?

20 MR. POPE: I'll go back and look for
21 them. And if I find them, I'll send them
22 over.

23 CHAIRMAN CRESCIMBENI: We have a missing
24 asset report that we may need to put that on
25 there.

1 All right. Mr. Becton.

2 COUNCILMAN BECTON: Thank you.

3 Through the Chair, so how does the
4 megawatt hours in the megawatts in the
5 bottom chart, how do they relate? Is there
6 a simple answer to that?

7 MR. POPE: With the Chair's permission,
8 I would like to defer on that answer.

9 MR. WANNEMACHER: Through the Chair, for
10 the record, my name is Ryan Wannemacher,
11 Director of Financial Planning and Analysis.
12 So the relationship between the two is what
13 we refer to as load factor. It's the number
14 of hours that the facility generates. So,
15 for example, Brandy Branch, we project
16 Brandy Branch will produce the most energy
17 of any single unit in our system. And
18 that's that divide cycle unit that you see
19 there.

20 The capacity of that unit is 501
21 megawatts, meaning that it will generate 501
22 megawatts in a given hour. So if it runs
23 for two hours, it will generate a thousand
24 megawatt hours. And so these numbers are
25 actually in thousands. So the 12,597

1 megawatt hours that you see there, is
2 actually thousands of megawatt hours, so
3 it's 12 million -- 12.5 million megawatt
4 hours. So that's the relationship between
5 those two. It's a little bit of a technical
6 answer.

7 COUNCILMAN BECTON: All right. So the
8 bottom chart, if we're looking at the Brandy
9 Branch Combined Cycle, 501, that's how much
10 megawatts it produces in one hour?

11 MR. WANNEMACHER: Correct. That is the
12 power.

13 COUNCILMAN BECTON: And explain again
14 the top chart on what does 4,238 equate to.

15 MR. WANNEMACHER: Again, it's in
16 thousands of megawatt hours. So it's
17 4,238,000 megawatt hours is what it will
18 produce. And so that is the energy --

19 COUNCILMAN BECTON: Or it is producing.

20 MR. WANNEMACHER: That is the projection
21 for calendar year 2018.

22 COUNCILMAN BECTON: That it is producing
23 over what period of time?

24 MR. WANNEMACHER: In the calendar year
25 2018.

1 COUNCILMAN BECTON: Total?

2 MR. WANNEMACHER: Correct. Yes, sir.

3 COUNCILMAN BECTON: So you kind of take
4 that and divide by 12 or divide by 365, if
5 you were trying to equate it down to what
6 percent of 501 -- well, I guess 501 times 24
7 hours would give you a daily production --
8 capacity production. And then you would
9 take this number and divide it by 365 to get
10 the same equivalent; right?

11 MR. WANNEMACHER: That's correct. So --

12 COUNCILMAN BECTON: Just stop there.

13 MR. WANNEMACHER: You are correct.

14 CHAIRMAN CRESCIMBENI: So the megawatts
15 at the bottom of the page for the Brandy
16 Branch Combined Cycle 501, is that in
17 thousands as well?

18 MR. WANNEMACHER: No, sir. That is
19 actual capacity, 501 megawatts capacity.

20 CHAIRMAN CRESCIMBENI: Over 2018 it's
21 projected to produce 4.2 million megawatt
22 hours?

23 MR. WANNEMACHER: That is correct, yes,
24 sir.

25 THE COURT: All right. Council

1 President Brosche.

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

4 And through the Chair, we heard earlier
5 about how there are some changes being made
6 to increase capacity. Does the bottom chart
7 reflect the increases to capacity or not?

8 MR. WANNEMACHER: The bottom chart, as
9 currently presented here, does not reflect
10 the increase to the capacity that we expect.

11 PRESIDENT BROSCHE: Can you tell me
12 which ones capacity increases are in the
13 works for?

14 MR. WANNEMACHER: Yes, ma'am. So the
15 additions that we are going to be putting in
16 place next year are the Brandy Branch
17 Combined Cycles, units two, three and four.

18 PRESIDENT BROSCHE: And how many
19 megawatts?

20 MR. WANNEMACHER: I believe it's about
21 70 megawatts or so, although I would have to
22 get back to you with an exact number.

23 PRESIDENT BROSCHE: And only that one?

24 MR. WANNEMACHER: Yes, ma'am.

25 PRESIDENT BROSCHE: Thank you so much.

1 CHAIRMAN CRESCIMBENI: Okay. Let's see
2 if we can knock out number eight. And we
3 may have to stop there because I've got
4 public comment and Council Auditor.

5 MR. POPE: Number eight, tab eight is
6 responsive to a question from Council Member
7 Boyer regarding the different forecasts that
8 JEA uses. And so, again, if we look at the
9 chart, we'll look at electric sales, the
10 black line is indicative of our projection
11 based on annual -- historical annual growth
12 from '97 to 2006. The blue line is the
13 sales projection based on our integrated
14 resource plan from 2006. The orange line,
15 or red line, is based on our 10-year site
16 plan for 2017. And green line is projection
17 based on annual growth rate from 2006 to
18 2017. And, of course, the blue bars are the
19 actuals.

20 It is important to look at different
21 forecasts when planning for the future? The
22 10-year site plan, which looks at our
23 capacity, what you don't want to do is be
24 short on capacity. That's a forecast where
25 being conservative is higher; contrast as to

1 a financial forecast where being
2 conservative is lower. I really think
3 that's the -- as far as I can describe it,
4 the basic difference between what you might
5 see and what we present to the public
6 service commission for our 10-year site
7 plan, which is generation, electric
8 generation, and the load and how we're going
9 to meet that versus our financial forecast
10 where we want to make sure that we are being
11 conservative in planning for all of our
12 obligations on the finance side.

13 So that's really -- so it's just two
14 different methodologies. And you want to
15 look at different growth rates and different
16 projections because it's likely that not one
17 of them is going to be perfect. And so I
18 hope that is responsive in some way to the
19 question.

20 CHAIRMAN CRESCIMBENI: Councilwoman
21 Boyer.

22 COUNCILWOMAN BOYER: Thank you. Through
23 the Chair to Mr. Pope, on the lines on the
24 chart, so the IRB 10-year site plan that we
25 look at when we go online to the state

1 website, is that based on the 79 to 2006
2 number or the 2006 sales projection number,
3 which one of these lines are you saying is
4 the one that, when I look on the state
5 website, I pick it up and I can compare it
6 to the same thing that Florida Power and
7 Light is projecting and Teco is projecting,
8 everybody else?

9 MR. POPE: That's the 2017 10-year site
10 plan. I believe the 2018 is due this month
11 or it may be out.

12 COUNCILWOMAN BOYER: So that is the red
13 line?

14 MR. POPE: Yes, ma'am, the red line.

15 COUNCILWOMAN BOYER: Okay. So to the
16 extent that online it appears that -- you're
17 saying it is the differentials then between
18 the red line and the green line that that
19 bracket is the relevant view point today?

20 MR. POPE: Yes, ma'am.

21 COUNCILWOMAN BOYER: Okay. And can we
22 get some -- so that still shows a need for
23 growth based on projected economic
24 expansion, presumably. I mean, if one is
25 being conservative and the reason you're

1 saying you're going to have more demand is
2 you're factoring in some growth of
3 population and demand in order to require
4 that, can we see that extrapolated out a
5 little bit further?

6 MR. POPE: Yes, ma'am.

7 COUNCILWOMAN BOYER: Because it seems to
8 me that in evaluating concerns about future
9 revenue streams or not, reality lies
10 somewhere in between. Because both of those
11 are conservative assumptions that probably
12 are not completely where we will end up.

13 MR. POPE: Yes, ma'am. We'll provide
14 the data.

15 COUNCILWOMAN BOYER: Thank you.

16 CHAIRMAN CRESCIMBENI: Mr. Clements, did
17 you get that?

18 MR. CLEMENTS: I think so.

19 CHAIRMAN CRESCIMBENI: Mr. Becton.

20 COUNCILMAN BECTON: Thank you.

21 Through the Chair, Mr. Pope, do you guys
22 compare -- make a similar comparison like --
23 on this to the others within the state of
24 Florida. I mean, as we do a rate
25 comparison, have you evaluated your

1 performance versus other utilities?

2 MR. POPE: Through the Chair to
3 Councilman Becton, I'm not aware that we
4 have. But I'm certainly happy to go back to
5 that group and ask what comparative
6 statistics we make, monitor or have or can
7 look at.

8 COUNCILMAN BECTON: Because my question
9 beyond this is what are other utility
10 companies experiencing. Is it in line with
11 what we're experiencing here in Duval County
12 or -- and if they are, then maybe that can
13 shed some light on what the industry faces,
14 but I'm hoping that others may not be and
15 then you put up the two companies next to it
16 and say what are they doing that we're not,
17 which goes back to looking at opportunities
18 for us to have a better projection.

19 So I think that next step in looking at
20 this evaluation might be helpful so we just
21 don't get caught in a vacuum and just say
22 everybody is like this and not have anything
23 to compare by.

24 MR. POPE: Yes, sir. We'll look at it.

25 COUNCILMAN BECTON: Okay. Thanks.

1 Thank you, Mr. Chair.

2 CHAIRMAN CRESCIMBENI: Thank you,
3 Mr. Becton.

4 And I'm guessing the same rules are
5 applicable for the water side as well.

6 MR. POPE: Yes, sir.

7 CHAIRMAN CRESCIMBENI: All right. I
8 think we will end there, Mr. Pope. I
9 appreciate you. Were you supposed to be
10 attending the lunch as well?

11 MR. POPE: No, sir. I'm staying around.

12 I do want to apologize to Councilman
13 Love I think we missed our 11:30 meeting,
14 but we'll reschedule it.

15 CHAIRMAN CRESCIMBENI: So, Mr. Pope, if
16 you will forward me the remaining action
17 items that you have ready in an email. I
18 will figure out which ones we can add to our
19 next meeting and get back to you.

20 MR. POPE: Yes, sir. Thank you.

21 CHAIRMAN CRESCIMBENI: Mr. Becton.

22 COUNCILMAN BECTON: Through the Chair, I
23 just want to backtrack because I have a
24 question from something Ms. Dykes was
25 talking about, or when Mr. Crescimbeni asked

1 her, or when we were talking about capacity
2 and we were talking about going out to the
3 marketplace when we need more power. Is
4 there ever a point in time where that power
5 is not available? I mean, if we need it, I
6 would assume others need their excess
7 capacity and to where I heard it is cheaper
8 right now, but I can only imagine everybody
9 only dips into that when it's 120 degrees
10 outside across the Southeast. Is that ever
11 an issue?

12 MR. POPE: Through the Chair to
13 Councilman Becton. Many utilities like JEA
14 up until just a few months ago had excess
15 capacity, so there are a number of those who
16 sell that and then there are those like JEA
17 currently what we do from time to time, go
18 into the market to purchase that power. I'm
19 not aware of that being an issue in JEA
20 service territory. But I would not want to
21 make the statement that that's never an
22 issue anywhere in the country.

23 COUNCILMAN BECTON: I guess I want to
24 specifically know what our situation is and
25 the fact that as we look 5, 10, 20 years, I

1 mean, that does affect what we do and the
2 fact that -- can we always rely on it being
3 there and being cheap and versus -- because
4 if that was the case, you would be
5 outsourcing more of your power. And I
6 assume -- obviously, you mentioned that we
7 have to have a certain amount of reserves.

8 MR. POPE: Yes, sir.

9 COUNCILMAN BECTON: Okay. And I guess
10 that's mandated by the industry and the
11 state, those types of things. But beyond
12 that, help us understand how that relates to
13 when it's 120 degrees outside and everybody
14 has it full throttle, pedal to the metal in
15 generating and using. What kind of
16 situation do we get into? So maybe that's a
17 good question to kind of reflect back on.

18 MR. POPE: Yes, sir.

19 COUNCILMAN BECTON: Thank you.

20 CHAIRMAN CRESCIMBENI: Thank you,
21 Mr. Becton.

22 All right. Thank you, Mr. Pope, for
23 your patience and endurance for this
24 meeting. I appreciate you being here.

25 We're going to jump quickly to the

1 Council Auditor reports. I think these will
2 be quick.

3 Mr. Billy, are you going to handle
4 these? There's two items.

5 MR. BILLY: The two items Mr. Peterson
6 will walk you through.

7 MR. PETERSON: I believe the first page
8 is an email that I received from the
9 property appraiser. At the last meeting we
10 were asked to see what the property
11 appraiser did as regarding assessments for
12 JEA property, and just try to summarize it
13 for you. They used aerial inspections for
14 JEA's electric, sewer and water plants. And
15 they said they do not give it the fullest
16 extent of review due to the fact the parcels
17 are exempt from taxation and the logistical
18 hurdles necessary to inspect large
19 manufacturing and industrial facilities.

20 Related to JEA's TPP returns, JEA
21 submits those. And the property appraiser
22 examines them, but does not receive the same
23 level of scrutiny that a private business
24 would. The property appraiser did have
25 concerns with the use of current values that

1 are on the tax rolls to predict future tax
2 revenues. Those concerns are the bullet
3 points at the bottom of the email. Very
4 complex appraisal assignments, they would
5 actually recommend an outside agency who
6 specializes in utility industry.

7 Changes by JEA or a private entity may
8 impact the estimated future tax revenues.
9 And they give SJRPP as an example. The
10 property appraiser's office could expect
11 annual appeals.

12 And, lastly, any of the environmental
13 issue that may not go into an assessment
14 right now because of using aerial photos
15 could also impact that.

16 CHAIRMAN CRESCIMBENI: So is the
17 property appraiser saying that, if we have
18 an investor-owned utility purchase the JEA
19 asset, that they have to hire an outside
20 agency to value the real estate?

21 MR. PETERSON: I don't know that they
22 would say they would. Mr. Hicks in our
23 conversations said that he would recommend
24 doing one to estimate the market value at
25 this point. I can't say what they would say

1 going forward.

2 CHAIRMAN CRESCIMBENI: All right.

3 Please proceed, Mr. Peterson.

4 MR. PETERSON: The second page is an
5 answer to a request from Council Member
6 Becton at one of our initial meetings of
7 JEA's cash positions and their investments
8 over a 10-year period. All of these numbers
9 came from JEA's annual audited financials.
10 And we actually ran this sheet by JEA.
11 They're in agreement with this presentation,
12 and it's for your examination.

13 CHAIRMAN CRESCIMBENI: So you look at
14 the total cash position with what would be
15 the summary of each of these bold numbers
16 and the three separate sections of each
17 column?

18 MR. PETERSON: Yes, sir. So the upper
19 section, if you will, the cash positions are
20 their cash and cash equivalence of
21 investments. There is a slight
22 reconciliation that needs to take place for
23 cash that is in the bank versus cash that is
24 out invested in a security. So that's that
25 middle section. And then the bottom section

1 are their actual investments and securities
2 in which they are invested.

3 CHAIRMAN CRESCIMBENI: So the bottom
4 section is always going to equal the middle
5 section?

6 MR. PETERSON: The bottom section plus
7 the less cash on deposit and the interest
8 due on securities in the middle section will
9 equal your top section.

10 CHAIRMAN CRESCIMBENI: All right. Any
11 questions on that?

12 Mr. Becton, does that satisfy your
13 request?

14 COUNCILMAN BECTON: Through the Chair to
15 the auditors, so the last box is the actual
16 investments not cash that JEA has out;
17 right?

18 MR. PETERSON: Through the Chair to
19 Council Member Becton, that is correct.

20 COUNCILMAN BECTON: Okay. So how does
21 it look if you were to break these out, in
22 other words, get into the weeds of these,
23 you know, different categories? What would
24 that look like?

25 MR. PETERSON: Through the Chair to

1 Council Member Becton, I would have to get
2 back to you on that.

3 COUNCILMAN BECTON: Okay. Because
4 that's kind of where I wanted to go to look
5 at the type of investments beyond just the
6 headlines categories and where those dollars
7 are being spent. All right. Thank you.

8 CHAIRMAN CRESCIMBENI: Okay. Any other
9 questions?

10 Thank you, Mr. Peterson.

11 I have a few speaker cards here. I got
12 two more. So I'm going to call your name,
13 if you'll come to the podium quickly and
14 give your remarks. Raymond Diaz, followed
15 by John Howard. Mr. Howard, make your way
16 to the front row. Followed by Wayne Dunn.
17 Mr. Dunn, make your way to the front row.
18 Followed by John Lindamood. Make your way
19 to the front row, please.

20 MR. DIAZ: My name is Raymond Owen Diaz,
21 IBW 2258. My address is on file. I
22 appreciate you guys' time. I'm disappointed
23 that out of 19, there is only 7 of you
24 present at this time when I've taken my own
25 time to be here.

1 I don't care how you call it, you can
2 call it the future of JEA, evaluation of
3 JEA, but at the end of it, if you don't say
4 it's not for sale, you will see me up here
5 again.

6 The other thing is that Mr. Zahn, very
7 elegant and savvy speech that he put out
8 there today. But I took a few classes in
9 political science and public speaking. And
10 that's all he's supposed to do. He's
11 supposed to bring you in, drink the
12 Kool-Aid. It's too bad that I don't drink
13 Kool-Aid. I drink Tang. So it's one of
14 those things.

15 Another thing, I feel like this is part
16 of the leadership of Jacksonville, the
17 leader that's running this place out. I
18 feel like a bull in a ring. And every time
19 I go into the ring as a bull, there is
20 another fighter in there. So instead of
21 being 1, by now I got 10.

22 He don't care who he sacrificed. And I
23 think Paul was the first one to die.
24 Ms. Dykes will be the second one, if you ask
25 me. But he's going to be ready making that

1 bed to come and kill that bull any time he
2 wants to. And he don't care who goes down
3 before that. And that's a shame.

4 And yesterday he was in the news saying
5 again that -- he's using this for media,
6 publicity or political gain. And I don't
7 understand that, because it's a bad,
8 negative one. Why do you want to have bad,
9 negative publicity? That don't make no
10 sense. You trying to do the job to defend
11 and to do right, to find the resources for
12 this JEA, not to sale -- or sell. And he's
13 using a scapegoat.

14 So, to me, Mr. Zahn, I don't know him
15 personally, I hope he don't take it
16 personally, but I think he's another pawn in
17 the game so he can come and kill that bull
18 any time he wants. He may delay this
19 program until you guys get replaced and then
20 a new one comes in and decided to, yeah,
21 let's do it again. So I hope he chooses the
22 words that come valuable and he's not coming
23 with a knife and a shovel.

24 You guys have a blessed day. Thank you.

25 CHAIRMAN CRESCIMBENI: Thank you, sir.

1 Mr. Howard, John Howard, are you here?
2 Wayne Dunn, followed by Mr. Lindamood, Tim
3 Wayne and Ross Byers, please move to the
4 front row.

5 MR. DUNN: I'll try to make the best use
6 of my three minutes. Wayne Dunn, and I'm an
7 engineer. So I talk too much.

8 I like the discuss, debate and decide
9 point that was made earlier. I attended the
10 board meeting and saw Ms. Angie Hiers
11 recommend ZRG as the recruiting firm. I
12 recollect that Paul McElroy was second after
13 the first individual declined taking over
14 leadership of JEA. And that criteria was
15 relatively sound criteria that was
16 negotiated to establish what the CEO should
17 meet. ZRG is a pretty well-established
18 recruiting firm.

19 I understand that what was published
20 this morning, what Councilman Hazouri
21 pointed out, was that we have not decided to
22 proceed with either recruiting firm or
23 seeking a new candidate for CEO of JEA. I
24 think it's important that that process be
25 moved, so that would be discussion and

1 decision. I think you should decide that
2 you're going to select a new CEO for JEA.

3 And Mr. Zahn may well be the one that's
4 qualified. I understand he has a solid M&A
5 background. And M&A, that seems to be the
6 topic at hand, or was the title previously.

7 Second point I want to make is that the
8 principle in the -- I've been self-employed
9 almost all of my career, 38 out of 40 years.
10 And all of the businesses I've invested in,
11 including the ones that we took public,
12 different elements had key numbers. And the
13 key number that's used by Edison Electric
14 Utility at Edison Electric Institute to
15 evaluate investor-owned utilities is called
16 return on equity.

17 Return on equity is the key number that
18 is utilized as a base case, or a rate case,
19 which is in the current case before the
20 Florida Supreme Court on behalf of Florida
21 Power and Light. Florida Power and Light
22 would receive, and it's under appeal, 10.55
23 percent rate.

24 And I heard a statement that our rates
25 are about 26 percent lower than others.

1 That rate is actually higher than what
2 Florida Power and Light's current allocation
3 is.

4 So it would be good for us to establish
5 what JEA's pro forma rate return on equity
6 is, so it could be compared to what an
7 investor-owned utility would generate. And
8 then do what's called a buyer's pro forma,
9 which is what we've done when we acquired
10 assets, and what other assets did when they
11 were being acquired by us, so that we would
12 understand what the buyer's perspective is.

13 Which I think Councilwoman Boyer pointed
14 out, why would they buy us. And we could
15 understand that and how do we progress from
16 here on that return on equity and what would
17 be the net effect. Thank you.

18 CHAIRMAN CRESCIMBENI: Thank you. I do
19 have a question.

20 Councilman Love.

21 COUNCILMAN LOVE: Thank you.

22 Through the Chair, Mr. Dunn, what kind
23 of engineer are you?

24 MR. DUNN: Troublesome -- mechanical. I
25 like things that move.

1 COUNCILMAN LOVE: There you go. So do
2 I.

3 Number two, what kind of
4 characteristics, traits should our new CEO
5 have? What do you think his requirements
6 should be? Just name a few.

7 MR. DUNN: Physics.

8 COUNCILMAN LOVE: Physics, that's a good
9 one. What else? Anything else?

10 MR. DUNN: I would think that --

11 COUNCILMAN LOVE: What about experience?

12 MR. DUNN: I would think the utility
13 experience would be of value. I think large
14 plant experience would be of value; and
15 forecasting, right, technical forecasting,
16 right; understanding technical trends so
17 that maybe you're investing in the iPhone
18 instead of the new --

19 COUNCILMAN LOVE: Instead of the flip
20 phone.

21 MR. DUNN: Yeah. So I think those are
22 some of the things that would be considered.
23 I mean, I was -- you know, it's a very
24 interesting organization, very well run.
25 There are some very solid people in the

1 leadership group.

2 And I think somewhere on the board or on
3 the Council you should have independent
4 engineering input. I mean, you seek that
5 for legal so that you don't have internal
6 bias, and you seek that for financial,
7 getting an independent auditor.

8 It may be worthwhile to have an
9 independent technical analysis when you're
10 discussing things like SJRPP, right, and the
11 viability of it, or trying to recognize load
12 factor, right, as a calculation, which is a
13 fundamental decision that is made as to what
14 size assets you would own and how long you
15 would own them for. Does that help?

16 COUNCILMAN LOVE: That does. You should
17 have plant experience, physics experience
18 and some analysis experience on utilities,
19 perfect.

20 MR. DUNN: And solid understanding of
21 the regulatory environment within which the
22 utility operates.

23 COUNCILMAN LOVE: Yeah. There are a lot
24 of heads of utilities that are attorneys.
25 So thank you.

1 CHAIRMAN CRESCIMBENI: Thank you,
2 Mr. Love.

3 Mr. Becton.

4 COUNCILMAN BECTON: Thank you.

5 Through the Chair, as an addition to
6 Council Member Love's question to you, what
7 do you think a visionary at this stage in
8 the game weighs in that outlook?

9 MR. DUNN: One thing to consider is that
10 we're heading for about 12,000 kilowatt
11 hours a year per residential, or unit
12 customer. And Hawaii is at like 8,000. And
13 so that would be a pretty significant drop
14 in revenue.

15 I have not forecasted or went into those
16 elements, but I do recognize the disparity
17 between what the energy consumption is per
18 individual. And we're investing in assets
19 that have a very, very long lifecycle. So I
20 think that it would be good to understand,
21 like, with respect to forecasting, what the
22 impact technology is really going to have.

23 I have a wisecrack. I serve on the
24 board of the United States Green Building
25 Council, and I said, if we all drove

1 electric cars, the bridges would fall down.
2 And that's fundamentally because gas taxes
3 is what pays for bridges.

4 So we're going to think that we
5 fundamentally fund our infrastructure since
6 the second war. And Bill Gates recommends a
7 book called The Grid, which I read, and it
8 is good, on consumption. And we're not
9 consuming at that rate anymore.

10 COUNCILMAN BECTON: My question, I
11 guess --

12 MR. DUNN: So if you're forecasting,
13 then I recommend you forecast on a broader
14 scope than just consumption.

15 COUNCILMAN BECTON: But as you pointed
16 out, our bridges would fall down only if we
17 couldn't envision how to change, how to
18 transition, how to move forward and how to
19 take advantage of what the future holds. So
20 I was just kind of curious if that was up
21 there at the top of your list of attributes
22 a new CEO might have.

23 MR. DUNN: You're correct. You're
24 absolutely right. There are some pretty
25 significant infrastructure reports that have

1 been published by the civil engineers which
2 consolidates information from others. And
3 our country is not as well rated as perhaps
4 we would like. So -- and that speaks to
5 that revenue model and how infrastructure is
6 funded.

7 COUNCILMAN BECTON: Thank you very much.

8 CHAIRMAN CRESCIMBENI: Thank you, sir.

9 Mr. Lindamood, are you here?

10 MR. LINDAMOOD: Good afternoon. My name
11 is John Lindamood. All my information is on
12 file.

13 CHAIRMAN CRESCIMBENI: Use the
14 microphone. Sir, speak into the microphone.

15 MR. LINDAMOOD: The issue here, the sale
16 of JEA, kind of upsets a lot of people. A
17 recent pole that was done through Channel 4,
18 I think it was maybe UNF, showed that
19 citizens, ratepayers, 75 percent of the
20 ratepayers didn't think it was a good idea.
21 Ten percent to 12 percent weren't certain,
22 and another 10 percent or so, whichever the
23 math, either way it was, needed more
24 information. Overwhelmingly, it looks kind
25 of crazy that the average person doesn't

1 feel comfortable with selling this utility.

2 My question to you guys is this: In the
3 grand scheme of things, if we sell this
4 utility, it's done, okay. In the fact that
5 we'll have to live with it, my children and
6 grandchildren, how is it going to work out
7 for them once you get rid of this public
8 utility that does nothing for us, but
9 enhance this city? I mean, it allows us to
10 do things like a Superbowl, it allows us to
11 do all kinds of really good things.

12 And all the assets as far as the money
13 we've invested over the last 30 years alone
14 for infrastructure from the water, sewer and
15 electric side is pretty significant. And if
16 you allow private companies that we --
17 actually, I was involved in acquiring these
18 utilities, Florida water -- I mentioned this
19 before. United Water and all these people,
20 the other companies that were running
21 smaller areas of Jacksonville and Duval
22 County, they ran these utilities, water and
23 wastewater into the ground.

24 And so we buy out the utility, JEA does.
25 And we spend, you know, millions and

1 millions of dollars to bring them up to a
2 decent standard that we have. Everything
3 from the national electric code and safety
4 and the quality of water that we drink. All
5 of this adds up.

6 If you don't think the politicians, no
7 offense to anyone, if you don't think the
8 politicians getting involved in a utility is
9 not always a good thing, look at Flint,
10 Michigan, guys. We're talking about maybe
11 apples and oranges. But at the end of the
12 day, we need to be paying attention to what
13 we're doing here.

14 Once we sell this utility, there is no
15 going back. You know, it's going to be a
16 mess if we don't -- and there again, we can
17 do a paradigm shift, we can contract out
18 some of the work, some of the different
19 agencies in JEA, but still keep the company.
20 If the business model isn't working, adjust
21 it, okay. So technology is changing our
22 consumption of electricity. Thank you.

23 CHAIRMAN CRESCIMBENI: Thank you, sir.

24 Tim Wade, followed by Ross Myers,
25 followed by Timothy Allen, followed by Chap

1 Gray. I'm not sure if I can read that.

2 Mr. Wade.

3 MR. WADE: Tim Wade, 2850 Percy Road.

4 And I apologize for reading this with my
5 head down and not looking you in the eye on
6 this first part.

7 With the events of this week, Mr. Zahn
8 and Mayor Curry have suggested a halt in
9 discussions to sell JEA. It seems some on
10 this Council want to continue that
11 discussion. I would ask this Council to
12 vote on this matter. Then we as citizens
13 can see who to hold accountable next
14 election.

15 We know there are some on this Council
16 who would see JEA sold. I would ask that
17 you have the political guts to let it be
18 known.

19 Also, as elected officials, you don't --
20 respectfully, you don't own any of the
21 city's assets. When you were elected, you
22 were given stewardship over the city's
23 assets, not ownership. You have no deed to
24 anything. Your part ownership is no larger
25 than mine or anyone else in the city.

1 As stewards you should maintain or
2 improve what you are in charge of, not sell
3 what isn't yours. If anything is to be
4 sold, your bosses, the citizens, will let
5 you know.

6 I personally have spoken with many who
7 are ready to hold this Mayor accountable for
8 this discussion of a sale.

9 Madam President, I also have spoken to
10 many who wouldn't mind another name or two
11 on that ballot.

12 JEA has been serving this community for
13 over 100 years. There have been many
14 council members and mayors in that time. It
15 strikes me as somewhat arrogant that there
16 are those on this Council that would believe
17 they are the chosen ones to take this
18 action.

19 I applaud the actions of those who would
20 vote to change the charter and put an action
21 such as the sale -- that of the sale of JEA
22 in the voters' control. Only then can we be
23 sure that, if such an action was ever taken,
24 it would be what the citizens, majority of
25 the citizens, wanted and not the elected

1 few.

2 I've heard discussion of what JEA is
3 worth mentioned today. Paul McElroy sent an
4 email recently before he resigned that said
5 the workers, of which I am one, are the most
6 important asset of JEA -- or the most
7 valuable, I should say.

8 Well, I don't know if you know this or
9 not, but there is a building off Kernan
10 Road, one of our water treatment facilities,
11 that bears the name of a man who gave his
12 life doing the kind of work we do. So I ask
13 you what is a man's life worth? When you
14 talk about the value of JEA, that's what we
15 do every day when we go out there and serve
16 our citizens. Just like police and fire, we
17 put our lives out there. And we do it
18 willingly, because we take pride in what we
19 do, as mentioned earlier. So when I look my
20 buddies' in the eye when I perform that
21 service, I'd appreciate that value be taken
22 into account. Thank you.

23 CHAIRMAN CRESCIMBENI: Thank you,
24 Mr. Wade.

25 Byers.

1 MR. BYERS: Good afternoon now,
2 Mr. Chairman Crescimbeni, members of the
3 Special Committee. I'm Ross Byers, 4103
4 Bent Tree Circle, Ponte Vedra. I'm a
5 retired JEA debt manager of 25 years. I
6 managed 6 billion of debt while I was at JEA
7 and our refinancing activities due to
8 falling interest rates up, say, 500 million
9 of debt service cost at our present value
10 basis.

11 I would love to volunteer to your group
12 to help in any way that I can. I would give
13 my references as your current auditor, Kyle
14 Billy, as well as past auditors like Richard
15 Wallace and Bob Johnson.

16 I worked with Melissa Dykes from 2012 to
17 2015. However, my relationship with her
18 started in 2001 when she was an analyst at
19 JP Morgan and handled the JEA account. What
20 I can say about Melissa is Melissa has a
21 great skill set and she clearly meets the
22 current requirements at JEA for a CEO.

23 I've worked heavily with underwriters,
24 financial advisors like Mike Mace for 15
25 years or more on councils, local as well as

1 New York City, and credit rating agencies.
2 Credit rating agencies are so important.
3 I'm really not sure what they think right
4 now, though. I've handled many requests for
5 proposals for professional services.

6 And I would like to say to the committee
7 that all of our RFP's in our treasury
8 department always had JSEB provisions in
9 them.

10 Why is JEA attractive? The number one
11 reason is investor-owned utilities need
12 customer growth. In this market, their
13 equity values are high, interest rates are
14 low, and the acquisition cost of new
15 customers is, therefore, low.

16 JEA is a huge municipal utility. There
17 have never been acquisitions of utilities
18 this size. And let me tell you, they'd be
19 interested.

20 So I recommend that you keep getting all
21 the information you can from PFM, Council
22 Auditor Kyle Billy, the UF study that you
23 engaged in. Read the annual disclosure
24 report of JEA. It's very thick, but it
25 contains everything an investor needs to

1 know. And you all are the investor.

2 Kyle Billy has done a great job
3 outlining the many financial and
4 nonfinancial benefits of the municipal
5 ownership.

6 I feel each of you need to develop a
7 greater understanding of JEA. This is why
8 this process should continue. You need to
9 find out what you have and how valuable it
10 is, whether you keep it or sell it.

11 I recommend that the council auditor may
12 be at a position that will go a deep dive
13 into all the independent agencies for your
14 group. You could do it on a quarterly
15 basis.

16 Due diligence and having knowledge is so
17 important. Compare what I'm talking about
18 in these last couple minutes to what just
19 occurred at JEA regarding their selection of
20 the interim CEO --

21 Mr. Byers --

22 MR. BYERS: -- was there a process?

23 CHAIRMAN CRESCIMBENI: -- I need you to
24 wrap it up.

25 MR. BYERS: Thank you. Thank you very

1 much.

2 CHAIRMAN CRESCIMBENI: Thank you.

3 Questions?

4 Mr. Allen.

5 MR. ALLEN: I'm Timothy Allen. And
6 thank you for your time and your attention.

7 I'm a JEA employee. I live at 10204
8 Wellhouse Court in Jacksonville.

9 I'm just amazed that we're discussing
10 closure of St. Johns River Power Park now.
11 I think the public and the City Council
12 should have given attention to this matter a
13 year ago. It was a momentous decision made
14 by a few people behind closed doors.

15 With respect to Plant Vogtle and the
16 sister plant in South Carolina, Plant
17 Summer, has been abandoned at a cost of
18 several billion dollars. It is entirely
19 possible Plant Vogtle will never be
20 completed.

21 JEA is becoming increasingly dependent
22 on natural gas. We've just abandoned a
23 coal-fired power plant. I don't know what
24 the dependence is on natural gas, but it's
25 much higher now than it's ever been.

1 Natural gas is not the perfect fuel. In
2 years past it's subject to shortages and
3 price fluctuations. Natural gas cannot be
4 stockpiled, unlike coal. St. Johns River
5 Power Park, they had the capability of
6 stacking a couple hundred days of supply of
7 coal. You can't do that with natural gas.

8 I would like to speak about Mr. Zahn's
9 selection as CEO. I would think that, as an
10 interim CEO, do we want a man, woman with
11 deep and long experience with a utility and
12 no ambition to become the permanent CEO.
13 And his selection baffles me. Thank you for
14 your time.

15 CHAIRMAN CRESCIMBENI: Thank you, sir.

16 Any questions?

17 All right. Last speaker is -- Gray is
18 the last name. I can't read your writing on
19 the first name, sir. I apologize.

20 MR. GRAY: I want to thank y'all for
21 your time and giving me the opportunity to
22 speak.

23 CHAIRMAN CRESCIMBENI: Your name, we
24 need your name.

25 MR. GRAY: I'm sorry. My name is Chap

1 Gray, and my address and phone number are on
2 record.

3 A few random thoughts here that I put
4 together as I've listened to today's
5 meeting. My neighborhood, Ortega Forest in
6 Mr. Love's district, is at least a third to
7 a half septic tanks. I didn't know that
8 when I moved in there. I dodged a bullet,
9 and I'm about three doors away from where
10 the septic tanks start.

11 I've talked to a few of the neighbors in
12 there, and believe it or not, some of them
13 actually want to keep their septic tanks.
14 They get upset when they are talking about
15 hooking into city sewer.

16 We've heard a lot of talk this morning
17 about SJRPP. One thing I noticed, we
18 haven't heard anything about Cedar Bay.
19 Nobody's mentioned that. FP&L bought Cedar
20 Bay and shut it down rather than continue
21 buying the power from that company. And
22 those were Jacksonville citizens that worked
23 there at Cedar Bay.

24 Talking about lowering bills, I signed
25 on to a pilot program with JEA last year

1 called Smart Savings, where it offers a time
2 of day demand rate. And my bill has lowered
3 considerably through that. And if they
4 offer it -- if they expand the pilot
5 program, I would highly recommend everyone
6 consider that.

7 I think everyone has had ample
8 opportunity to speak for and against and
9 voice their opinions about this subject. So
10 I just -- in my opinion, I think we need to
11 put this to bed pretty soon.

12 If I wasn't a JEA employee would I feel
13 strongly about this issue? I would. JEA is
14 a part of the fabric of this community.
15 There are a lot of contributions that JEA
16 makes to this community that aren't measured
17 in dollars and cents.

18 With all due respect to my new boss,
19 Mr. Zahn, the value of something is not
20 always what someone would be willing to pay
21 for it. There are a lot of things that go
22 along with it besides just money.

23 This issue has come up in 2007, 2012,
24 2018. How many more times are we going to
25 revisit this? Every time this comes up, it

1 costs thousands, if not hundreds of
2 thousands of dollars to explore this. I'm
3 pretty sure this is money that could be used
4 elsewhere. Thank you for your time.

5 CHAIRMAN CRESCIMBENI: Thank you, sir.

6 All right. Anyone else care to address
7 the Council? I have no other speaker cards.

8 Ms. Brosche, do you have any update on
9 the special park arrangements?

10 PRESIDENT BROSCHE: So no update from
11 last time in that the Dupont fund is
12 contracting with the UF -- I don't remember
13 the exact name now, but the --

14 CHAIRMAN CRESCIMBENI: Public utility --

15 PRESIDENT BROSCHE: Public utility, yes.
16 And so they're going to do their work, but
17 it was my understanding from the
18 announcement they made it's probably going
19 to be about six months or so before that
20 report comes back.

21 CHAIRMAN CRESCIMBENI: Thank you.

22 Any announcements? Anybody want to
23 announce that they're really hungry?

24 Mr. Pope, did you have an announcement?

25 MR. POPE: May I make a clarification.

1 JEA's interruptible rate is currently open.
2 It is not actively advertised, but it is
3 open and is evaluated on a
4 customer-by-customer basis.

5 CHAIRMAN CRESCIMBENI: So do you have to
6 meet criteria to get in or is it subjective?

7 MR. POPE: I will respond to you on
8 that, or to the committee.

9 CHAIRMAN CRESCIMBENI: Thank you,
10 Mr. Pope.

11 We've reached the end of our agenda for
12 today. We'll have our next meeting next
13 Thursday, the 26th, at 3:30. We'll be back
14 at the 3:30 time slot.

15 I want to thank everyone that stayed to
16 the bitter end. I appreciate you for
17 forgoing other more festive opportunities
18 today. So thank you for hanging in there.

19 There is nothing else. This meeting is
20 adjourned -- oh, I'm sorry. Mr. Newby.

21 MR. NEWBY: I just want to tell you I
22 got my book.

23 CHAIRMAN CRESCIMBENI: Thank you,
24 Mr. Newby. Take him off the list.

25 All right. Now we are adjourning the

1 meeting. Thank you all.

2 (Meeting adjourned at 1:11 p.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA
COUNTY OF DUVAL

I, Amanda E. Robinson, Registered
Professional Reporter, Florida Professional
Reporter, do hereby certify that I was authorized
to and did report the foregoing proceedings; and
that the transcript, pages 1 through 223, is a
true record of my stenographic notes.

DATED this 26th day of April, 2018.

Amanda E. Robinson, Registered Professional
Reporter, Florida Professional Reporter