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

Staff

Legislative Assistant:  Staci Lopez
Legislative Assistant:  Mia Richardson
Research Assistant:  Jeff Clements
Council Auditors Office:  Kyle Billy
Council Auditors Office:  Phillip Peterson
Office of General Counsel:  Peggy Sidman

TRANSCRIPT OF PROCEEDINGS

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This cause came on to be heard at the time and place aforesaid, when and where the following Proceedings were reported by:

Amanda E. Robinson
Registered Professional Reporter
Florida Professional Reporter
First Coast Court Reporters
2442 Atlantic Boulevard
Jacksonville, FL  32207
CHARMAN CRESCIMBENI: Good morning, everyone. We're going to call the Special Committee on the Potential Sale of JEA meeting to order. It's Thursday morning, April 19th, 2018. It's 9:00 a.m.

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

COUNCILMAN GULLIFORD: Bill Gulliford, District 13.

COUNCILMAN FERRARO: Al Ferraro, District 2.

COUNCILMAN BOWMAN: Aaron Bowman, District 3.

COUNCILMAN LOVE: Jim Love, District 14.

COUNCILMAN ANDERSON: Greg Anderson, At Large Group 4.

COUNCILWOMAN MORGAN: Joyce Morgan, District 1.

COUNCILMAN CRESCIMBENI: John Crescimbeni, At Large Group 2.

PRESIDENT BROSCH: Anna Lopez-Brosche, Group 1.
COUNCILMAN GAFFNEY: Reginald Gaffney, District 7.

COUNCILMAN HAZOURI: Tommy Hazouri, Group 3 At Large.

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

Mr. Newby, you're missing something, unless it's been delivered to your desk. And Mr. Brown is here.

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

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

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

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

CHAIRMAN CRESCIMBENI: Mr. Newby is the notebook enforcer in another committee that I serve on that he chairs. So I've been
waiting since July to reverse roles on him; thank you, JEA, for the opportunity.

COUNCIL MEMBER GAFFNEY: You got me today.

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

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

At upcoming meetings we are going to have a presentation by the Civic Council on their charge. And we're also trying to schedule tentatively for May 10th a presentation from the Public Service Commission. So we were trying to do that via teleconferencing, video teleconferencing. I'm not sure that's going to work out. So we're encouraging them to actually make a physical appearance here.
And they'll be here to talk about the general ratemaking process for investor-owned utilities, what constitutes the definition of investment, what statutory guarantees are afforded, private utilities on rates of return on their investment; all those kinds of good things. So it will be very interesting, because, frankly, I've lived here since 1965. I don't have much knowledge about the Public Service Commission. We live in a market that has generally been municipal utilities so we're not used to dealing with that system. So hopefully they'll shed some light on that.

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

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

CHAIRMAN CRESCIMBENI: Well,

Mr. Anderson, if no one else is interested,
you and I will just have a noticed meeting
and we'll talk about that.

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

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

So, Mr. Zahn.

MR. ZAHN: Thank you, Chairman. Thank
you, Council Members. Discord -- oh, Aaron
Zahn, Managing Director and Interim CEO for JEA.

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

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

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

One actually needn't look no further than the red shirts in the audience behind
me saying "JEA is ours" to understand how personal that is. I don't know a CEO in the entire world that would consider that level of employee commitment and loyalty to their company as anything short of a blessing.

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

It has elevated important questions and it has mainly demonstrated that the market landscape and changes in JEA's industry require a new lens upon which we need to view the utility of the future for Jacksonville. In fact, I would submit this Committee, by its very nature, its actions,
the questions that you have all asked, is a testament to the importance of JEA's role in the community and that the lens of policymakers in our city should be considered during the path forward for JEA.

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

With the consensus of the Board of Directors of JEA, the Mayor, and, in fact, the entire senior team, which I met with at length on Tuesday, I will offer a constructive path forward. My plan is to meet with each one of you individually, each of the City Council members individually, and then again with you as the collective, to come to an agreement on this path.
Yesterday I started with President Brosche, Vice President Bowman, Chairman Crescimbeni and our council liaison, Councilman Schellenberg.

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

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

Starting at 5:00 p.m. this past Tuesday the consensus of the Board of JEA and the entire senior leadership of JEA, I instructed the entire organization of JEA to focus on only the following priorities:

Number one, focus on your core business. Under Ms. Dykes' capable leadership, we are going to return to a stable environment to ensure the stakeholders of JEA that we are committed to the core business of providing our customers electric, water and sewer services, as well as taking care of the employees who serve them. We are going to continue execution on our 2013 plan that has been further updated.
and cascaded throughout the organization through 2018.

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

    Third, we are going to listen and gain alignment with our shareholder trustees. Thank Ms. Brosche for that technical term because it's actually a really nice way to frame it up in the context of JEA.

    The plan is to establish a consensus with JEA's Board of Directors, the City Council, the Mayor around a framework. This framework is one that we will then use to measure a strategic planning process for the future of JEA. I plan in each one of our one-on-one meetings to talk a little bit more in depth about this process and the
concept so that, when we can come back
together as a collective, we can maybe have
an agreement on it.

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

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

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

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

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

And number four, while I'm not doing it
now, I plan to listen, I plan to understand,
and then I plan to speak, then act. What I
mean by this is, I mean to communicate in a
concise and deliberate manner the strategy and strategic decisions of JEA prior to action. You will see this materialize in our corporate governance, which I've spoken to the other board members about, in how we're going to focus on that and move it forward. You will see this on how we engage you as shareholder trustees; and you will see this in how we engage our employee base, as well as our community of stakeholders.

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

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

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

COUNCILMAN BROWN: Through the Chair to Mr. Zahn, and I'm going to go over these five priorities, and it may not be the way that you said it. But one dealing with the core business of JEA, to basically looking at the continuing with the 2013, 2018 plan, looking forward, new vision. Number two, strategic planning, establishing a strategic planning process. Number four, engage
stakeholders as well as your employees. And then number five, standards of a united community; basically, establishing trust and unity.

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

So my concern is that we're still going to leave people out. Basically, we're looking at your five core objectives here. And so I'm more interested in -- and I understand it's not just a JEA problem, it's a City of Jacksonville, JEA. It should be a joint venture to resolve an issue that's been plaguing this community -- some segments of our community -- for the last 50 years. And that's not a part of your five objectives here. And so I'm interested in
that. And so I look forward in our conversation -- and I guess, you know -- have you and the Board and senior management at least started to talk about where we're going and what we're going to do in terms of the lack of sewer and water services? And I guess it will be the old county, as well as the Mandarin area and some other areas in Jacksonville.

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

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

COUNCILMAN BROWN: Okay. I'll just give you some information, through the Chair. My
concern is the community concern; and that
is that we have a senior board that's been
in existence -- several of those members
have been there for quite some time. To
date we do not have a strategic plan as to
how we're going to address the concerns of
those individuals that was promised sewer
and water when we consolidated this city.
And I'm really appalled to hear today that
the five core areas does not include sitting
down with the senior board and coming up
with a plan alone with the Council as to how
we're going to resolve this issue.

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

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

MR. ZAHN: Yeah. It would be not my
implication --

CHAIRMAN CRESCIMBENI: Thank you, Mr. Brown.

Next is Councilman Gulliford.

COUNCILMAN GULLIFORD: Thank you, Mr. Chairman.

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

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

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

CHAIRMAN CRESCIMBENI: Did you read my email?

COUNCILMAN GULLIFORD: No, Mr. --

CHAIRMAN CRESCIMBENI: I'm just teasing you.

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

CHAIRMAN CRESCIMBENI: Councilman Hazouri.

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

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

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

But tell me, as you write the qualifying -- I heard you say something, and correct me if I'm wrong, that they asked you
if you were going to apply for the job, and
you said if you're qualified. Are you in a
part of preparing those qualifications for
the new director, as the new director, as
the interim director? It's important to
me --

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

That being said, to answer your question
more fully, one of the reasons why -- and in
my experience as a board member and in the
past, one of the reasons why I think
Ms. Heirs made the statement she made is,
quite simply, given the current, as I
mentioned, discord of shareholder trustees,
given the current -- you know, the potential
for a change in some of the strategic plan
of JEA going forward, given the -- some of
the major elements that this utility is
going to need to consider, the skill set in
the person that might be aligned to a
scorecard -- you know, answers to those questions need to be well vetted, and the stability of the organization getting back to its core business needs to be implemented. And in order to, number one, engage a search firm that will have a capability of going out broadly around the nation and attracting the right talent; and then, number two, mapping a scorecard to, in fact, what the shareholders and the board of directors have envisioned for going forward.

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

MR. ZAHN: I'm going to have a hand in craft -- in working with senior leadership and the entire board of directors, as any CEO should, in terms of doing the strategic planning process. I would envision discussing with my board of directors the way they plan on managing this, from a
governance perspective, for mapping out the CEO, the permanent CEO scorecard. I can't answer that.

COUNCILMAN HAZOURI: You see where I'm coming?

MR. ZAHN: I understand.

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

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

COUNCILMAN HAZOURI: No, I don't.

MR. ZAHN: But I generally don't want to be in a position where I can't be successful. And if the skills and requirements of the next CEO that's going to lead the company on a permanent basis don't match up to my skill sets, then I can
perfectly well go do something different.

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

MR. ZAHN: I understand.

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

MR. ZAHN: That goes to the pledge that I'm giving you in terms of, you know, to lay out our -- what we plan to do publicly before any action is taken. So I think that goes right in line with good corporate governance. And as I said, I don't have the exact answer on how the Board envisions
managing the CEO search, but that would be part of the next 6 to 12 months that the Board would have to deliberate that conversation and come up with a process. That's not my role.

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

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

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

MR. ZAHN: Thank you, sir.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Hazouri.

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

MR. ZAHN: Yes, sir.
CHAIRMAN CRESCIMBENI: That would be great. That way we have captured the pledge and your comments to your senior leadership accurately.

Council President Brosche, you're next.

PRESIDENT BROSCHE: Thank you, Mr. Chairman.

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

And as you're experiencing now, we talked about the trust challenge that
exists. And so I appreciate you suggesting that you're going to be very public with what you're doing, where you're going, the conversations you're having, so that everybody can watch and follow and help get back to that place of trust, not just us, but everyone in the community.

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

MR. ZAHN: So I promised that I'm going to be clear and concise in my answers. And I want this to be -- I want my answer to be taken with a high degree of respect that this person deserves. It is the CEO's job,
if instructed by any member of a board of
directors, to ensure that the moment you
actually decide to take on an action, you
own that action. And I can have any board
member, over the last decade of my life as a
CEO, tell me to do something, and if it is a
strategic or material enough matter, I would
not take action unless I had first gone back
to my board of directors and gained
consensus.

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

PRESIDENT BROSCHÈ: Thank you, Mr. Zahn.
So I hear what you're saying that, if you
were asked to hire a consultant, and provide
scope and services, and if you were asked to
draft an issue, a golden parachute letter, and you were asked to move down a path of evaluating a possible sale of the organization, that you would not move forward without understanding that you had the support of the entire board in those activities?

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

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

MR. ZAHN: Sure. One of the first things that we're going to start with is we're going to revamp the way our board packages work. Number one, we're going to shorten them down.
Number two -- and I think my Council liaison actually had a huge smile when that happened. Number two, we're going to break it into three components. Number one, strategic, so we're going to outline in the strategic part of the board packages items for discussion. They may -- but they're whiteboard items, they're discussion items, no intention of action.

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

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

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

And I'll give you a for instance. We have a $1 billion dollar capital program for our water side. That is a very significant and -- that is maybe one of the largest capital programs in the entire United States. And it is critical that we hit that on time, on budget, and with the quality that is expected to produce results, or from
an operating perspective, in order to meet permanent standards, as well as operating costs. And we need to talk about -- we need to make sure our board is aware of, we need to make sure the public is aware of it. And we need to get the insight of people that have -- from the outside, on perhaps ways where we, as a management team, can ensure that capital plan is, in fact, nailed.

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

MR. ZAHN: Thank you, ma'am.

CHAIRMAN CRESCIMBENI: Thank you, Council President Brosche.

Mr. Zahn, if you acknowledge that board members do not individually have the
authority to compel the CEO to embark on some task that hasn't been necessarily authorized or approved by the board, how would you characterize behavior that recent months have clearly demonstrated that's occurred?

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

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

MR. ZAHN: No. That's not what I'm saying. I'm saying that, you know, again, one of the things we start talking about as a senior leadership team -- and this might be too much information -- but we've started talking about implementing a framework around conversation where you clearly
articulate whether you're discussing something, debating something or deciding something. And it is oftentimes in business and in personal life where, if one person in a conversation is discussing something and another person thinks they're deciding something, a misunderstanding occurs and a bad result comes out.

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

CHAIRMAN CRESCIMBENI: Councilman Dennis.

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

When we met before your -- before your first appointment, I felt that you took me down a rabbit trail on some things. So I'm looking for trust. So I'm going to, again, ask you several questions. And so we don't have you under oath, but you are being recorded and we can always go back.
My first question: Are you planning to apply for the CEO position?

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

COUNCILMAN DENNIS: The permanent CEO position.

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

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

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

COUNCILMAN DENNIS: So my next question: Share with us -- there is an article in the TU paper today. Share with us your side of the story of what happened down in South
MR. ZAHN: I'm not going to get into that. You know, that article clearly had an agenda. And --

COUNCILMAN DENNIS: But it's --

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

COUNCILMAN DENNIS: No, no, no.

Mr. Zahn, I ask the questions. It's very important that you ask (sic) those questions, and the reason why is because you were the CEO when problems happened there. And you stated this morning that the buck stops with you as the CEO of JEA. So it's very, very important to know what happened down there and do you take full responsibility for what happened down there. Please share your side of the story.

MR. ZAHN: I provided the contact information for the city manager, the utility director and the Mayor at the time, who were perfectly willing to demonstrate that that was -- that that project, although we had problems, absolutely, that that was an instance of where a corporation and a CEO
went above and beyond to try and appease a public and failed to do so. But went above and beyond any contractual requirements that they needed to do in order to educate, invest and repair, you know, a situation. Ultimately, we failed. And that happens in business.

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

MR. ZAHN: Absolutely.

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

MR. ZAHN: No. In fact, I think they had ample opportunity, because I ensured that they did. Upon my resignation -- and I was clear in my resignation letter as to
what I was exactly going to do -- I went and spent hours outlining what I believed could be a smooth transition process over 6 to 12 months. I presented them with a plan, not only in private, but I presented again one more time in the board meeting. I also articulated that, you know, there needed to be some structural changes in terms of the way the senior leadership team was managed, because, candidly, the role of CEO of JEA had changed and morphed. And that it was, as an organization chart was designed previously, it was -- any person, no matter what their skill set or experience level, would have been set up for failure because they had 9 direct reports, 7 board members and 20 shareholder stake members upon which to gauge consensus for the strategic shifts that we're evaluating. And that is not a -- that's a feat that is impossible for anyone.

So I made my case very clearly. I took the time to make sure that those board members had the opportunity to investigate any and all aspects that they felt were required. You can feel free to reach out to
each one of them individually to confirm that.

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

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

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

COUNCILMAN DENNIS: And who was that with?

MR. ZAHN: Kelly Flannigan.

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

MR. ZAHN: I didn't say that.

COUNCILMAN DENNIS: Privatization.

MR. ZAHN: I did not say that.
COUNCILMAN DENNIS: What did you say?

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

COUNCILMAN DENNIS: It's okay.

MR. ZAHN: Yeah. I apologize.

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

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

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

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

COUNCILMAN DENNIS: And end the
conversation of privatization; am I correct?

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

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

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

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

MR. ZAHN: I am.

COUNCILMAN DENNIS: What is your take on
it?

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

COUNCILMAN DENNIS: Okay. And then my
last question. In our meeting, and where I felt that you led me down a rabbit trail -- and actually I didn't ask. You shared with me how you became on the forefront of being appointed as a board member. Can you share with the Council on what you shared with me on how you became an appointee to the Board?

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

CHAIRMAN CRESCIMBENI: Restate your question.

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

MR. ZAHN: I remember that the first time I heard of the opportunity to become a board member for JEA was, you know, two senior leadership team members of JEA reached out and said, you know, there is -- in fact, talked to me about two different boards. And they said, we think your skill
set and experience in the industry would be invaluable as an advisor; and if you'd be open to it, we would like to put your name in front of the Mayor and we would like to put your name in front of a number of other people.

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

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

COUNCILMAN DENNIS: Thank you.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Dennis.

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

MR. ZAHN: Yes.

CHAIRMAN CRESCIMBENI: Who were those
two people?

MR. ZAHN: Mike Hightower and Paul McElroy.

CHAIRMAN CRESCIMBENI: Thank you.

Councilwoman Brown, you're next.

COUNCILWOMAN BROWN: Through the Chair,
good morning.

MR. ZAHN: Good morning.

COUNCILWOMAN BROWN: Congratulations on
your new position.

MR. ZAHN: Thank you.

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

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

Having had the experience of both
managing a company, being a private investor
in a company, being on a board of a company
and being a chairman, you know, one of the
things you get really good at is
synthesizing down to simple messages that
people can understand and start to drive
that out throughout the organization and
cascade it.

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

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

And so based on you seeing that information for the last two months, why did
you not consider that being a priority of
your organization moving forward, knowing
that discussion has been taking place
through different committees, conversations?
Also the fact that we put in when JEA --
when we did the renegotiation agreement, the
City of Jacksonville put in $15 million and
JEA put in $15 million, total of $30
million, to try to do neighborhoods through
our plan. I'm just trying to figure out why
wasn't that a priority in your schedule,
knowing that's been a conversation that
we've been having throughout the community
for several months now.

MR. ZAHN: So I think the tactics
brought up by both you, Councilwoman, and
the Councilman, those are tactics that would
underlie -- continue the execution on the
core business, as well as the implementation
of the plan forward for JEA. I don't mean
to diminish them in any manner other than to
say that they are -- you know, those types
of items would be considered as part of a
path forward. But I needed to start to
level up and speak a little bit more about,
you know, some global issues that need to be established with both the board and -- so I'm not diminishing that at all.

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

MR. ZAHN: The beaches.

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

MR. ZAHN: Yes, ma'am.

COUNCIL WOMAN BROWN: So what I would like you to do is take, if you don't mind, to take a ride with me in some of the other areas and talk to some of the people in the community. And we're going to start with Mr. Exen that lives in Reggie Brown's district, who has been trying to get infrastructure in his area for probably 30, 40 years. And so you said that you wanted to make sure that you involve and you care about the stakeholders. So take a ride with me in my district, take a ride with Gaffney in his district, take a ride with Brown in his district, even Wilson and some of the other areas. Councilwoman Morgan has a lot
of infrastructure issues in her district. And ride along with the people and talk to the community of the constituents and figure out and see how that affects them.

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

COUNCILWOMAN BROWN: No, I wasn't.

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

COUNCILWOMAN BROWN: And my last question would be that you stated to Councilwoman President Brosche about $1 billion worth of capital improvement projects throughout JEA. And one of my main concerns is JSEB. JEA has the lowest percentage, really, of really working with small business owners in our JSEB program. And so I am really looking at what plan, or do you have this as a top priority moving forward with JSEB, small companies.
My last comment would be -- before you answer the question would be -- that recently over the last year and a half, I have worked with your senior management staff, and to just change in one little policy, prior to me bringing it up to them, in order for anybody to do business with JEA, they base it on the experience of how long your company has been in business and not base it on the experience of the individual that ran the company.

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

MR. ZAHN: So I think one of the good hallmarks of a CEO is the ability to say "I don't know" when he doesn't really know. But what I will do is I'll ask one of my team members to take that item down so that I can actually understand more thoroughly your question and understand actually -- the organization already has a number of plans,
so I'll determine whether or not there's
actually a plan and also report back to you.
Does that work?

COUNCILWOMAN BROWN: That works. Thank
you.

CHAIRMAN CRESCIMBENI: Thank you,
Councilwoman Brown.

Councilman Anderson.

COUNCILMAN ANDERSON: Thank you,
Mr. Chairman.

Good morning. Thank you for being here.

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

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

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

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

MR. ZAHN: I do.

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

MR. ZAHN: So I was just talking to Ryan Wannamacher that -- I said, I think I'm one of the only JEA employees that's currently working for free.
No, candidly, I made a pledge that my first priority was to get in front of the Mayor, as well as you, as City Council, and start to create stability for our employees to get back to work. And I haven't really been thinking about myself.

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

MR. ZAHN: I agree with that.

COUNCILMAN ANDERSON: I've been involved with a number of organizations that have gone through interim situations, everything from my church to nonprofit organizations that I happen to be lucky enough to be chair of the board when the CEO left. And typically, you look for a caretaker. You look for somebody who is going to kind of keep his hand on the rudder and keep the organization moving forward.
But in your case, your argument to the board, and you're stating here that you're an agent of change, that you're somebody who is going to look at this organization fundamentally different. So what do you think the board thought about when they were coming to that conclusion about somebody who obviously had a lot of experience in the organization and was able to keep the rudder moving, or keep their hand on the rudder? Why would they have made that kind of a choice.

Thank you, Mr. Chairman.

CHAIRMAN CRESCIMBENI: Go ahead.

MR. ZAHN: I think one of the fundamental arguments I had was that that experienced individual played not only the key role she already played, but in a more elevated role where, in fact, her sole responsibility was maintaining the rudder and the core business operating, and that the role of CEO of JEA had changed quite dramatically given all the strategic conversations, where it made more sense to split it into two different positions: One
as CEO spending -- doing what a lot of public company CEOs of -- you know, do, which is interface with shareholders, interface with board of directors, help them understand, you know, where the company is, make sure there is alignment, build consensus, think through, you know, the vision and the culture and start to -- and, candidly, to help the culture get back to and start to drove culture back to stability.

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

CHAIRMAN CRESCIMBENI: Thank you, Councilman Anderson.

Councilwoman Boyer.

COUNCILWOMAN BOYER: Thank you.

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

Councilman Dennis was asking a question
regarding your continued pursuit of
privatization. And your answer was that you
were only going to focus on the five subject
matters that you listed, the five areas.

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

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

COUNCILWOMAN BOYER: So would you
consider the hiring of a consultant to do
valuation or structure analysis of potential
deals or discussing potential transactions
with prospective buyers, or people who might
participate in some joint venture or
something like that, part of a planning
process of a strategic initiative?
MR. ZAHN: I would consider -- you know, there are obviously grades in which you investigate something, right. The team has already done a lot of investigation over the last four months. After review, I'm not sure any more investigation is necessary.

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

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

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

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

And I guess the real question or challenge that we have is a perception that at some level, internally in JEA, not transparently and widely known, there were conversations regarding various financing structures, privatization, whatever you want
to call it, going on unbeknownst to us.

MR. ZAHN: Sure.

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

MR. ZAHN: Yeah, sure. I think that goes right back to my conversation of discuss, debate, decide, right. Certainly this committee -- I mean, you are having a conversation around selling versus not selling. And arguably, I would say that you're having that conversation -- I mean this with the most respect -- prematurely, because, in fact, the Board of Directors of JEA and the management team of JEA have not instructed the management team to pursue any such transaction.
So there is a point where you can whiteboard, you can discuss, you can argue about the merits. You can, you know, think through kind of -- and any business and board should do that. I think before -- you know, what the City Council should take as comfort is my pledge that before an action is taken -- which I would say before you engage an agent to specifically pursue soliciting bids or going through a process of that -- I should be back here telling you that that is, in fact, the recommendation of the board. And so the comfort you can take is that -- and by the way, even if I got that direction from the board, you're talking 12 months or more before you would ever be able, in a normal world, to be able to debate something.

COUNCILWOMAN BOYER: So let me get one more question out very quickly. The -- in that context, though, you are telling me that, if you were engaging in that planning process strategically and having conversations and dialogue about a potential structure, or whatever else, that would
happen transparently at your board level?

MR. ZAHN: Yes, ma'am.

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

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

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

MR. ZAHN: Yeah. Actually, I think, as I said in my opening statement, the questions you're asking are really good guidelines for us to consider as a team in
terms of how to manage that at JEA.

    CHAIRMAN CRESCIMBENI: Thank you,

Councilwoman Boyer.

Mr. Zahn, do you sense any kind of

element of distrust between this body and

you and/or the JEA Board?

MR. ZAHN: Between the body, no. I have

been informed by specific individuals that

there are trust issues. And I'm okay with

that because --

    CHAIRMAN CRESCIMBENI: I hope your

fourth commitment, which I wrote down, is

engage all employees -- I'm sorry, your

third commitment, reestablish commitment to

shareholder trustees, as one that will

hopefully work towards eliminating any

distrust that may occur within this body of

what's happening, happened or will happen.

I hope you will appreciate Ms. Boyer's line

of questioning and take that to heart,

because I would assume that would include

any activity; you meeting one on one with

board members to have private conversations

about -- and you can call it whatever you

want to. I like how you kind of categorize
things; discussion, decisionmaking. But any
of that that hints at a moving forward with
a subsequent board action, I think,
constitutes what Ms. Boyer is talking about,
and that will certainly very quickly destroy
any checkmarks that you put forward for your
objective number three in trying to
reestablish those connections.

MR. ZAHN: I understand that fully.

CHAIRMAN CRESCIMBENI: Councilman
Gaffney.

COUNCILMAN GAFFNEY: How are you doing?

MR. ZAHN: I'm great.

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

But I have a couple questions. I was
one of the ones that -- and I still am
saying I don't want to sell JEA. I said
that yesterday, I'm going to say it
tomorrow. But at the same time I'm curious
to know what's the value of JEA. If that's
my thought process, how will you respond to
me when it comes to that; not a question,
but respond to me. Am I saying that, am
I -- I hope I'm thinking like you are. Can
you respond to that thought?

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

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

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

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

MR. ZAHN: As well as you.

COUNCILMAN GAFFNEY: And thank you for
that. You have heard Councilman Brown,
Brown, Brown, talked about septic tanks and
infrastructure and areas that are not on
your priority list. So in understanding
that that is coming from the Council, some of my colleagues who really want to see that part of the priority, given what you heard so far, are you willing to adjust your priority list to make sure that is included when you come back to us?

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

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

MR. ZAHN: It is a part of my priority list. I'm just saying it is a tactic, it is an element of the strategic plan that would be considered part and parcel with financial planning and resource planning, all that. I don't mean to say that that's not -- in terms of how do you address your customers -- that that's not a priority. I
just mean to say that that would be an element that needs to be considered in a going-forward plan of an organization. So I think that's a great element. I don't have it as my top five, but it is certainly underneath that strategic planning.

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

CHAIRMAN CRESCEMBENI: That's fair.

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

COUNCILMAN GAFFNEY: Let me close by saying this: What I hope, after you talk to all 19 of us and you get an understanding of
our priorities, that when you decide to come back to us, you adjust your priorities to meet some of the needs of my colleagues. The reason I say that is because, as Councilwoman Brown said when she was talking about the JSEB -- she's been talking about JSEB for 10 years, even though she's been a Council person for the last two and a half. It seems as though it goes in one ear, when you're talking about management or senior management at JEA; nothing is getting done. What I'm hoping we can accomplish with your leadership is action. And so that's just my recommendation and my hope from you. And I'm looking forward to working with you.  

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

CHAIRMAN CRESCIMBENI: Thank you,
Councilman Gaffney.

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

So, Councilman Love.

COUNCILMAN LOVE: Thank you.

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

MR. ZAHN: Sure. I think that's a great question. Strategic plans have, as you might appreciate, a number of layers. You start at the top level in terms of vision and direction, which I think, you know, we
certainly have 19 members, 20 shareholder trustees and board members and a very astute senior leadership team upon which to kind of start to point with the -- to be able to weigh in on what the vision is because that really plays right into the role and responsibility of JEA in the community. You then start to layer that down into initiatives under that strategic plan and then you start to delay -- you know, move that down into tactics.

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

So in the present, you can move forward. There may be then an inflection point where you say, we've gotten far enough on vision
and specific strategies that we wish to employ. Now we have the ability as a board of directors -- and not me anymore. But board of directors would have the ability to say, we've gotten far enough, now we can map out what is a scorecard for a permanent CEO.

CHAIRMAN CRESCEMBENI: Thank you,

Councilman Love.

Councilwoman Morgan.

COUNCILWOMAN MORGAN: Thank you so much.

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

I want to continue questioning along the lines of Council Member Boyer. And you were talking about the discussion, debate and deciding when you have your board meetings and, you know, dealing without agendas. So my question is this: How do you get to the point of setting an agenda that may even begin to, quote, discuss the -- be at a discussion point on an issue like the
privatization of JEA without having some kind of conversation beforehand? So how do you put items on the agenda without some discussion beforehand?

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

What I would argue is that that actually
is probably the first strategic initiative
you guys start -- need to think about. And
because that may lead you to morphing how
you actually provide the service to your
customers, which then may lead you to
different resource requirements, which then
may lead you to different tools and systems
and processes.

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

And so I guess, you know, in my very
simple mind, when you put something on an
agenda to discuss it, it is literally you're
putting it out there and saying, hey, there
is going to be no staff recommendation,
there is going to be no -- we're going to
provide data and analytics, like we've done
here, we'll try and synthesize it down so
it's digestible.

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

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

MR. ZAHN: To be clear, so, as the CEO,
I do report to the Board of Directors and this is a unique position where, you know, the City Council has certain authorities that is much different than any other shareholder base. In a normal process, a CEO would work with its board of directors to gain consensus of the board of directors once there is some sort of consensus even if it's just around a discussion. Then you would go out and sit down with your shareholders and gain their insights. And so I would envision a very similar process, where before you ever moved from one section to the next, you would be interfacing with your shareholder trustees. I hope maybe that helps to alleviate your concern of how we would engage. And you would also talk to your employees, by the way, because that -- in the spirit of what Chairman Crescimbeni has said, we need to -- in very large strategic conversations like this, whether they be business models, capitalization, strategy, resources, CEO searches, we'll need to be very transparent in that.
COUNCILWOMAN MORGAN: Thank you. But thoughts come from somewhere. Thoughts, thoughts that go onto agendas, they come from somewhere.

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

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

MR. ZAHN: You know, I was a philosophy major. And that actually is a really darn good question. Where do thoughts come from? You know, at the end of the day, I'm going to be interfacing with each one of you individually. You all are going to give me a lot of things to think about, water and sewer, things like that. The senior leadership team will be talking to me, I'm sure bending my ear on things they need. The Board will be talking to me. I'm sure
the union leaders and employees will be talking to me, as I plan on getting out and speaking with them.

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

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

MR. ZAHN: I have always been an advocate of shareholders providing their insights to a management team, absolutely.
And I think that, as I've said a couple times in this conversation, the work product that you all are going to produce will be an invaluable one for our board of directors and senior leaders team to review in depth to understand and be able to make sure that, in fact, you know, misalignment and discord doesn't occur again.

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

COUNCILWOMAN MORGAN: Thank you so much.

CHAIRMAN CRESCIMBENI: Thank you, Ms. Morgan.

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

(Brief recess.)

MR. ZAHN: Are you done with me, Chairman?
COUNCILWOMAN BOYER: You're doing great.

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

Mr. Bowman, are you here?

All right. Mr. Ferraro.

COUNCILMAN FERRARO: Thank you, Mr. Chairman.

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

As we were talking about some of the debts, I'm concerned about the open-endness of where -- I know we don't have an exact price of what the JEA is worth, but at any time we should be able to find out what we
owe. And that is something I'm very interested in that I haven't been able to get a number on. And I didn't know on any of the open-end debts if in the time you had a chance to look into some of the open-end debts that we have.

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

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

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

COUNCILMAN FERRARO: Thank you very much.

CHAIRMAN CRESCIMBENI: Thank you, Councilman Ferraro.

Council Vice President Bowman.

MR. BOWMAN: Thank you.

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

And as you know, one of the things I said that is your number one priority right now is to take care of your people. They
have been under attack. They have lost
their leader. You have to come in there and
show them that you've got their six. And I
know you plan to do that. I want people to
hear publicly that you have to come in and
take a strong stance. So I appreciate your
vision on that.

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

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

So I think when we talked yesterday, we
talked about how disruptive these meetings
have been to your organization, the
preparation, the coming over here. And I
think also what I heard you today say is
there is absolutely no efforts going on at
this time and certainly not in your future
plan time on putting this utility up for
sale or even starting the process to do
that.

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

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

As I said in my opening remarks, much of
this public discourse -- what you need to
appreciate is the employees that work for
JEA take a lot of pride in their jobs, so
much so that they actually identify it as
part of their person. And conversations --
and I appreciate the way today is going,
because it feels much different, at least
for me, although this is the first time I've
been in this hot seat, conversations, you
know, around -- if we're clear that the
conversation is a discussion, then I think
our employees can rest peacefully at night
that this is a discussion that is not
leading to action. It is purely a
discussion for you as shareholder trustees
to get better information, for you to better
understand the utility that the city owns
and for you to provide some guidance to the
board of directors and to the employment
entity, management team on how to better
manage the business going forward.

So as I said at the beginning, this
committee, by its very nature, the questions
you asked and hopefully the work product you
produce will be invaluable. That being
said, it does have a significant toll on not
just senior leadership but also directors,
management. And that toll is one where, if
they don't understand and appreciate that
the conversation is really just one of
discussion and is not an attacking format,
I'm not implying that it is, but when you
take something so personally, any questions
can start to become -- can feel personal. I
know we've all been in that position. Lord
knows I have.

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

So I think a lot of the information has
already been provided. And now perhaps more
of it is discussion around data that's
already been there. So perhaps at this
Committee's desire you start to wane down on
data request and you start to move towards
framing up what the work product might look like, and that might then alleviate it. Is that a fair answer?

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

MR. ZAHN: Yeah.

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

MR. ZAHN: Yeah.

COUNCILMAN BOWMAN: So certainly my recommendation to my colleagues is that probably now is a pretty good time to stop the meetings and knowing that time is on our side because nothing is happening that is should be concerning. It should be the opportunity to give you the reins, come back in a couple months and resume our -- come
with us and tell us what you think we ought to know.

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

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

CHAIRMAN CRESCIMBENI: Thank you, Vice President Bowman.

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

COUNCILMAN NEWBY: Thank you to the Chair.

Just like some of my colleagues said earlier, you know, listening to your priorities, and not in your priorities was sewer water hookup to areas that need it. Just like I think Councilman Brown said, it's been a 50-year promise, that the city
promised some of these residents. And
that's something that we need to get done.
So I want to get your take on that.

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

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

MR. ZAHN: Water and sewer, I hear you
loud and clear. I have spoken with the
team. They need to provide me with the
technical, operational and financial
requirements in order to accomplish that.
And I promised Councilwoman Brown that I
would come back and hopefully lay out a
summary of what would be required in order
to make that happen. I don't currently have
the answer to it. But I've heard you guys
loud and clear. I've already asked the
team, they assure me there are some answers there. I'm not sure if it's fully vetted or not, but I've heard a lot.

The second one?

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

MR. ZAHN: My priorities, I hope you can see, they are truly geared at calming the ship down, allowing us to truly serve our customers in the way we've always done and also help employees that serve those employees understand that they -- they have a management team and a board that are going to interface with the shareholder trustees as well as the public and themselves and in a much different manner going forward. And I articulate a little about that in the way
we'll structure our board meetings, but I also have some other plans in terms of communication that I'm not ready to discuss, but that I think we'll change a little bit of the way we talk.

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

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

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

CHAIRMAN CRESCIMBENI: Thank you, Councilman Newby.

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

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

CHAIRMAN CRESCIMBENI: How long will
that last?

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

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

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

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

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

Mr. Zahn has to leave at 11:00 to make sure that he's prepared to give the opening remarks for that. I'm not a speaker at that
event. And so I'm willing to stay for an additional period of time that will help get the committee through some more of its questions on its agenda.

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

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

COUNCILMAN GULLIFORD: Well --

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

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

CHAIRMAN CRESCIMBENI: I took some of your time?

COUNCILMAN GULLIFORD: Anyway, I'll try --

CHAIRMAN CRESCIMBENI: I'll come back to
you.

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

PRESIDENT BROSCH: Thank you, Mr. Chairman.

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

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

PRESIDENT BROSCH: I think the question was do you sense some level of distrust from this body between whether it's you, the JEA, do you sense an air of distrust on the topic of JEA as it relates to us and JEA? However you want to encompass JEA.
MR. ZAHN: Yeah. If you're asking if the events of the last four months have demonstrated some level of distrust between individuals and collectives, which I would call decision makers, board, management team, administration, and City Council, if there is some level of distrust in any one of those directions, sure.

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

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

MR. ZAHN: No. If reframed as a conversation around the inquiry of what the
future of JEA is, understanding better the asset that it is, the operations, many of the things that, you know, what brought up in saying there have been some material kind of elements that perhaps this shareholder trustees didn't have great appreciation of, this committee has been great for that.

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

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

PRESIDENT BROSCHÉ: But based on the events that have transpired, you might be able to guess why there is meaning in that
context.

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

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

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

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

PRESIDENT BROSCHIE: Great. Thank you so much.

CHAIRMAN CRESCIMBENI: Thank you, Council President Brosche.

Councilman Brown.

COUNCILMAN BROWN: Thank you.

Through the Chair, let me just say this,
trust is earned through communication. It's not creating a pause of silence, everybody going into their silos and then coming back out. Because during that quiet moment, folks are wondering what is going on, so I would not -- I'll just put that out there.

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

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

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

MR. ZAHN: I would imagine that, number one, I can't answer your question because we have not -- I have not talked to the board.
The board has not gone through a process of figuring out -- when I use the word scorecard, that, to me, is job description. That's my vernacular for that. Maybe that was a miscommunication, I apologize for that, but job description. Typically, scorecards are one where they develop metrics and things that need to be accomplished.

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

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

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

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

COUNCILMAN BROWN: Okay. That's good. We did something here in Jacksonville, Duval County, I'm going to be very quick with this, Duval County Public Schools, the board -- and you were a part of the board
that made that decision. The board made a decision because of, I guess, for the sake of transparency that the interim would not be eligible to apply for the permanent position. Why did this board take a different approach?

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

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

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

COUNCILMAN BROWN: So there was no discussion with you.

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

The other question, we talked about the board and getting together and coming up with these strategic plans. Some of the same members are there yesterday and they're there today. So as we're looking for an
aggressive strategic plan and budget to address the infrastructure, what do you think would be different? We have some of the same board members. And I've been on the Council for 10 years, and I have not been able to get those type of answers.

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

And also I think, you know, much different than prior conversations, we're now at an inflection point and much to the -- you know, whether we like it or not, much that the enlightenment element of the last four months has really shed some light for all of you as policymakers that we need
to start looking at the business model of JEA on a going-forward basis and consider potentially what are -- how to position it to take advantage of market trends, Bluetop Solar, dark fiber initiatives. You know, the team has gone and done work on what they call new revenue initiatives, but what I'll tell you is I've reviewed that and I did that, you know, in the past six months as I was doing my own diligence. And no knock on them, but it's not -- those aren't ready for prime-time conversation.

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

COUNCILMAN BROWN: Thank you. And I'll stop here. I'll tell you, Mr. Zahn, I truly believe that the attitude of the board will
reflect their leadership, okay, that's the first thing. You have an excellent senior leadership team that works well with the community, okay, and all there is except for JSEB. And we are working on that, supporting that. I believe it's important that we promote doing business with local business folks. And we have to, especially the small businesses in Jacksonville. And we really need to do that. And the reason that I heard over the years is because, well, we pretty much do what the city of Jacksonville does. Well, when two people are failing, it doesn't make it right. And we failed in that area. But the senior leadership team is, I think, superb.

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

COUNCILMAN BROWN: Thank you. I do appreciate your time. I'll close with this, listen, transparency is real. If you're qualified now and the question is asked, are you going to apply, just say, hey, I'm qualified and I will apply, and let's be done with it.
CHAIRMAN CRESCIMBENI: I have two
Council Members left on the queue, so if
you'll be very quick so you both will have a
chance.

Councilman Dennis.

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

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

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

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

COUNCILMAN DENNIS: Yes or no?

MR. ZAHN: I do not have a --

COUNCILMAN DENNIS: Yes or no?

MR. ZAHN: I do not have a description
for the permanent CEO from the board of
directors, and so I cannot make a decision.
But I am telling you right now that, if my
skill sets line up to that scorecard and
that job description, I will absolutely
apply for it because I would -- I think --

COUNCILMAN DENNIS: Mr. --

MR. ZAHN: Wait. Because it would be --

for me to have taken the personal and

professional deviation I did in order to

step into this leadership role to help the

community through this transition, it would

be not logical for me to continue on in part

in trying to design a utility for the future

of Jacksonville. That is a personal passion

of mine.

And so if you're asking me if I would

not pursue my personal passion if I was able

to do it, well, God bless it, I don't know a

person that would deny that.

COUNCILMAN DENNIS: So you're not going

to answer the question. So let's talk about

trust, all right. So you're going to meet

with some pastors. So they'll tell you that

we owe you -- you know, we have to forgive,

we owe you that. But trust has to be built

like a house, you know, brick by brick. So

I want to know, to build trust, I want your

commitment today that as interim CEO, if you

meet with any representatives of FPL, Emera,
any of the lobbyists, that you will build a portal on your website and share that you've met with any of these individuals that may be potential suitors or buyers as transparency, yes, I met with them on this day, have an open calendar for the community to see that you're meeting with these people. Again, transparency, building trust.

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

MR. ZAHN: Yes. And to be clear, I want to be real clear on something, I don't track -- if I meet with somebody, but they do not disclose who they represent -- I mean, I will do my best to understand the people that I'm meeting with and who they represent. To the extent that they are someone that does not disclose it and I meet with them at a restaurant or something like that, I will, yes, I will give you an open calendar of -- and what I will commit to you
is, if the conversation turns to my role as a CEO of JEA, I will immediately disclose that; is that fair?

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

CHAIRMAN CRESCIMBENI: Thank you, Councilman Dennis.

Councilman Gulliford, you're the last one.

This is your last question, Mr. Zahn.

COUNCILMAN GULLIFORD: Thank you, Mr. Chairman.

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

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

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

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

MR. ZAHN: That's a great question. And the framework concept that I mentioned in my opening remarks, which I'm going to speak with each one of you individually about, I believe, goes to that end, which is starting
to frame -- it's not -- less of a mission
statement and more of a set of understanding
of what the expectations of the city and JEA
are. And you can look at them and value
measures, customer service measure, rate
measure, things that are high level that I
would hope would be noncontroversial in
nature but where we can gain a far greater
consensus around, because then as a company
we can come back and answer, compared to
these expectations, this is what the company
can do and this is what the company cannot
do. Does that make sense?

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

But I think it needs to be more a matter
of policy and go beyond that. I don't know if you necessarily agree, but it sure seems to me like we need to be a lot better defined about how we go forward if that's indeed the case.

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

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

Thank you, Mr. Chairman.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Gulliford.

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

MR. ZAHN: And I will continue with the one-on-ones, those that I have not met,
please be sure, I will be getting on your calendar.

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

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

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

MR. ZAHN: I'm from Minnesota.

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

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

And, Ms. Dykes, I know you have a more abbreviated approach style, but there are a
lot of pages here, so not too abbreviated, please.

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

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

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

CHAIRMAN CRESCIMBENI: I'm not sure I understand your question. Are you saying you want to hopscotch on the items on the agenda or are you saying you want to go
through all of them with a brief review and
then come back for questions? What are you
asking?

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

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

MS. DYKES: Mr. Pope.

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

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

CHAIRMAN CRESCIMBENI: Is he still here?
I think he rethought the whole volunteer
thing.
MS. DYKES: Hopefully he's still here.

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

MS. DYKES: Yes.

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

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

MS. DYKES: Very good. Thank you, Mr. Chairman. There is, as you've observed, a fair amount of information that's been provided in response to this question. What
I would like to do is focus on the pages that I think will best help Council Members understand the answers to the questions that have been asked of us.

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

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

The top portion of that page is a sales chart that we reviewed with this committee on multiple occasions that shows trends and sales for our utility. The bottom right-hand side of the page is really the most important chart for us to talk about with respect to the St. Johns River Power Park closure. The bottom right-hand side of
this page shows capacity in the system, on
the gen -- electric generation side compared
with the amount of capacity that we're
required to maintain in the system. Recall
in the electric system we billed out
generation capacity to serve the absolute
most that our entire community uses all at
the same time in a given moment. And that's
the amount of capacity that we make -- have
to maintain in our system, plus a required
reserve margin above that to ensure
reliability of the system.

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

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

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

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

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

It reduced our impact on the environment. It reduced -- this one plant closure reduced JEA's carbon dioxide footprint by 30 percent. It also reduced the amount of nitrogen to the St. Johns River.
The closure stimulates economic development by making available large areas of property in and around the port. And also recreational opportunities for the community and proactively addresses the future of the St. Johns River Power Park.

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

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

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

But I also think it's important to acknowledge the employees that were impacted by the plant closure. These employees at the St. Johns River Power Park were
world-class, they operated a world-class plant. Power Park had received operational awards, had a safety record that was probably unmatched in the industry. And we're extremely proud of those employees. And that plant operated for 30 years and for 30 years reliably and affordably served our community.

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

Of the 203 employees that worked at the
St. Johns River Power Park, 24 left for new jobs before the plant closed; 30 were able to obtain similar jobs at JEA; 25 retired, and hopefully they're enjoying their retirement; 12 had jobs waiting for them at plant shutdown; 25 have been placed since plant shutdown, although we expect that 25 number is actually greater since we have not followed all the employees that left the plant since closure.

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

If you'll flip later behind tab two, there is a second PowerPoint presentation that's included in your package. This is a PowerPoint presentation that was presented by JP Morgan, who was hired by staff to give the board a fairness opinion with respect to the transaction itself. And within that presentation by JP Morgan on page 7, there is a breakdown, there is a cost walk of the impact on our customers of this plant.
closure. I believe this is responsive to Council Member Ferraro’s question about how much it would cost for us to keep the plant in operation. What this shows in the left-hand three bars is the answer to that question. That would have been the cost of keeping the St. Johns River Power Park operating.

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

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

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

CHAIRMAN CRESCIMBENI: I probably have
some folks on the queue. So this is what
typically happens.

Councilwoman Boyer followed by President
Brosche and Council Member Ferraro.

Ms. Boyer.

COUNCILWOMAN BOYER: Thank you.

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

MS. DYKES: It's final, yes.

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

MS. DYKES: Let me put an asterisk --

through the Chairman to Council Member

Boyer, let me put an asterisk next to your
observation about it including St. Johns
River Power Park operating.

Under the SJRPP joint ownership

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

Following that you do see step-ups in
2019 and 2020, but those step-ups are now
shifted out in time because they are Plant
Vogtle.
COUNCILWOMAN BOYER: And the analysis was that, because of the cost of production at St. Johns River Power Park, it was not feasible to sell in the marketplace the excess capacity between '17 and '18.

MS. DYKES: That's correct.

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

CHAIRMAN CRESCIMBENI: Thank you, Ms. Boyer.

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

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

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

MS. DYKES: No, it does not. There is additionally a purchase contract that's embedded in the joint ownership agreement.
between JEA and FPL that assigns an
additional 30 percent of the capacity to
them. For tax reasons that purchase
contract, that assignment of 30 percent,
terminated before the termination of the
joint ownership agreement.

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

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

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

MS. DYKES: It's all contained in one
joint ownership agreement, one document that
governs it. The reason that was done at the
time, and this is me speculating a little
bit because I wasn't around then, it was --
the intent was for it to be a 50/50
ownership, but there were significant tax
advantages to having it split and then
structured the way it was. So they got back
to an effective 50/50 ownership, but through
a sort of complicated mechanism to allow
them to take advantage --

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

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

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

MS. DYKES: The 50 percent, although
broken down into 20 and 30.

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

MS. DYKES: It's an obligation.

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

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

CHAIRMAN CRESCIMBENI: So the declining electric service, we've heard this tale of increasing customer count, declining revenues for the sale of electricity, is any of that decline from the sale attributable
to FP&L not purchasing power?

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

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

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

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

MS. DYKES: That's correct.

CHAIRMAN CRESCIMBENI: Thank you.

Council President Brosche.

PRESIDENT BROSCH: Thank you,

Mr. Chairman.

Through the Chair to Ms. Dykes, thank
you for being here. In the presentations that you provided, there are references to the risks that were considered in the process of making the decision to close SJRPP. Can you speak to how that has ultimately played out from a capacity perspective and how it's impacted reliability?

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

So these risks were considered in connection with the closure and mitigated to the extent possible through the transaction itself and through the actions that have been taken sense then. So to date, they -- I think it's too soon to be able to provide a definitive answer on how it's played out
in our system, but they are still risks that
we, of course, continue to monitor.

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

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

PRESIDENT BROSCHE: Yes.

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

In that particular instance, my
understanding of the incident is that it was
a result of a transmission problem that
actually occurred in FPL's service
territory. And for regulatory reasons we were required to shed load quickly to accommodate their transmission problem. And that happens from time to time within a balancing area. It's very unusual, but because of the very unusual weather and the very unusual system load and some event that occurred south of us, we were required to take those extraordinary steps.

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

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

MS. DYKES: There are. In fact, we have a capital project on the books for 2019 and 2020, which is an upgrade to our Brandy Branch Combined Cycle facility. That upgrade is going to not only increase capacity at that facility by about 75 megawatts, which will help close that gap, which is currently short about 200
megawatts, but it will also make the whole plant more efficient. It will make the plant, in other words, have to burn less natural gas to -- per megawatt hour of electricity that's produced.

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

PRESIDENT BROSCHÉ: So you -- so we had capacity, we closed the plant. And you would point to all the benefits that you went over as to reasons why, it light of the fact that you had to go out and buy additional capacity?

MS. DYKES: Yes. I closed with the comment that our planning director has made the comment that you don't fill a 200 megawatt need with a thousand megawatt plant. And that's essentially what continuing to operate the St. Johns River Power Park would have done. So it's much
more efficient, much more cost effective for our whole community for us to have taken that admittedly painful step and replaced it with a purchase power option until Plant Vogtle comes online and can fill that need.

PRESIDENT BROSCHÉ: Great. Thank you for sharing that with us.

CHAIRMAN CRESCIMBENI: Thank you, Council President Brosche.

Councilman Ferraro.

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

MS. DYKES: Through the Chair, I would comment that that wasn't a primary driver. The primary drivers were economic. The environmental benefits are incredibly important. And I'm very glad to have the
environmental benefits, but they weren't really the primary driver in making the decision.

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

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

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

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

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

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

COUNCILMAN FERRARO: When we get the power from Vogtle.

MS. DYKES: Oh, that's correct. We have a stated construction completion schedule,
but it will be completed when it's completed.

COUNCILMAN FERRARO: So we don't know?

MS. DYKES: I agree.

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

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

When you look at what's gone on in the market broadly with respect to sales, that's
not unique to JEA. That is an industry-wide
trend in sales, where sales are sought
everywhere in the electric industry. And
the benefit for our customers is that, at
least to a financial perspective, is it has
created this opportunity to go out and buy
replacement power much more inexpensively
than it would have cost us to maintain that,
even just the 200 megawatt portion of that
facility, much less --

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

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

COUNCILMAN FERRARO: Okay. When the
money is being used, because I've heard a
couple different things, that parts were
going to be sold off and part of it was
going to be kept for JEA, the generating parts, which includes everything, so where does the money go for that on your books when you decommission the power plant and you take that, where does that money go when we're looking at all the books?

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

   COUNCILMAN FERRARO: My question is I wanted to find that out, what you just said. I just wanted to make sure that was clear. So it is completely separate. There is no mixing to where you can show that the demand or you can show that money going in to JEA would be anything part of the this power plant, it would be completely separate, nothing would be mixed is what you're saying?
MS. DYKES: Through the Chair to Council Member Ferraro, what I'm saying is that we record on a consolidated basis. And there are flow of funds that go in and out between the electric system and St. Johns River Power park related to our share of the operating expenses and now the closure expenses of the St. Johns River Power Park, the contributions from FPL related to the closure and decommissioning of St. Johns River Power Park and other debt service and debt related expenses. Does that answer your question?

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

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

MS. DYKES: Correct.

CHAIRMAN CRESCIMBENI: And my
understanding was the decommissioning
includes the removal, demolition, whatever
you want to call it, of two cooling towers
and the heat generating plant; is that
correct?

MS. DYKES:  That is correct.

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

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

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

CHAIRMAN CRESCIMBENI:  At some point
that could be sold, I'm assuming you would
split the sale cost or sale revenue between JEA and FPL.

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

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

MS. DYKES: Not at this time.

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

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

CHAIRMAN CRESCIMBENI: Thank you.

Mr. Becton.

MR. BECTON: Thank you.

Through the Chair, Ms. Dykes, my colleagues have asked some really good questions on this, which is going to allow me to keep my comments kind of short here because I want to get to the heart of what I think will be very helpful in this.
Plant Vogtle, that time period when
those decisions were being made was when,
kind of year-ish?

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

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

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

MR. BOWMAN: So '15, '16?

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

MR. BOWMAN: '16, '17 is a better
description. So we have this perfectly good
plant that's got excess capacity in it,
because whether FPL is in it or not, I mean,
if they're not in it, it gives us a lot of
power for the future. I guess I want to
understand, and I think this is where a lot
of the questions were, so we have this -- we
have this power plant that's, for the most
part, I guess, it has some debt on it, let's
say it's paid for, almost paid for, you're
30 years in and there is a point of, I guess, maybe 50 years or something that's got a life -- it's got a lifecycle, but 30 years doesn't sound like very long.

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

I want to understand the matrix in terms of how you have described that all of the math added up to make this a good business decision. And because it just sounds to me like, we have this -- we had this capacity, yes, it was in coal and, as you put it, the environmental part was a piece, but it wasn't a major piece, you just said. And that's where I want to understand. I want to understand we made -- what kind of investment we're making in Plant Vogtle, what we expect that energy cost to be versus the matrix of this St. Johns River Plant that we only have so much in debt. So it's kind of like we almost have it paid for, but we're still saying the return on the investment in Plant Vogtle is better than
the return on investment of something we
kind of have paid for and even though the
cost of operating might be a little bit more
expensive. Is that something you think you
can kind of graphically put together in like
a one-pager to make that illustration clear
and concise?

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

So just thinking about power park for a
minute -- and forgive me if this is a
terrible analogy because I'm thinking of it
on the fly. But let's say you're driving to
work every day in a 30-year-old school bus.
And you have -- it's a giant school bus and
the gas for the bus is expensive or diesel or whatever the bus uses and the cost to maintain the bus is pretty expensive. And it's just you. And you're not -- at one point maybe you had a school bus full of people that you were taking to work with you, but sitting here today, all those people aren't there anymore and it's just you in the school bus.

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

And that's exactly -- that's essentially the analysis that went into the closure of the St. Johns River Power Park. It was
bigger than we needed. The dispatch cost
for coal is significantly higher than it is
for natural gas in today's market. And
it's -- the operating costs are very high
for a solid fuel power plant.

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

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

I guess the point of the matter is is
this just a decision based on a bad
decision, which makes kind of two bad
decisions now that it's hindsight being 20/20 and -- because we want to understand as a Council too have we just not had as shareholders our eye on the ball? And one of the things we learned from your board is that we need to have a better eye on the ball in terms of the oversight of JEA in the board decisions, that it's actually very important, very impactful to the city at large because when we get into situations like this and it's several years after the fact, all we can do is look backwards.

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

But I do want to understand still the matrix, the financial decisions as you presented them today in terms of there was a
capital expenditure into Plant Vogtle. If I remember correctly, it's only a 20-year energy commitment that we're going to get and how much that fuel cost is going to be over those 20 years including the capital investment that we make versus, okay, so we kept the Jacksonville power park, St. Johns power park online, what would that same cost have been over the next 20 years. Let's do a comparison. Yes, it's looking back a little bit, but if you don't pay attention to history, you're destined to repeat it. And I'm trying to get to that point where we pay attention to the past history. Thank you.

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

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

We've done some big creative things that
will help, but it wasn't a choice. It
wasn't as though we could have said, well,
let's not do this over here and let's do
this over there. Over here was a done deal.
And so our only focus and choice was over
there. And that was what we used to make
the decision about St. Johns River Power
Park. So I'm happy to provide that
information, but I just want to make sure
you had that.
CHAIRMAN CRESCIMBENI: Thank you, Mr. Becton.

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

MS. DYKES: That's correct.

CHAIRMAN CRESCIMBENI: Councilman Dennis.

COUNCILMAN DENNIS: Thank you.

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

And I want to piggyback on Councilman Ferraro, over and over and over through this whole process it's been all about CO2 with the St. Johns River Power Park. And that's
what, you know, when Councilman Ferraro
said, that's what I was led to believe too,
that was the driving force behind it. So I
want to thank you for clarifying that. And
thank you for again, just your clarity and
depth.

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

Today I feel -- after your presentation,
short presentation, I feel confident. I
feel reassured that we're going to get the
information we need to really look at where JEA is going. And I'm going to leave it right there. I'm going to, for lack of a better word, drop the mic, because I may say a little more and may step on some toes, so I'm not.

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

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

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

Mr. Gulliford.

COUNCILMAN GULLIFORD: Mr. Chairman, I think you need to put the joke book away. Through the Chair to Ms. Dykes, Ms. Dykes when the consideration on shutting it down started, was it JEA that initiated it or was it FP&L?

MS. DYKES: Through the Chair to
Councilman Gulliford, I honestly don't remember. I think it was probably FPL.

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

MS. DYKES: They have.

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

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

COUNCILMAN GULLIFORD: And through the Chair, in respect to some of the questions you were asked about the impact of decisions, would it be fair to say what you witnessed in making a lot of these strategic decisions is that you see a long-term impact, you make long-term commitments only
to be impacted by unexpected rules changes and market changes. You're making decisions just like you brought up the fact that the 30-year life or longer of the coal plant was made in a decision at a time when the decision was coal was a great thing to burn in power plants because it's the cheapest fuel source. And yet, as we moved along, we saw the last administration take a very strong stance against coal as a fuel source, and of course you saw a market shift as far as price of coal versus natural gas. So there we are kind of stuck with that decision you made on an asset that has a useful life of 30 years or beyond. Would that be a fair assumption?

MS. DYKES: Through the Chair to Council Member Gulliford, I think your comments are extremely important especially as it relates to the question around whether CO2 was a primary driver for the shut down of the St. Johns River Power Park. While it wasn't a primary driver, this shutdown decision had merit and stood economically all on its own. The CO2 benefit can't be understated because
I can't predict what's going to happen in the next federal election, whether it's congress or the president. And any change in administration, particularly if it goes back to Democratic Party, could reintroduce some of those very regulations that you mentioned.

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

MS. DYKES: Yes.

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

CHAIRMAN CRESCIMBENI: Thank you, Mr. Gulliford.

Councilwoman Boyer.

COUNCILWOMAN BOYER: Just a very quick question and point. Councilman Crescimbeni, you pointed out the fact that upon closure, once everything is resolved on the land, we end up being the sole owner of the land. We
are also the sole owner of the debt
obligation, isn't that correct, that we have
the continuing obligation to pay the
outstanding debt?

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

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

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

COUNCILWOMAN BOYER: Thank you.

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

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

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

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

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

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

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

CHAIRMAN CRESCIMBENI: I think voluntold. You know how that goes, though; right, Mr. Pope?
MR. POPE: Yes, sir. If we --

CHAIRMAN CRESCIMBENI: We completed tab two.

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

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

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

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

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

MR. POPE: And that is just the agenda that we sent to you. So referencing the new
page for tab three, we've heard some discussion today about the strategic plan of JEA, and in particular the reference to Councilman Becton's question from a couple weeks ago regarding what JEA looks like in 5, 10, 20 years; and the question of what JEA's charter looks like now and what maybe it could look like.

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

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

But I do think that tab three and the question that it addresses is the question that will be answered over the coming months as that strategic plan is developed.
And so, Mr. Chairman, I would ask that you look at this as an example, but it is by no means the full answer to the question that is being asked. And that is a question that will be looked at over the coming months.

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

COUNCILMAN BECTON: Thank you. Through the Chair, Mr. Pope, I think this is probably right up your will house, this question here, in the fact that as JEA considers its services or even services that might be on this page. And some of the conservation from some of my colleagues was expanding your service into existing neighborhoods.

What limitation beyond financial does JEA have in terms of being able to make that investment into folks who don't have those services now but you could expand into versus, from my understanding, the private sector has the PSC, and in the PSC, there is some, I guess, limitation to how they can go and reach back to people, use current
revenues and reach back and invest into people who are maybe not on the grid, so to speak. Does that make sense? Do you understand my question?

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

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

COUNCILMAN BECTON: Okay. So would it be true then by us owning our utility beyond financial, say we could print money and we had all the money we need to do what we need to do, there is no restriction for us making investments to increase our footprint on electric, on water, on perhaps any other service that we might provide versus the private sector is governed by how -- maybe
state rules, PSC rules that pretty much limits their ability to do that?

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

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

COUNCILMAN BECTON: As you know, as you might remember, a year, year and a half ago, you and I spoke about expanding -- it was like reclaim, I think it was like reclaim water. So I'm just kind of going back to our conversation then. It was just based on a financial decision, this is how much it costs versus not only does this -- is this how much it costs, we can't take current
ratepayers' dollars and invest them into that. It was just a matter of dollars and cents; right?

MR. POPE: Yes, sir.

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

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

MR. POPE: It sounds familiar. And it's not just a matter, I think, of cost. And I'm woefully unprepared to address this, but I do think there are bond covenant issues
related to that system expansion that I think someone else could better answer your question and perhaps follow up on today. But there are financial, significant financial considerations that need to be taken into account when doing the type of expansion work.

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

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

MR. POPE: Yes, sir.

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

MR. POPE: Yes, sir.

COUNCILMAN BECTON: So I would like to get more deeper into the weeds on that and find out if those are -- there are some differences between us having control as a public municipal versus private. Thank you.
CHAIRMAN CRESCIMBENI: Thank you, Mr. Becton.

Councilman Dennis.

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

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

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

MR. POPE: The employees at the St. Johns River Power Park were employees of the St. Johns River Power Park. It was a
CHAIRMAN CRESCEMBENI: Okay. You want to go through the rest of tab three? And then I probably need to give my court reporter another small break.

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

COURT REPORTER: I don't need a break.

CHAIRMAN CRESCEMBENI: You don't need a break. Never mind.

COURT REPORTER: Thank you.

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

So with your permission, I would like to
move to tab four.

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

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

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

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

CHAIRMAN CRESCIMBENI: Okay.
Councilwoman Boyer.

COUNCILWOMAN BOYER: Thank you.

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

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

COUNCILWOMAN BOYER: Okay. And then my only other question in terms of your -- if you'll take it back in terms of your investigation into additional lines or additional revenue streams is not just additional business lines, but -- and I know you've already discussed the efficiency of operation. And I think there is a great effort that's already been put toward that.
But there is a third dimension of this that I find intriguing, which is, if we are perceived as a good acquisition target by others, what are we adding to their performance menu that perhaps we could capture, or how can -- there is some reason that others would find us a desirable target, and whether that is potential growth in the area that they foresee or, I mean, who knows. I don't know what that is. But I would just ask, as you're looking at growth and revenue future vision, that you also kind of give us insight into that, what makes us a great acquisition and how can we take advantage of those same factors.

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

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

MR. POPE: Thank you. Tab four, the first page is a chart our board receives every month. This is a residential electric bill comparison. And at the Chairman's request, this will be sent every month now
to the Council. I understand this was at one time sent every month, and we will resume that practice. This is inclusive of all charges, including storm charges. So this is a residential electric rate comparison for the state of Florida. This is municipals and investor-owned utilities.

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

MR. POPE: Yes, sir.

CHAIRMAN CRESCIMBENI: All right. Questions on this?

Mr. Love.

COUNCILMAN LOVE: Thank you. Through the Chair to Jordan, what -- where do you get that information? Does it say there?

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

COUNCILMAN LOVE: Is it through publicpower.com, or is it something we can look up?
MR. POPE: Let me correct myself.

Through the Chair to Councilman Love, we do a rate survey. We reach out to these utilities and gather this information.

COUNCILMAN LOVE: Okay. Thank you.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Love.

Mr. Becton.

COUNCILMAN BECTON: Thank you.

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

MR. POPE: Yes, sir.

COUNCILMAN BECTON: That -- in what time period?

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

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

MR. POPE: Yes, sir.

COUNCILMAN BECTON: Okay. Thank you.

CHAIRMAN CRESCIMBENI: All right, Mr. Pope.

MR. POPE: The following page is a residential electric rate comparison. This
is JEA to investor-owned utilities going back to 2010. And I will note that since 2010 JEA's electric bills have been lower by 26 percent.

CHAIRMAN CRESCIMBENI: State that again.

So?

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

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

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

CHAIRMAN CRESCIMBENI: All right. No questions.

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

CHAIRMAN CRESCIMBENI: Okay.

MR. POPE: The following page is an electric rate comparison for commercial customers. And this is across the
Southeast. And you will not see specific utility names on this, rather it's more generic. But this is -- what this compares is roughly the size of Jinko Solar. And you can see the JEA is about the middle of the pack when compared to the rest of the Southeast.

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

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

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

CHAIRMAN CRESCIMBENI: Anybody object?

Let's get the summary of the EDP.

MR. POPE: Sure. So the first economic
development program referenced is for new customers who must be in need or demand of 300 kilowatts or more, and bringing on at least 15 new employees, they have to be new or expanding customers within the JEA service territory.

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

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

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

The other program is a program where in very limited controlled circumstances JEA can look at our rate structure with the
entity that might be coming in, and this is really meant for a large, I would say, community impact project. Think a thousand employees, a very large electric user. We have never used that rate. We have looked at using that rate. But our board did approve that, I think, maybe 18 months ago so that, in the event electric rates did become a large part of attracting a large employer to the area, we would have the benefit of being able to work with them.

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

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

MR. POPE: The interruptible class --

CHAIRMAN CRESCIMBENI: -- program?

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

CHAIRMAN CRESCIMBENI: Who is that available to?
MR. POPE: Interruptible class, I think it's available to anyone who wants to be in it. These are business customers -- the interruptible rate is currently closed.

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

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

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

MR. POPE: Yes, sir.

CHAIRMAN CRESCIMBENI: Any questions on tab four?

Seeing none, you can continue, Mr. Pope.

MR. POPE: Tab five is responsive to the question about volunteer and ambassador hours. You can see, over the past three years and change, JEA employees have volunteered approximately 25,000 hours, volunteering ambassador hours within our community. And you can see the value of those volunteer hours in a program that allows JEA employees to spend eight hours...
each year volunteering with an organization. A list of organizations that the JEA employees volunteer with for going and doing ambassador activities for are on the page following the first page showing the volunteer and ambassador hours.

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

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

Following the first two pages showing the hours and the value of those hours and the organizations that JEA has volunteered with is a list of JEA's memberships within the community and JEA's sponsorships of community events going back to our fiscal year '13.
CHAIRMAN CRESCIMBENI: Do you have the value of these sponsorships or --

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

CHAIRMAN CRESCIMBENI: I see them.

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

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

All right. Continue, Mr. Pope.

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

I will draw your attention to page 6
where you can see from our fiscal year '17
some of the funding sources and the number
of customers that were able to have
assistance as a result of those funding
sources. And it provides the amount that
was available to assist those customers.

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

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

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

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

CHAIRMAN CRESCIMBENI: Last page?

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

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

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

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

But we have a very aggressive outreach program and a very committed team when it comes to this issue.
CHAIRMAN CRESCIMBENI: Okay. Anything on tab six?

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

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

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

And behind the summary page is a list of our capital projects over the next five years. And I don't intend to walk you through each of those lines. And, of
course, we'll be talking more about this
come July when we submit our fiscal year
budget. But as you can see, we have a lot
of work to do when it comes to our capital
plan.

CHAIRMAN CRESCIMBENI: Questions from
the committee?

Councilwoman Boyer.

COUNCILWOMAN BOYER: Through the Chair
to Mr. Pope, so I appreciate the information
that's here and, obviously, have not fully
digested it. But my real question is, for
our benefit, do you think it would be
possible to take -- when you start looking
at those detailed project lists, and I know
you have a column that differentiates
district energy, energy, water, sewer, you
know, breaks them in those big categories.

But could we kind of group them, perhaps?

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

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

Can you give us a little bit more of
breakdown and information on it to make it
easier to understand how those priorities
are set into focus? Because I guess what
I'm -- putting it in our context, we had a
situation a number of years ago where we
were really strapped on the capital side,
and we weren't spending much money on fleet
replacement. And then we were faced with
having a bunch of vehicles that were, you
know, over their mileage limits, had high service requirements, all that kind of stuff. So now we had to make a huge lead expenditure, and how we were we going to do that.

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

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

MR. POPE: Through the Chair to Councilwoman Boyer, yes, we will do that.
We do track our capital budget by other categories. It just so happens we gave you the way we break it down for the Council Auditor during budget review.

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

COUNCILWOMAN BOYER: Thank you.

CHAIRMAN CRESCIMBENI: Thank you, Ms. Boyer.

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

And so just to draw your attention that while midway down Brandy Branch Combined Cycle is a third of the energy produced, it is roughly -- and I'm going to show my
not-so-good on-the-fly math skills, it is roughly 15 percent or so, 13 percent, of the capacity of our system. And so I would have to ask an engineer to actually explain how that all works. But this is responsive to the question of our generated sources and capacities.

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

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

CHAIRMAN CRESCIMBENI: Produced for what time period?

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

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

MR. POPE: Megawatt hours.

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

MR. POPE: Their capacity is 150
megawatts. So megawatt is capacity, megawatt hours is energy produced.

CHAIRMAN CRESCIMBENI: Okay. I gotcha.

Council President Brosche.

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

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

PRESIDENT BROSCHE: Okay. Thank you.

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

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

CHAIRMAN CRESCIMBENI: We have a missing asset report that we may need to put that on there.
All right. Mr. Becton.

COUNCILMAN BECTON: Thank you.

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

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

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

The capacity of that unit is 501 megawatts, meaning that it will generate 501 megawatts in a given hour. So if it runs for two hours, it will generate a thousand megawatt hours. And so these numbers are actually in thousands. So the 12,597
megawatt hours that you see there, is
actually thousands of megawatt hours, so
it's 12 million -- 12.5 million megawatt
hours. So that's the relationship between
those two. It's a little bit of a technical
answer.

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

MR. WANNEMACHER: Correct. That is the
power.

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

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

COUNCILMAN BECTON: Or it is producing.

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

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

MR. WANNEMACHER: In the calendar year
2018.
COUNCILMAN BECTON: Total?

MR. WANNEMACHER: Correct. Yes, sir.

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

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

COUNCILMAN BECTON: Just stop there.

MR. WANNEMACHER: You are correct.

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

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

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

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

THE COURT: All right. Council
President Brosche.

PRESIDENT BROSCHE: Thank you, Mr. Chairman.

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

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

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

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

PRESIDENT BROSCHE: And how many megawatts?

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

PRESIDENT BROSCHE: And only that one?

MR. WANNEMACHER: Yes, ma'am.

PRESIDENT BROSCHE: Thank you so much.
CHAIRMAN CRESCIMBENI: Okay. Let's see if we can knock out number eight. And we may have to stop there because I've got public comment and Council Auditor.

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

It is important to look at different forecasts when planning for the future? The 10-year site plan, which looks at our capacity, what you don't want to do is be short on capacity. That's a forecast where being conservative is higher; contrast as to
a financial forecast where being conservative is lower. I really think that's the -- as far as I can describe it, the basic difference between what you might see and what we present to the public service commission for our 10-year site plan, which is generation, electric generation, and the load and how we're going to meet that versus our financial forecast where we want to make sure that we are being conservative in planning for all of our obligations on the finance side.

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

CHAIRMAN CRESCIMBENI: Councilwoman Boyer.

COUNCILWOMAN BOYER: Thank you. Through the Chair to Mr. Pope, on the lines on the chart, so the IRB 10-year site plan that we look at when we go online to the state
website, is that based on the 79 to 2006 number or the 2006 sales projection number, which one of these lines are you saying is the one that, when I look on the state website, I pick it up and I can compare it to the same thing that Florida Power and Light is projecting and Teco is projecting, everybody else?

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

COUNCILWOMAN BOYER: So that is the red line?

MR. POPE: Yes, ma'am, the red line.

COUNCILWOMAN BOYER: Okay. So to the extent that online it appears that -- you're saying it is the differentials then between the red line and the green line that that bracket is the relevant viewpoint today?

MR. POPE: Yes, ma'am.

COUNCILWOMAN BOYER: Okay. And can we get some -- so that still shows a need for growth based on projected economic expansion, presumably. I mean, if one is being conservative and the reason you're
saying you're going to have more demand is you're factoring in some growth of population and demand in order to require that, can we see that extrapolated out a little bit further?

MR. POPE: Yes, ma'am.

COUNCILWOMAN BOYER: Because it seems to me that in evaluating concerns about future revenue streams or not, reality lies somewhere in between. Because both of those are conservative assumptions that probably are not completely where we will end up.

MR. POPE: Yes, ma'am. We'll provide the data.

COUNCILWOMAN BOYER: Thank you.

CHAIRMAN CRESCIMBENI: Mr. Clements, did you get that?

MR. CLEMENTS: I think so.

CHAIRMAN CRESCIMBENI: Mr. Becton.

COUNCILMAN BECTON: Thank you.

Through the Chair, Mr. Pope, do you guys compare -- make a similar comparison like -- on this to the others within the state of Florida. I mean, as we do a rate comparison, have you evaluated your
MR. POPE: Through the Chair to Councilman Becton, I'm not aware that we have. But I'm certainly happy to go back to that group and ask what comparative statistics we make, monitor or have or can look at.

COUNCILMAN BECTON: Because my question beyond this is what are other utility companies experiencing. Is it in line with what we're experiencing here in Duval County or -- and if they are, then maybe that can shed some light on what the industry faces, but I'm hoping that others may not be and then you put up the two companies next to it and say what are they doing that we're not, which goes back to looking at opportunities for us to have a better projection.

So I think that next step in looking at this evaluation might be helpful so we just don't get caught in a vacuum and just say everybody is like this and not have anything to compare by.

MR. POPE: Yes, sir. We'll look at it.

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

CHAIRMAN CRESCIMBENI: Thank you, Mr. Becton.

And I'm guessing the same rules are applicable for the water side as well.

MR. POPE: Yes, sir.

CHAIRMAN CRESCIMBENI: All right. I think we will end there, Mr. Pope. I appreciate you. Were you supposed to be attending the lunch as well?

MR. POPE: No, sir. I'm staying around. I do want to apologize to Councilman Love I think we missed our 11:30 meeting, but we'll reschedule it.

CHAIRMAN CRESCIMBENI: So, Mr. Pope, if you will forward me the remaining action items that you have ready in an email. I will figure out which ones we can add to our next meeting and get back to you.

MR. POPE: Yes, sir. Thank you.

CHAIRMAN CRESCIMBENI: Mr. Becton.

COUNCILMAN BECTON: Through the Chair, I just want to backtrack because I have a question from something Ms. Dykes was talking about, or when Mr. Crescimbeni asked
her, or when we were talking about capacity and we were talking about going out to the marketplace when we need more power. Is there ever a point in time where that power is not available? I mean, if we need it, I would assume others need their excess capacity and to where I heard it is cheaper right now, but I can only imagine everybody only dips into that when it's 120 degrees outside across the Southeast. Is that ever an issue?

MR. POPE: Through the Chair to Councilman Becton. Many utilities like JEA up until just a few months ago had excess capacity, so there are a number of those who sell that and then there are those like JEA currently what we do from time to time, go into the market to purchase that power. I'm not aware of that being an issue in JEA service territory. But I would not want to make the statement that that's never an issue anywhere in the country.

COUNCILMAN BECTON: I guess I want to specifically know what our situation is and the fact that as we look 5, 10, 20 years, I
mean, that does affect what we do and the fact that -- can we always rely on it being there and being cheap and versus -- because if that was the case, you would be outsourcing more of your power. And I assume -- obviously, you mentioned that we have to have a certain amount of reserves.

MR. POPE: Yes, sir.

COUNCILMAN BECTON: Okay. And I guess that's mandated by the industry and the state, those types of things. But beyond that, help us understand how that relates to when it's 120 degrees outside and everybody has it full throttle, pedal to the metal in generating and using. What kind of situation do we get into? So maybe that's a good question to kind of reflect back on.

MR. POPE: Yes, sir.

COUNCILMAN BECTON: Thank you.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Becton.

All right. Thank you, Mr. Pope, for your patience and endurance for this meeting. I appreciate you being here.

We're going to jump quickly to the
Council Auditor reports. I think these will be quick.

Mr. Billy, are you going to handle these? There's two items.

MR. BILLY: The two items Mr. Peterson will walk you through.

MR. PETERSON: I believe the first page is an email that I received from the property appraiser. At the last meeting we were asked to see what the property appraiser did as regarding assessments for JEA property, and just try to summarize it for you. They used aerial inspections for JEA's electric, sewer and water plants. And they said they do not give it the fullest extent of review due to the fact the parcels are exempt from taxation and the logistical hurdles necessary to inspect large manufacturing and industrial facilities.

Related to JEA's TPP returns, JEA submits those. And the property appraiser examines them, but does not receive the same level of scrutiny that a private business would. The property appraiser did have concerns with the use of current values that
are on the tax rolls to predict future tax revenues. Those concerns are the bullet points at the bottom of the email. Very complex appraisal assignments, they would actually recommend an outside agency who specializes in utility industry.

Changes by JEA or a private entity may impact the estimated future tax revenues. And they give SJRPP as an example. The property appraiser's office could expect annual appeals.

And, lastly, any of the environmental issue that may not go into an assessment right now because of using aerial photos could also impact that.

CHAIRMAN CRESCIMBENI: So is the property appraiser saying that, if we have an investor-owned utility purchase the JEA asset, that they have to hire an outside agency to value the real estate?

MR. PETERSON: I don't know that they would say they would. Mr. Hicks in our conversations said that he would recommend doing one to estimate the market value at this point. I can't say what they would say
going forward.

CHAIRMAN CRESCIMBENI: All right.

Please proceed, Mr. Peterson.

MR. PETERSON: The second page is an answer to a request from Council Member Becton at one of our initial meetings of JEA's cash positions and their investments over a 10-year period. All of these numbers came from JEA's annual audited financials. And we actually ran this sheet by JEA. They're in agreement with this presentation, and it's for your examination.

CHAIRMAN CRESCIMBENI: So you look at the total cash position with what would be the summary of each of these bold numbers and the three separate sections of each column?

MR. PETERSON: Yes, sir. So the upper section, if you will, the cash positions are their cash and cash equivalence of investments. There is a slight reconciliation that needs to take place for cash that is in the bank versus cash that is out invested in a security. So that's that middle section. And then the bottom section
are their actual investments and securities
in which they are invested.

CHAIRMAN CRESCIMBENI: So the bottom
section is always going to equal the middle
section?

MR. PETERSON: The bottom section plus
the less cash on deposit and the interest
due on securities in the middle section will
equal your top section.

CHAIRMAN CRESCIMBENI: All right. Any
questions on that?

Mr. Becton, does that satisfy your
request?

COUNCILMAN BECTON: Through the Chair to
the auditors, so the last box is the actual
investments not cash that JEA has out;
right?

MR. PETERSON: Through the Chair to
Council Member Becton, that is correct.

COUNCILMAN BECTON: Okay. So how does
it look if you were to break these out, in
other words, get into the weeds of these,
you know, different categories? What would
that look like?

MR. PETERSON: Through the Chair to
Council Member Becton, I would have to get back to you on that.

COUNCILMAN BECTON: Okay. Because that's kind of where I wanted to go to look at the type of investments beyond just the headlines categories and where those dollars are being spent. All right. Thank you.

CHAIRMAN CRESCIMBENI: Okay. Any other questions?

Thank you, Mr. Peterson.

I have a few speaker cards here. I got two more. So I'm going to call your name, if you'll come to the podium quickly and give your remarks. Raymond Diaz, followed by John Howard. Mr. Howard, make your way to the front row. Followed by Wayne Dunn. Mr. Dunn, make your way to the front row. Followed by John Lindamood. Make your way to the front row, please.

MR. DIAZ: My name is Raymond Owen Diaz, IBW 2258. My address is on file. I appreciate you guys' time. I'm disappointed that out of 19, there is only 7 of you present at this time when I've taken my own time to be here.
I don't care how you call it, you can call it the future of JEA, evaluation of JEA, but at the end of it, if you don't say it's not for sale, you will see me up here again.

The other thing is that Mr. Zahn, very elegant and savvy speech that he put out there today. But I took a few classes in political science and public speaking. And that's all he's supposed to do. He's supposed to bring you in, drink the Kool-Aid. It's too bad that I don't drink Kool-Aid. I drink Tang. So it's one of those things.

Another thing, I feel like this is part of the leadership of Jacksonville, the leader that's running this place out. I feel like a bull in a ring. And every time I go into the ring as a bull, there is another fighter in there. So instead of being 1, by now I got 10.

He don't care who he sacrificed. And I think Paul was the first one to die. Ms. Dykes will be the second one, if you ask me. But he's going to be ready making that
bed to come and kill that bull any time he wants to. And he don't care who goes down before that. And that's a shame.

And yesterday he was in the news saying again that -- he's using this for media, publicity or political gain. And I don't understand that, because it's a bad, negative one. Why do you want to have bad, negative publicity? That don't make no sense. You trying to do the job to defend and to do right, to find the resources for this JEA, not to sale -- or sell. And he's using a scapegoat.

So, to me, Mr. Zahn, I don't know him personally, I hope he don't take it personally, but I think he's another pawn in the game so he can come and kill that bull any time he wants. He may delay this program until you guys get replaced and then a new one comes in and decided to, yeah, let's do it again. So I hope he chooses the words that come valuable and he's not coming with a knife and a shovel.

You guys have a blessed day. Thank you.

CHAIRMAN CRESCIMBENI: Thank you, sir.
Mr. Howard, John Howard, are you here?

Wayne Dunn, followed by Mr. Lindamood, Tim
Wayne and Ross Byers, please move to the
front row.

MR. DUNN: I'll try to make the best use
of my three minutes. Wayne Dunn, and I'm an
engineer. So I talk too much.

I like the discuss, debate and decide
point that was made earlier. I attended the
board meeting and saw Ms. Angie Hiers
recommend ZRG as the recruiting firm. I
recollect that Paul McElroy was second after
the first individual declined taking over
leadership of JEA. And that criteria was
relatively sound criteria that was
negotiated to establish what the CEO should
meet. ZRG is a pretty well-established
recruiting firm.

I understand that what was published
this morning, what Councilman Hazouri
pointed out, was that we have not decided to
proceed with either recruiting firm or
seeking a new candidate for CEO of JEA. I
think it's important that that process be
moved, so that would be discussion and
decision. I think you should decide that you're going to select a new CEO for JEA.

And Mr. Zahn may well be the one that's qualified. I understand he has a solid M&A background. And M&A, that seems to be the topic at hand, or was the title previously.

Second point I want to make is that the principle in the -- I've been self-employed almost all of my career, 38 out of 40 years. And all of the businesses I've invested in, including the ones that we took public, different elements had key numbers. And the key number that's used by Edison Electric Utility at Edison Electric Institute to evaluate investor-owned utilities is called return on equity.

Return on equity is the key number that is utilized as a base case, or a rate case, which is in the current case before the Florida Supreme Court on behalf of Florida Power and Light. Florida Power and Light would receive, and it's under appeal, 10.55 percent rate.

And I heard a statement that our rates are about 26 percent lower than others.
That rate is actually higher than what Florida Power and Light's current allocation is.

So it would be good for us to establish what JEA's pro forma rate return on equity is, so it could be compared to what an investor-owned utility would generate. And then do what's called a buyer's pro forma, which is what we've done when we acquired assets, and what other assets did when they were being acquired by us, so that we would understand what the buyer's perspective is.

Which I think Councilwoman Boyer pointed out, why would they buy us. And we could understand that and how do we progress from here on that return on equity and what would be the net effect. Thank you.

CHAIRMAN CRESCIMBENI: Thank you. I do have a question.

Councilman Love.

COUNCILMAN LOVE: Thank you.

Through the Chair, Mr. Dunn, what kind of engineer are you?

MR. DUNN: Troublesome -- mechanical. I like things that move.
COUNCILMAN LOVE: There you go. So do I.

Number two, what kind of characteristics, traits should our new CEO have? What do you think his requirements should be? Just name a few.

MR. DUNN: Physics.

COUNCILMAN LOVE: Physics, that's a good one. What else? Anything else?

MR. DUNN: I would think that --

COUNCILMAN LOVE: What about experience?

MR. DUNN: I would think the utility experience would be of value. I think large plant experience would be of value; and forecasting, right, technical forecasting, right; understanding technical trends so that maybe you're investing in the iPhone instead of the new --

COUNCILMAN LOVE: Instead of the flip phone.

MR. DUNN: Yeah. So I think those are some of the things that would be considered. I mean, I was -- you know, it's a very interesting organization, very well run. There are some very solid people in the
leadership group.

And I think somewhere on the board or on the Council you should have independent engineering input. I mean, you seek that for legal so that you don't have internal bias, and you seek that for financial, getting an independent auditor.

It may be worthwhile to have an independent technical analysis when you're discussing things like SJRPP, right, and the viability of it, or trying to recognize load factor, right, as a calculation, which is a fundamental decision that is made as to what size assets you would own and how long you would own them for. Does that help?

COUNCILMAN LOVE: That does. You should have plant experience, physics experience and some analysis experience on utilities, perfect.

MR. DUNN: And solid understanding of the regulatory environment within which the utility operates.

COUNCILMAN LOVE: Yeah. There are a lot of heads of utilities that are attorneys. So thank you.
CHAIRMAN CRESCIMBENI: Thank you, Mr. Love.

Mr. Becton.

COUNCILMAN BECTON: Thank you.

Through the Chair, as an addition to Council Member Love's question to you, what do you think a visionary at this stage in the game weighs in that outlook?

MR. DUNN: One thing to consider is that we're heading for about 12,000 kilowatt hours a year per residential, or unit customer. And Hawaii is at like 8,000. And so that would be a pretty significant drop in revenue.

I have not forecasted or went into those elements, but I do recognize the disparity between what the energy consumption is per individual. And we're investing in assets that have a very, very long lifecycle. So I think that it would be good to understand, like, with respect to forecasting, what the impact technology is really going to have.

I have a wisecrack. I serve on the board of the United States Green Building Council, and I said, if we all drove
electric cars, the bridges would fall down. And that's fundamentally because gas taxes is what pays for bridges.

So we're going to think that we fundamentally fund our infrastructure since the second war. And Bill Gates recommends a book called The Grid, which I read, and it is good, on consumption. And we're not consuming at that rate anymore.

COUNCILMAN BECTON: My question, I guess --

MR. DUNN: So if you're forecasting, then I recommend you forecast on a broader scope than just consumption.

COUNCILMAN BECTON: But as you pointed out, our bridges would fall down only if we couldn't envision how to change, how to transition, how to move forward and how to take advantage of what the future holds. So I was just kind of curious if that was up there at the top of your list of attributes a new CEO might have.

MR. DUNN: You're correct. You're absolutely right. There are some pretty significant infrastructure reports that have
been published by the civil engineers which consolidates information from others. And our country is not as well rated as perhaps we would like. So -- and that speaks to that revenue model and how infrastructure is funded.

COUNCILMAN BECTON: Thank you very much.

CHAIRMAN CRESCIMBENI: Thank you, sir.

Mr. Lindamood, are you here?

MR. LINDAMOOD: Good afternoon. My name is John Lindamood. All my information is on file.

CHAIRMAN CRESCIMBENI: Use the microphone. Sir, speak into the microphone.

MR. LINDAMOOD: The issue here, the sale of JEA, kind of upsets a lot of people. A recent pole that was done through Channel 4, I think it was maybe UNF, showed that citizens, ratepayers, 75 percent of the ratepayers didn't think it was a good idea. Ten percent to 12 percent weren't certain, and another 10 percent or so, whichever the math, either way it was, needed more information. Overwhelmingly, it looks kind of crazy that the average person doesn't
feel comfortable with selling this utility.

   My question to you guys is this: In the grand scheme of things, if we sell this utility, it's done, okay. In the fact that we'll have to live with it, my children and grandchildren, how is it going to work out for them once you get rid of this public utility that does nothing for us, but enhance this city? I mean, it allows us to do things like a Superbowl, it allows us to do all kinds of really good things.

   And all the assets as far as the money we've invested over the last 30 years alone for infrastructure from the water, sewer and electric side is pretty significant. And if you allow private companies that we -- actually, I was involved in acquiring these utilities, Florida water -- I mentioned this before. United Water and all these people, the other companies that were running smaller areas of Jacksonville and Duval County, they ran these utilities, water and wastewater into the ground.

   And so we buy out the utility, JEA does. And we spend, you know, millions and
millions of dollars to bring them up to a
decent standard that we have. Everything
from the national electric code and safety
and the quality of water that we drink. All
of this adds up.

If you don't think the politicians, no
offense to anyone, if you don't think the
politicians getting involved in a utility is
not always a good thing, look at Flint,
Michigan, guys. We're talking about maybe
apples and oranges. But at the end of the
day, we need to be paying attention to what
we're doing here.

Once we sell this utility, there is no
going back. You know, it's going to be a
mess if we don't -- and there again, we can
do a paradigm shift, we can contract out
some of the work, some of the different
agencies in JEA, but still keep the company.
If the business model isn't working, adjust
it, okay. So technology is changing our
consumption of electricity. Thank you.

CHAIRMAN CRESCIMBENI: Thank you, sir.

Tim Wade, followed by Ross Myers,
followed by Timothy Allen, followed by Chap
Gray. I'm not sure if I can read that.

Mr. Wade.

MR. WADE: Tim Wade, 2850 Percy Road. And I apologize for reading this with my head down and not looking you in the eye on this first part.

With the events of this week, Mr. Zahn and Mayor Curry have suggested a halt in discussions to sell JEA. It seems some on this Council want to continue that discussion. I would ask this Council to vote on this matter. Then we as citizens can see who to hold accountable next election.

We know there are some on this Council who would see JEA sold. I would ask that you have the political guts to let it be known.

Also, as elected officials, you don't -- respectfully, you don't own any of the city's assets. When you were elected, you were given stewardship over the city's assets, not ownership. You have no deed to anything. Your part ownership is no larger than mine or anyone else in the city.
As stewards you should maintain or improve what you are in charge of, not sell what isn't yours. If anything is to be sold, your bosses, the citizens, will let you know.

I personally have spoken with many who are ready to hold this Mayor accountable for this discussion of a sale.

Madam President, I also have spoken to many who wouldn't mind another name or two on that ballot.

JEA has been serving this community for over 100 years. There have been many council members and mayors in that time. It strikes me as somewhat arrogant that there are those on this Council that would believe they are the chosen ones to take this action.

I applaud the actions of those who would vote to change the charter and put an action such as the sale -- that of the sale of JEA in the voters' control. Only then can we be sure that, if such an action was ever taken, it would be what the citizens, majority of the citizens, wanted and not the elected
I've heard discussion of what JEA is worth mentioned today. Paul McElroy sent an email recently before he resigned that said the workers, of which I am one, are the most important asset of JEA -- or the most valuable, I should say.

Well, I don't know if you know this or not, but there is a building off Kernan Road, one of our water treatment facilities, that bears the name of a man who gave his life doing the kind of work we do. So I ask you what is a man's life worth? When you talk about the value of JEA, that's what we do every day when we go out there and serve our citizens. Just like police and fire, we put our lives out there. And we do it willingly, because we take pride in what we do, as mentioned earlier. So when I look my buddies' in the eye when I perform that service, I'd appreciate that value be taken into account. Thank you.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Wade.

Byers.
MR. BYERS: Good afternoon now,

Mr. Chairman Crescimbeni, members of the
Special Committee. I'm Ross Byers, 4103
Bent Tree Circle, Ponte Vedra. I'm a
retired JEA debt manager of 25 years. I
managed 6 billion of debt while I was at JEA
and our refinancing activities due to
falling interest rates up, say, 500 million
of debt service cost at our present value
basis.

I would love to volunteer to your group
to help in any way that I can. I would give
my references as your current auditor, Kyle
Billy, as well as past auditors like Richard
Wallace and Bob Johnson.

I worked with Melissa Dykes from 2012 to
2015. However, my relationship with her
started in 2001 when she was an analyst at
JP Morgan and handled the JEA account. What
I can say about Melissa is Melissa has a
great skill set and she clearly meets the
current requirements at JEA for a CEO.

I've worked heavily with underwriters,
financial advisors like Mike Mace for 15
years or more on councils, local as well as
New York City, and credit rating agencies. Credit rating agencies are so important. I'm really not sure what they think right now, though. I've handled many requests for proposals for professional services.

And I would like to say to the committee that all of our RFP's in our treasury department always had JSEB provisions in them.

Why is JEA attractive? The number one reason is investor-owned utilities need customer growth. In this market, their equity values are high, interest rates are low, and the acquisition cost of new customers is, therefore, low.

JEA is a huge municipal utility. There have never been acquisitions of utilities this size. And let me tell you, they'd be interested.

So I recommend that you keep getting all the information you can from PFM, Council Auditor Kyle Billy, the UF study that you engaged in. Read the annual disclosure report of JEA. It's very thick, but it contains everything an investor needs to
know. And you all are the investor.

Kyle Billy has done a great job outlining the many financial and nonfinancial benefits of the municipal ownership.

I feel each of you need to develop a greater understanding of JEA. This is why this process should continue. You need to find out what you have and how valuable it is, whether you keep it or sell it.

I recommend that the council auditor may be at a position that will go a deep dive into all the independent agencies for your group. You could do it on a quarterly basis.

Due diligence and having knowledge is so important. Compare what I’m talking about in these last couple minutes to what just occurred at JEA regarding their selection of the interim CEO --

Mr. Byers --

MR. BYERS: -- was there a process?

CHAIRMAN CRESCIMBENI: -- I need you to wrap it up.

MR. BYERS: Thank you. Thank you very
CHAIRMAN CRESCIMBENI: Thank you.

Questions?

Mr. Allen.

MR. ALLEN: I'm Timothy Allen. And thank you for your time and your attention. I'm a JEA employee. I live at 10204 Wellhouse Court in Jacksonville.

I'm just amazed that we're discussing closure of St. Johns River Power Park now. I think the public and the City Council should have given attention to this matter a year ago. It was a momentous decision made by a few people behind closed doors.

With respect to Plant Vogtle and the sister plant in South Carolina, Plant Summer, has been abandoned at a cost of several billion dollars. It is entirely possible Plant Vogtle will never be completed.

JEAs becoming increasingly dependent on natural gas. We've just abandoned a coal-fired power plant. I don't know what the dependence is on natural gas, but it's much higher now than it's ever been.
Natural gas is not the perfect fuel. In years past it's subject to shortages and price fluctuations. Natural gas cannot be stockpiled, unlike coal. St. Johns River Power Park, they had the capability of stacking a couple hundred days of supply of coal. You can't do that with natural gas.

I would like to speak about Mr. Zahn's selection as CEO. I would think that, as an interim CEO, do we want a man, woman with deep and long experience with a utility and no ambition to become the permanent CEO. And his selection baffles me. Thank you for your time.

CHAIRMAN CRESCIMBENI: Thank you, sir.

Any questions?

All right. Last speaker is -- Gray is the last name. I can't read your writing on the first name, sir. I apologize.

MR. GRAY: I want to thank y'all for your time and giving me the opportunity to speak.

CHAIRMAN CRESCIMBENI: Your name, we need your name.

MR. GRAY: I'm sorry. My name is Chap
Gray, and my address and phone number are on record.

A few random thoughts here that I put together as I've listened to today's meeting. My neighborhood, Ortega Forest in Mr. Love's district, is at least a third to a half septic tanks. I didn't know that when I moved in there. I dodged a bullet, and I'm about three doors away from where the septic tanks start.

I've talked to a few of the neighbors in there, and believe it or not, some of them actually want to keep their septic tanks. They get upset when they are talking about hooking into city sewer.

We've heard a lot of talk this morning about SJRPP. One thing I noticed, we haven't heard anything about Cedar Bay. Nobody's mentioned that. FP&L bought Cedar Bay and shut it down rather than continue buying the power from that company. And those were Jacksonville citizens that worked there at Cedar Bay.

Talking about lowering bills, I signed on to a pilot program with JEA last year.
called Smart Savings, where it offers a time
of day demand rate. And my bill has lowered
considerably through that. And if they
offer it -- if they expand the pilot
program, I would highly recommend everyone
consider that.

I think everyone has had ample
opportunity to speak for and against and
voice their opinions about this subject. So
I just -- in my opinion, I think we need to
put this to bed pretty soon.

If I wasn't a JEA employee would I feel
strongly about this issue? I would. JEA is
a part of the fabric of this community.
There are a lot of contributions that JEA
makes to this community that aren't measured
in dollars and cents.

With all due respect to my new boss,
Mr. Zahn, the value of something is not
always what someone would be willing to pay
for it. There are a lot of things that go
along with it besides just money.

This issue has come up in 2007, 2012,
2018. How many more times are we going to
revisit this? Every time this comes up, it
costs thousands, if not hundreds of thousands of dollars to explore this. I'm pretty sure this is money that could be used elsewhere. Thank you for your time.

CHAIRMAN CRESCIMBENI: Thank you, sir.

All right. Anyone else care to address the Council? I have no other speaker cards. Ms. Brosche, do you have any update on the special park arrangements?

PRESIDENT BROSCHE: So no update from last time in that the Dupont fund is contracting with the UF -- I don't remember the exact name now, but the --

CHAIRMAN CRESCIMBENI: Public utility --

PRESIDENT BROSCHE: Public utility, yes. And so they're going to do their work, but it was my understanding from the announcement they made it's probably going to be about six months or so before that report comes back.

CHAIRMAN CRESCIMBENI: Thank you.

Any announcements? Anybody want to announce that they're really hungry?

MR. POPE: May I make a clarification.
JEAs interruptible rate is currently open. It is not actively advertised, but it is open and is evaluated on a customer-by-customer basis.

CHAIRMAN CRESCIMBENI: So do you have to meet criteria to get in or is it subjective?

MR. POPE: I will respond to you on that, or to the committee.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Pope.

We've reached the end of our agenda for today. We'll have our next meeting next Thursday, the 26th, at 3:30. We'll be back at the 3:30 time slot.

I want to thank everyone that stayed to the bitter end. I appreciate you for forgoing other more festive opportunities today. So thank you for hanging in there.

There is nothing else. This meeting is adjourned -- oh, I'm sorry. Mr. Newby.

MR. NEWBY: I just want to tell you I got my book.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Newby. Take him off the list.

All right. Now we are adjourning the
meeting. Thank you all.

(Meeting adjourned at 1:11 p.m.)
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