SPECIAL COMMITTEE ON THE FUTURE OF JEA

Council Members

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Danny Becton  Al Ferraro
Anna Lopez Brosche  Reggie Gaffney
Garrett Dennis  Bill Gulliford
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TRANSCRIPT OF PROCEEDINGS

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         117 West Duval Street
         Jacksonville, FL  22202

This cause came on to be heard at the time and place aforesaid, when and where the following
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PROCEEDINGS

CHAIRMAN CRESCIMBENI: All right. Good afternoon, everyone. We're going to call the Special Committee on the Future of JEA -- we have a new name now, the Special Committee on the Future of JEA -- meeting to order. Today is Thursday, April 26, 2018. It is exactly 3:30 p.m. We will start by having everyone introduce themselves for the record. Left side always seems to do better than the right side. I don't know what that is. We'll start with the left side.

Mr. Gulliford.

COUNCILMAN GULLIFORD: This is actually the right wing, Mr. Chairman, when you look at it.

And this is Bill Gulliford, District 13.

COUNCILMAN FERRARO: Al Ferraro, District 2.

COUNCILMAN LOVE: Jim Love, District 14.

COUNCILMAN ANDERSON: Greg Anderson, At-Large Group 4.

COUNCILWOMAN MORGAN: Joyce Morgan, District 1.

COUNCILMAN BECTON: Danny Becton,
CHAIRMAN CRESCIMBENI: I'm John Crescimbeni, At-Large Group 2.

COUNCILWOMAN BOYER: Lori Boyer, Group 5.

CHAIRMAN CRESCIMBENI: And I think we have excused absences. Does staff have excused absences? Can you read those into the record for me? Hello? Do you have excused absences? Will you read those into the record for me, please. I lost track, we had so many. Do you know who they are? Okay. All right. If you'll pull those up, please, I would appreciate that.

We're going to resume our reports from the JEA. Mr. Pope is going to be handling that today, but Mr. Zahn wanted to make another round of comments before we got into the meat of the action items.

Mr. Zahn.

MR. ZAHN: Thank you very much, Chair, Council Members. We have a quick -- can you see it?

CHAIRMAN CRESCIMBENI: I can see you.

Oh, there we go, a light bulb that's costing
us revenue. No, a horse that --

MR. ZAHN: Cart before the horse.

CHAIRMAN CRESCIMBENI: I was looking at it upside down.

MR. ZAHN: I know there's been a lot of questions certainly around JEA and me. And we're okay with that. In fact, for the last four months, I think it's demonstrated that JEA really needs to evaluate our path forward and we need to step up. We need to step up our game.

In truth, I think we need to be bold. We need to be innovative. And we need to become the utility of the future for Jacksonville.

You know, generally in life, you get these decision points where you have conflict and logic, and you have two choices: One, you can hide and play defense; or the other is you can reach out and start to build bridges and meet people in the middle and see if you have common ground to move forward on.

I think I met with everyone here. And I really appreciate, and I'm going to extend
my appreciation to Councilwoman President, the Mayor, the Chair, the Vice Chair -- the Vice President, specifically for taking some leadership on helping to turn the discourse to a path forward for JEA for our community. And I think that's a really good testament to the unity that we have relative to the asset and to demonstrate to our customers and to our unbeatable team and our employees that we're all collectively in this together.

So we've talked about the path forward.

On Thursday I mentioned it more verbally, but just outline it one more time. Step one is to really get refocussed and back to the core of business. Step two is to listen. And I've been appreciating all of your insights, your thoughtful feedback as we've been meeting one on one, and start to develop a partnership framework that we can use at the JEA with our Board and our leadership team and our -- quite frankly, all of our employees to start to update our strategic plan, which is step three. And then we'll move forward.
So as I mentioned, focus, many of you received a communication about a reorganization. I want to congratulate our new President and Chief Operating Officer, she's here and she'll talk a little bit more about that when I'm done. But I think -- she's done a tremendous job in the last seven days. We spent a lot of time talking about really the great ideas that already exist with inside the institution, as well as the unbeatable team. It's really not a lack of resources or talent or ideas that has kind of maybe put us into this position. And so what's really refreshing is, I think, the path forward can be expedited.

So in an interesting way, many industries go through a cycle. And once you have a new idea, and then you improve on that idea, and eventually people innovate. And then along comes eventually disruption. We've seen a lot of that over the last two decades in multiple industries. And I think that this subcommittee has actually done a really good job over the last four months educating the public and yourselves around
the disruption going on in our industry.

Now, the reality is that can either be a threat or an opportunity. And what we've been talking about as a senior leadership team and what I've been speaking to my Board Members about is that we would like to start seeing that as an opportunity. And we would like to start being the bold leaders for the utility of the future, not only of Jacksonville, but to start demonstrating how a utility can be built over the next decade that hasn't been currently undertaken in the nation.

Going forward, quite simply, we're going to be bold. We're going to be JEA. And we're going to start coming up with bold ideas. And we're going to have bold safety, bold service, bold commitment to growth and start bringing you these ideas in a way where we can generate economic development, new jobs, continue to drive a fiscally responsible asset and, ultimately, have the integrity to demonstrate the corporate governance that we've spoken so much about, and to present with clarity the strategy and
expectations that I think you as
shareholders expect from us.

With that, I'm going to turn it over to
Melissa Dykes. Again, I want to
congratulate her in public. And she'll
speak a little bit about --

CHAIRMAN CRESCIMBENI: Thank you,
Mr. Zahn.

MS. DYKES: Good afternoon,
Mr. Chairman, and Members of the Committee.
I am excited to serve JEA and our community
in my new role as President and Chief
Operating Officer of JEA.

It's a testament to our employees that,
in spite of the recent public conversations
that have really impacted employee morale,
that we continue to provide our customers
with the exceptional service that they've
come to expect from JEA.

Our short-term operational focus is two
key things: One is we're going to focus on
preserving and improving our safety record.
Insuring all of our employees go home safely
from work every single day from often
extremely dangerous jobs that they do.
Our second is to ensure our entire organization stands prepared for storm season this year, prepared to respond to anything that might come our way. To that end, we've kicked off our organization-wide hurricane preparedness exercise this week and will exercise next week, along with the City of Jacksonville's EOC, to ensure that we have fully operationalized our refined plans incorporating all the learnings that we have from the last two hurricanes that have hit Jacksonville.

I look forward to sharing more information about storm preparedness with Council Members ahead of this year's storm season as part of our preparedness plan. And just as a reminder, hurricane season begins in 36 days.

As Mr. Zahn referenced in his opening remarks, our organization is refocussing on executing our corporate strategy with excellence. Over the past six years, we've saved our customers and our community more than $1 billion through cost improvement efforts that we've undertaken. And we're
not going to take our foot off the gas on that. We need to keep focus on those efforts to make sure that our services to our customers remain affordable both today and into the future.

I'm honored to be leading alongside Mr. Zahn, our extraordinary team of 2,000 employees, as we continue to provide high quality, reliable, affordable and safe service to the million people that we serve.

Thank you.

CHAIRMAN CRESCIMBENI: Thank you.

Any questions from the Committee?

Councilman Love.

COUNCILMAN LOVE: Yes. Through the Chair to Melissa, what things are we going to do differently in hurricane season? Are we going to do any hardening things to our utilities?

MS. DYKES: Through the Chair to Council Member Love, that's a great question. And we have implemented programs starting all the way back with Hurricane Matthew and things that we learned during Hurricane Matthew to better harden our system both on
the electric side and on the water and sewer side.

COUNCILMAN LOVE: And sewer and water, because we had a big problem on 118th Street. We didn't have that problem with Irma, so thank you very much for that.

So are we doing anything with the sewer and water extra? Are we having more generators or backups or what are we doing?

MS. DYKES: Through the Chair to Council Member Love, we have a storm hardening program that we have implemented. We've gone through the first phase of storm hardening on the water and sewer side, which involves distributing generators and portable pumps to our largest pump stations, the ones with the most flow. And that's been largely completed. It's on schedule to be completed before storm season this year.

And we continue efforts in the long term on the water and sewer side to look at things like elevating to the facilities to make sure that as water rises, we don't have some of the problems that we've encountered in previous hurricanes.
COUNCILMAN LOVE: What about the electrical? Are you going to get to the electrical? Are we planning on long-term undergrounding at all?

MS. DYKES: Through the Chair to Council Member Love, there are two things I want to mention: In terms of schedule, we are scheduled to share with our Board hurricane preparedness at the next meeting. And then we're actually going to do a deep dive on storm preparedness with them at the following meeting to make sure that they understand all the things that we've learned over the last two storms, what we've done to address some of those risks and what the longer term plan is to address risks that we haven't gotten to just because there simply hasn't been enough time yet.

COUNCILMAN LOVE: Okay. Great. I hope that undergrounding more utilities will be part of that. All right. Thank you.

MS. DYKES: Thank you.

CHAIRMAN CRESCIMBENI: Councilman Becton.

COUNCILMAN BECTON: Thank you.
Through the Chair, Mr. Zahn, Ms. Dykes,
I certainly want to congratulate you on the
message that you delivered here today. We
had an excellent meeting, I believe it was,
yesterday. And I want to applaud your
be-bold initiative, because I think that's
what it's going to take here in Jacksonville
in order to -- and what I want to remind all
the shareholders of JEA is that, if JEA is
successful, we can be more successful in
expanding our utility services in all of
Jacksonville, in all of our neighborhoods,
because that will give us the resources to
do the things that we sit up here and say
every day that our residents are left behind
and that there are certain areas of
Jacksonville who don't get what everybody
else gets. But it is only by being
successful that we're going to be able to
achieve that.

So this be-bold initiative, my hat is
off, and I intend personally to help in
achieving that as well. So, you know,
touché and let's do it. Thank you.

CHAIRMAN CRESCIMBENI: Council Vice
President Bowman.

COUNCILMAN BOWMAN: Thank you.

Through the Chair, Ms. Dykes, thank you for being here, Mr. Zahn. But I have to tell you, as someone who sells Jacksonville's potential businesses, we did not get hit by hurricanes. They came real darn close, so just wanted to remind you of that.

CHAIRMAN CRESCIMBENI: Thank you, Vice President Bowman.

Councilman Gulliford.

His full weather report will be available at 6:00 p.m.

COUNCILMAN GULLIFORD: Through the Chair, good job, Mr. Bowman. That was really -- and, also, through the Chair, you know, I think that if you -- if you say that one of the benefits of a municipally owned utility, which seems to be a theme lately, is service to the community, then I would suggest, when we are making lists of bold movements, we absolutely have to address this thing that we've been talking about for years now with respect to septic tanks. And
I would hope that would be a very high priority.

With all due respect to Mr. Love, I've seen the exercise in my neighborhood in a well -- a developed neighborhood, which is the real problem of trying to go underground with electric utilities. And we could not get -- and this was a fairly affluent street in Atlantic Beach. They could not get enough people that were willing to financially participate to bury it because it was so doggone expensive with respect to all the other utilities and the other problems you have in established neighborhoods.

While I'm not downplaying that, I think if you establish priorities, then the first priority should certainly be the issue with septic tanks. We kind of hit at it when we had our interlocal agreement, our interlocal agreement committee, but I think we need to sit down collectively.

The City is going to have to participate. It's not going to work with just JEA carrying that burden alone. But we
need to sit down and stop talking about it
and collectively move ahead and let's do
something. Let's have a strategic plan,
even if it takes 20 years to get it done,
let's do something about it, so.

    MR. ZAHN: Through the Chair to
Councilman Gulliford, that is at the top of
our list on this next update to the
strategic.

    CHAIRMAN CRESCIMBENI: Thank you,
Mr. Gulliford.

    Let the record reflect, I think,
Mr. Hazouri has joined us, Mr. Wilson has
joined us, and, of course, Vice President
Bowman has joined us.

    Councilman Anderson.

    MR. ANDERSON: Thank you, Mr. Chairman.

    Through the Chair to Madam President,
how about that? That's kind of nice to say.

    So, Melissa, you stay -- in your
previous job stayed in touch with the rating
agencies a lot. And really, in my mind,
were sort of a primary conduit for
information. And I'm interested, given all
the changes in the last couple weeks, have
you been in contact with the rating
agencies? If not, is there a plan to be in
touch with the rating agencies? Can you
just kind of share around that?

MS. DYKES: Through the Chair to Council
Member Anderson, that's a great question,
because our management team and governance
structure is a big part of what supports our
credit rating. So, fortunately, we have an
interim CFO who has been very plugged in on
our previous conversations with the rating
agencies and is poised to be able to hand
off that responsibility of being their
primary point of contact with JEA, and a
treasurer who is extremely experienced both
here at JEA and a prior life.

One of the things that they're going to
have to tackle pretty early on, after this
organizational change gets settled in, is
meeting with the rating agencies to get them
comfortable with our new organizational
structure and that we continue to have the
financial discipline that we've demonstrated
over the past decade to them. That will be
very important in terms of having some
continuity with respect to our credit rating.

CHAIRMAN CRESCEMBENI: Thank you, Mr. Anderson.

Councilman Hazouri.

COUNCILMAN HAZOURI: Thank you, Mr. Chairman.

We had a good conversation today. And thank you, Ms. Dykes, and Mr. Zahn. Still, I want to be able to get through what we've been going through the last four weeks. I want to get through this cloud of mistrust and the credibility gap that has existed. And, hopefully, this is going to be the first day forward for the rest of the JEA's life. And I hope it's a long life.

I just want to figure out how, when you're doing this structure, which we talked about, which I like, and you want to coordinate it with the City Council, each member, and how you're planning on going about doing that. At the same time as you-all start looking for an executive director, while you're doing this process to try to have a seamless move into that
direction, whether it's you or someone else
or Ms. Dykes or anyone, how is that plan
going to work as we're moving along?

Because we have individual issues, as
you heard, I think, Mr. Gulliford was -- we
talked about it the other day at one of our
meetings, TEU. There are a lot of
individual issues we want to address, like
septic tanks and a funding plan for how
we're going to go about it instead of nickel
and diming like we just did for the
commercials in the northwest quadrant with
their fund.

How do you see the cooperation working
in keeping us informed and moving along and
getting input from us while you're trying to
put your strategic plan together? And at
the same time make a seamless transition
with the new director, letting them feel
like they're part of that strategic plan as
you draft, you or whomever ends up coming
here, if that all makes sense? There is so
much we have to get through, and that
credibility has got to be gone so we can
move forward.
MR. ZAHN: Through the Chair to Councilman Hazouri, so I do -- it is my understanding that the Board of Directors of JEA has commenced a search for a permanent CEO. They've initiated an RFP. I've just been informed of that by the Chairman. Certainly, they are going to manage that process.

And one of the things that we'll do is continue to map -- this is really more of a transition, right. So if I go back to the steps, the first is really stabilizing the business. The second is more of an understanding with the shareholders of what would be the expectation as shareholder trustees, of you relative to the performance of JEA going forward. Much like any -- if you were to make a personal investment with a partner, you would have -- you and your partner would need to sit down and make sure you had alignment done on what you expect out of that investment.

So that process, step two, is really a process that, no matter who goes through it, ultimately, it's one that -- the way we
envision this is we'll take the first pen, just to be helpful, we'll present it to the directors, you know, for a discussion. Probably at the next Board meeting, we'll get their feedback, reiterate, come back one more time and hope to finalize with our Board of Directors on what we think a partnership framework might look like. Then we would submit it to this Council, the full City Council, for review, input and hopefully some level of consensus.

Once you emerge from then, effectively, your shareholders have told you -- or have told the company and the Board of Directors what they expect from the business going forward.

In all earnest, strategic planning, although we can start white-boarding and putting together ideas and talking about the areas of the business to where we can potentially grow and where we can potentially improve, we can't really take much action until that step two is done. And I would think step two might, you know, if we could accelerate it, be great, because
the faster that would be done, the better.

    But and so with the Chairman of the Board of JEA, we're coordinating that timeline to make sure that there is a synchronism there, if that makes sense, synchronize.

    COUNCILMAN HAZOURI: Just follow-up, okay. I get that part. So individual issues, while you're doing this, are not going to go away, whether it's the hurricanes or whether it's septic tanks. That is a big issue with us. And I'm sure there are other issues among us. And how do you address those, how do you plan on addressing those while you're putting your strategic plan together? I don't want to just say we put a stop to everything and there is nothing going to be done with the areas that have been left behind for so long.

    MR. ZAHN: Through the Chair to the Councilman, that's a great question. The answer is the instruction has been given to the entire senior leadership team and the employees of JEA to continue proceeding on
the 2013 plan as is.

COUNCILMAN HAZOURI: Would you make this a priority, the septic tanks? I'm using that again because that's a big issue with me. Because it's not just northwest, it's all over Jacksonville. And we just can't keep doing it every year. We need to make sure it's not just a plan, but there is a funding mechanism to go along with it for the next 20 or 30 years, however long it may take.

MR. ZAHN: Through the Chair, we spoke about the potential shift in how our organization might reconsider some of the opportunities with technology and other approaches on a business model and start to put together a white paper on that, yes.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Hazouri.

I have no one else in the queue.

Thank you, Mr. Zahn.

Ms. Dykes, thank you for being here.

We will move on to the action items that are still outstanding, Mr. Pope.

Mr. Pope, we're distributing your next
four tabs, 11 through 14, so those will go
to the back of the notebook. And I believe
you're going to start today on tab 9.

MR. POPE: Yes, sir. Jordan Pope, JEA.
I very much hope to cover tabs 9 through 14
in relatively short order. And I'll wait
for you, Mr. Chairman.

CHAIRMAN CRESCIMBENI: Before we begin,
you still have how many outstanding action
items from previous meetings? Do you have a
count on those?

MR. POPE: To the Chair, what I intend
to cover today will cover any action item
from any previous meeting except for the
last meeting. So I'm sort of on a two-week
cycle where it gives us two weeks to respond
to those action items.

CHAIRMAN CRESCIMBENI: Okay. Very good.
Thank you. You can go ahead.

MR. POPE: All right. Thank you. So
behind tab 9 -- and thank you, Mr. Chairman,
for asking us to provide this information on
JEA's awards and recognitions. I will just
echo what you just heard Mr. Zahn and
Ms. Dykes say in that I work with a great
team of people. And they represent our
community very well. And they strive to do
all that they -- all of their tasks with
excellence. And it is nice from time to
time -- or really on a fairly regular basis,
in JEA's case, to be recognized for the
excellent work that they are doing.

So I believe it's four pages here that
you have of the various awards and
recognitions that either JEA as an
organization or our employees individually
or as a group have received over the past
number of years.

And as -- actually, as I was driving to
work this morning, they're not specifically
on here, but I did realize that this body
over the last six months has recognized our
employees for their outstanding work in
storm restoration. They have recognized our
employees that went to Puerto Rico for storm
restoration after Hurricane Maria. And two
weeks ago you recognized our outstanding
champion linemen for the incredible work
they did at the linemen rodeo. And they
will be in Raleigh this weekend at the
national competition. And I'm sure you'll join me in wishing them well.

I would be happy to take any questions, but I don't intend to --

CHAIRMAN CRESCIMBENI: Are these in any kind of order?

MR. POPE: They are actually in order, alphabetical order, of the awarding organization.

CHAIRMAN CRESCIMBENI: Any questions on this from anyone?

All right. I don't see anyone, Mr. Pope, you may continue. But first, are you going? Do you have tickets to the event in Raleigh.

MR. POPE: I do not, but Mr. Hightower does.

CHAIRMAN CRESCIMBENI: Do you wear, like, a JEA shirt? Wave a banner or anything?

MR. POPE: We'll make shirts and all go together next year.

CHAIRMAN CRESCIMBENI: We need to cheer them on.

All right. Go ahead.
MR. POPE: Behind tab 10 is a page responsive to Councilman Dennis' question about JEA's responses to various regulatory -- or market and regulatory changes. I believe it was -- the request was 1972. We start with 1970 on this page.

On the top half of the chart are the -- are some notable market changes or regulatory acts that have occurred since 1970. At the bottom half of the chart are various JEA actions that would have been taken in response.

And so I'll just draw your attention to the time frame between 1970 and 1980 to kind of show you how this works. Although the St. Johns River Power Park was constructed in the '80s, it was really in response to what happened in the 1970s. So that's kind of how we developed this chart. So although it was built in the '80s, we put it under that regulatory or market change that it would have been in response to.

I'll note that --

CHAIRMAN CRESCIMBENI: Yes. They got passed down at the last meeting. If you
weren't here, they were distributed to your assistant.

MR. POPE: I will note that, as we approach this question, we didn't have this chart. So this was a very interesting exercise to kind of go and create and think about. And one of the -- really, the way we approach this is that fuel is the largest part of JEA's budget. It's roughly 30 percent of your budget this year. So it's, of course, one of the drivers -- or huge driver in what we charge our customers.

And so as we looked at this, when we went to 1980, JEA bills, utility bills in Jacksonville were 8.35 percent of average household income. So that's, I would say, a fairly significant burden on any household to have eight-and-a-half percent of your income going towards your utilities -- or to your electric bill, rather. Of course, we were the Jacksonville Electric Authority in 1980.

Today, of average household income, the JEA bill is 3.1 percent. And so I say that to just reflect on this chart in that I
believe we have responded, although we can always talk about specific situations, we have responded to these market and regulatory changes in a -- with a positive impact to our customers, realizing that in 1970 JEA's lone fuel source was oil. And we're far more diverse than that today, which is, of course, a benefit to our customers. That concludes my remarks on that tab.

CHAIRMAN CRESCEMBENI: All right. Thank you, Mr. Pope. Of course, in the 1970s the whole nation was struggling with an oil embargo, which probably pumped up the percentage of household income being devoted to utility bills, wouldn't you agree?

MR. POPE: I would agree, yes, sir.

CHAIRMAN CRESCEMBENI: And as I recall, I don't think you were probably around in the 1970s, but --

MR. POPE: No, sir.

CHAIRMAN CRESCEMBENI: -- there used to be billboards in Jacksonville talking about JEA that were purchased by citizens that were quite frustrated with the sole source
of fuel that we operated our utilities.

Probably right about that; right?

MR. POPE: To the Chairman, I have heard those stories, and I'm glad that's not the case today.

CHAIRMAN CRESCIMBENI: I have no questions, though. Let's move on to tab 11.

MR. POPE: Great. Tab 11 is in response to question by Council Member Morgan regarding the grants JEA has received. I believe Council Member Morgan asked for the last five years. We went back a little bit farther than that just to illustrate some other grants that we thought were important relative to Cecil Field and our Northside Generating Station.

The total reflected in grants received, electric water and wastewater, on these three sheets is roughly $128 million. And, of course, the availability of grants fluctuates from time to time.

I will tell you, Council Member Morgan, you asked specifically about grants for older neighborhoods as well. And what I would tell you is I think JEA needs to
refocus some of its effort, and I think some
of you have heard this in the one-on-one
meetings, on grants that are available for
some of these issues we're talking about,
like septic tanks. And that is something we
certainly think that we need to partner with
the City in looking for those and applying
for those.

But this is -- this illustrates the
grants we have received over the last number
of years from a Department of Energy grant
that it's allowed us to deploy smart meters
among many other things and the utility
tracker that I hope all of us use or some of
us use. We use the Department of Energy
grant for that. You see the $73 million
grant for the clean coal technology at
Northside Generating Station back in the
late '90s. So not to go through all of
this, but I hope that's responsive to the
request.

CHAIRMAN CRESCIMBENI: Thank you,
Mr. Pope. I do have one Council Member on
the queue.

Councilwoman Boyer.
COUNCILWOMAN BOYER: Thank you. Through the Chair to Mr. Pope, Mr. Pope, in looking down on the bottom of the page where I see under the page 2 of 3 and then going over to 3 of 3, the funding agency on the water management district under water supply, it looks like there are a number of cost share projects, which would appear to be extensions of water supply availability. Is that what I'm looking at?

And the follow-up question is: If that is the case, can we use those same cost share grant opportunities to extend water service in those inner city areas that don't have it, as opposed to just in Nocatee and, you know, outlying areas?

MR. POPE: Through the Chair to Council Member Boyer, my understanding is that the grants you're referring to are specific to the reclaimed water system. And that is the reason they are available, because it is a new neighborhood, it's not retrofit. Those grants are available.

I will certainly follow up on that to specifically answer your question. But I do
think the short answer is this is specific
to the reclaim system.

COUNCILWOMAN BOYER: And if that's the
case, since I know I've participated, I
think Councilman Crescimbeni was here, I
mean, we've had some debates before where we
were urging JEA to expand the reclaim system
within the existing service area, and there
was pushback and a reluctance to do so. And
the suggestion was that you didn't think
that made sense at the time.

So as JEA is investigating the future of
JEA and opportunities, so I really want to
understand both. If these are, in fact,
water supply lines as opposed to purple pipe
reclaimed water lines, I would like to know
if there are grant opportunities out there
for extending service that we could use.

And then secondly is, if it only applies
to purple pipe and reclaimed water, put on
your list of things to investigate for, you
know, future business efforts, expansion of
service, et cetera. Again, the discussion
about extending reclaimed water back into
the existing territory.
In some ways, this may be the same argument about septic tanks just 30 years in advance, because, you know, the fact that we are letting the entire urban developed city that doesn't have reclaimed water move forward and not install any of that, but we're installing it in newly developed neighborhoods where it's going on, is the urban city going to be left behind and out of date, you know, two decades from now. So thanks.

MR. POPE: Through the Chair to Council Member Boyer, I will certainly look at those parameters and follow up. I do believe, though, it's specific -- this grant is specific to new development and reclaimed water lines, but we will research further.

CHAIRMAN CRESCIMBENI: Thank you, Ms. Boyer.

Mr. Pope, are these grant opportunities available to investor-owned utilities or are they simply restricted to --

MR. POPE: On the water and wastewater side, I do believe some of these grants are available to private utilities. Yes, I know
that some of these grants are available to private utilities.

CHAIRMAN CRESCIMBENI: You think all of them are --

MR. POPE: I do not know that all of these are available to private utilities.

CHAIRMAN CRESCIMBENI: Can you help us with that? Do a little bit more homework and let us know what private utilities can apply for? You don't have to do it at the podium, I'm talking about follow-up.

MR. POPE: I can follow up. I will tell you the drinking state revolving fund, which is the third line on the first page, that one is available to private utilities. I do not know that the -- however, the clean water -- I'm sorry, that was the third line on the second page. I'll follow up. But I do know that it varies.

CHAIRMAN CRESCIMBENI: Okay. Thank you.

Councilman Gulliford.

COUNCILMAN GULLIFORD: Thank you.

Through Chair to Mr. Pope, maybe I was having a bad dream because of my wife's cooking, but Ms. Boyer brought up the point
about the reuse water. Did I remember or did I hear something along the way that there was some plan, though, to inject reused water back into the aquifer?

MR. POPE: Through the Chair to Councilman Gulliford, we are piloting a program that would treat wastewater to those standards.

COUNCILMAN GULLIFORD: To the level, to the standard, exactly where you go. So that might not be an issue as far as reuse into neighborhoods if that, indeed, becomes a viable project; correct?

MR. POPE: Through the Chair, I'm not totally familiar with the pilot. I do think you ask a good question in that what if there were no reclaimed water produced from a wastewater treatment facility. I do think there is a sense in which -- since you're using it for irrigation, there may still be some benefit to reclaim. So some of your treatment facilities still produce that water and others produce it to a higher standard.

COUNCILMAN GULLIFORD: And I understand
that. What's able to be used for irrigation
doesn't have to meet the kind of standard
that you're talking about injecting back
into the aquifer.

MR. POPE: Yes, sir.

COUNCILMAN GULLIFORD: But I think that
there -- it seems to me I read somewhere
there was a very strong move in the state of
Florida to pursue that and to push that, not
only for JEA, but all the utilities in the
state.

MR. POPE: And, sir -- sorry. Go ahead.

COUNCILMAN GULLIFORD: Go ahead. No,
no, no.

MR. POPE: And through the Chair, that
pilot program is moving from our southwest
wastewater treatment plant to our Buckman
wastewater treatment plant right now. And
as soon as it's up and running, I've been
told I can offer a tour of what that looks
like to any Council Member. So we would
love to take you out there and show you what
that works.

COUNCILMAN GULLIFORD: In my earlier
life selling construction equipment to the
customers, including sewer and water contractors, I did have the experience of seeing water and sewer lines run through established neighborhoods. And it's an eye-opener, because there are no as-builts. There are very little records. You don't know what's under there. Contractors run into things all the time in established neighborhoods that didn't know it was there and just drive the cost through the roof. That's where I think we have some difficulty with reuse in established neighborhoods too.

Thank you.

MR. POPE: Thank you.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Gulliford.

Let us know what take-out you get on the way home tonight, because I'm sure nothing is going to be waiting for you.

COUNCILMAN GULLIFORD: Actually, Mr. Crescimbeni, I am not eating at home tonight, and for sure now; right?

CHAIRMAN CRESCIMBENI: Yeah.

All right. Nothing else on that tab, Mr. Pope. Go ahead and move on to 12.
MR. POPE: Tab 12 is in response to Council Member Schellenberg's question regarding JEA's number of JEA's power purchase agreements. What you have here just are different power purchase agreements in the -- their size, basically.

So I'll draw your attention to a few, and we'll start with solar. As you know, we've -- we did a solar project about 10 years ago in Baldwin that has been running for quite some time. And over the past, say, 18 months to 2 years, we've been entering into power purchase agreements for smaller solar farms, which you see there, the Northwest Jax, Jacksonville Solar, Blair Solar, et cetera. We have a couple of those under construction now. The Sunport Solar will actually have a battery, a three-megawatt battery, that can store some of the energy produced there.

And as we've talked about before, we have 5-50 megawatt solar purchase power agreements underway that I believe have been gone through the process and have been awarded. They have JSEB participation. And
so we're very excited to be at or perhaps just over 300 megawatts of solar in the very near future.

There are some others on here I'll draw your attention to. We have, of course, Trailridge Landfill gas, some of that comes from the Trailridge Landfill, some of that comes from landfill in Sarasota. Together they make up the 15.6 megawatts you see there.

We purchase power from a wind farm in Nebraska. We don't actually take that power but we sell it. And that was our very first renewable project. I don't know what year, but I do know that it was our first.

And the 200 -- what is called the Wansley Combined Cycle at the bottom of the first chart there, the 200 megawatts, this is somewhat in response to, Council Member Becton, your question from last week regarding the availability of power on the grid if we needed to purchase it. This is a 200 megawatt gas plant near the Georgia-Alabama line. That 200 megawatts is dedicated to JEA. In the event we need to
draw it, we can.

It's actually, along with our Brandy Branch gas plant in Baldwin, one of our lowest operating units. So we're actually pulling that power all the time right now because of the cost efficiencies.

But I hope that somewhat answers your question that, if we needed the power, this is a two-year contract, it's dedicated to JEA should we ever need to pull it in a capacity event. And those are my comments on this slide, Mr. Chair.

CHAIRMAN CRESCIMBENI: Mr. Pope, so, like, the Jax Solar, Northwest Jax Solar, Old Plank Road, are those not JEA facilities?

MR. POPE: No, sir. Actually, thank you for that question. The reason JEA on the solar projects did not construct them themselves and instead entered into a power purchase agreement is because a private investor or utility who builds these can receive the 30 percent federal tax credit that's available for these installations right now. JEA, as a nontaxable entity,
would not. So it is more cost effective for JEA to purchase that power from these entities than to build it themselves, which is why we enter into these power purchase agreements.

CHAIRMAN CRESCIMBENI: Are any of these related to each other in terms of ownership group?

MR. POPE: I do believe -- so I do know, I'll tell you the 5-50 megawatt installations that we're proceeding with will all be built by the same contractor. I believe -- so the Jax Solar, I don't believe they constructed any of the other ones on the list. And I can get you specifics, but I do believe some of these solar installations were built by the same company, but not all of them. But, again, the bottom of the list, the 5-50 megawatt, those will all be the same contractor, or company.

CHAIRMAN CRESCIMBENI: Bottom of what list?

MR. POPE: Of the page, the 5 times 50 megawatt solar, the 250 megawatts, last
line, that will all be the same company.

CHAIRMAN CRESCIMBENI: I thought you were saying 550 megawatts, okay. So can you provide us with the -- so these companies, these solar farms are all owned by third parties, not JEA?

MR. POPE: Yes, sir.

CHAIRMAN CRESCIMBENI: And you can provide us with the information on those?

MR. POPE: Sure.

CHAIRMAN CRESCIMBENI: All right. You think some of them may be related?

MR. POPE: When you say related -- what I mean is --

CHAIRMAN CRESCIMBENI: Some of the locations may be owned by the same entity?

MR. POPE: Yes, sir. I believe they may be.

CHAIRMAN CRESCIMBENI: All right.

MR. POPE: But they were all bid. They all went through an RFP.

CHAIRMAN CRESCIMBENI: Okay.

Mr. Hazouri.

COUNCILMAN HAZOURI: Thank you,

Mr. Chairman.
Do you have a list of all those who are utilizing solar today, commercial, at least the commercial, that you can provide us?

MR. POPE: Through the Chair to Councilman Hazouri, we have some entities that would be utilizing solar through rooftop solar and we have others who might be on our various solar rates. So our solar smart rate allows you to purchase solar power by being on that rate. There's one for residential customers. There is one for our larger customers we call Solar Max. So I just want to confirm I get you the right information so there is --

COUNCILMAN HAZOURI: Yeah. I want to make sure I'm asking the right questions too. Because we were just, for example, at a groundbreaking for Champion Brands the other day, and they're using solar. There were some concerns, and maybe Mr. Roman can recall, that the owner had mentioned to me of some difficulty they were having in negotiating a price and what they were putting there. I don't know how really that works.
And I don't want to run into other questions like that if they feel like they're being encouraged to use solar, then getting penalized on the other end.

Do you keep records of these -- I'm sure you keep records of them, but -- and what the issues are or how you-all went about establishing the rates and how you went about -- and where they're located? I just would like to see who all has solar facilities here or utilizing solar, whether they're residents and now and commercial if you have that. Are there a number of them, too many to list?

CHAIRMAN CRESCIMBENI: Mr. Hazouri, what you're looking for --

COUNCILMAN HAZOURI: I'm not sure what I'm looking for yet.

CHAIRMAN CRESCIMBENI: I think what I'm hearing you say is you're looking for people that may be generating their own electricity through solar.

COUNCILMAN HAZOURI: Correct.

CHAIRMAN CRESCIMBENI: Not necessarily people buying electricity from these?
COUNCILMAN HAZOURI: No. And those who are getting -- and those who are -- how you-all are charging for them doing that, what kind of rates do they get for doing that, because that seems to be -- and I wish I had the exact question, and I can get it for you if you would like. You can talk to the owner over there.

Because it seems like -- I don't want to discourage anybody. And I know it takes away from you-all's ability to do other things, but I don't want to discourage anybody from using solar if they possibly can. And if they're having some difficulty, I want to know what it is, if there is anything we can do legislatively or through you-all to help move this along. I want to encourage solar if they possibly can. And they're building a 30,000 square foot or whatever it is facility over there. And that's a lot of power.

MR. POPE: Through the Chair to Councilman Hazouri, I have a one-page summary on JEA's net metering policy, which is what I think you're referring to, that
I'll be happy to send you. And if that doesn't answer your question, we can certainly keep going.

COUNCILMAN HAZOURI: Okay. But at the same time, I would still like to see what commercial facilities, whether they're doing individually or not, are using solar here in Jacksonville today and if that's growing.

MR. POPE: Yes, sir.

CHAIRMAN CRESCIMBENI: Actually, Mr. Pope, if you could provide the committee with a list that would include both commercial and residential locations that are generating their own solar power, I think that would be interesting. And I don't think we need the names of the individual customers, but just maybe a breakdown as of, you know, fiscal year 2018, at present we have 36 commercial entities. It might be good to also reflect in recent years, because I would be interested in how that's developing in terms of how many new people are signing up for solar. Is that any kind of geometric progression? Is it a steady percentage increase each
year? My understanding in some parts of the country, that is -- it's getting close to almost doubling itself.

COUNCILMAN HAZOURI: And, Mr. Chairman, the impact that it's having on you all as far as your income is concerned.

MR. POPE: Yes, sir.

CHAIRMAN CRESCIMBENI: Do you know how much -- Mr. Pope, do you know how much electricity those people are generating for themselves or you just know what you have to buy back?

MR. POPE: Through the Chair to Councilman Crescimbeni, I believe at present the total number of JEA customers that are generating their own power stands at 14 megawatts.

CHAIRMAN CRESCIMBENI: In power?

MR. POPE: At peak power, yes, sir.

CHAIRMAN CRESCIMBENI: You'll follow up with the individual quantity of those?

MR. POPE: Yes.

CHAIRMAN CRESCIMBENI: All right. Thank you, Mr. Hazouri.

Councilman Boyer.
COUNCILWOMAN BOYER: Through the Chair to Mr. Pope, just want to check my math on one thing here so I'm following. So we had a conversation before about Plant Vogtle and Plant Vogtle was going to supply somewhere around 12 or 13 percent of the power demand that JEA anticipated in the future. So if I'm looking down at the new pending solar, which is 250, and Plant Vogtle is 206, would I assume that the pending solar is maybe 15 percent? Somewhere in that vicinity? I mean, is that a comparative number? If 206 is 13 -- I mean --

MR. POPE: Yes, ma'am.

COUNCILWOMAN BOYER: So it's a comparable consumption number, a little bit greater?

MR. POPE: Through the Chair to Council Member Boyer, there is a difference between -- sorry, we're getting into things -- there is a difference between base load, which you would not want to rely on solar power for. I don't even know if you can, quite honestly, because if a cloud rolls over or if it's raining, your
production goes down.

And so Vogtle, a unit that could run all of the time and be that base load power, it's kind of apples and oranges a little bit, but, yes, that 13 and 15 percent, that would be accurate.

COUNCILWOMAN BOYER: Okay. Thanks.

CHAIRMAN CRESCIMBENI: Thank you, Ms. Boyer.

Councilman Love.

COUNCILMAN LOVE: Thank you.

Through the Chair to Mr. Pope, Mr. Pope, on this page, are these annual or monthly or what kind of numbers are these megawatts?

MR. POPE: Those are daily.

COUNCILMAN LOVE: Daily, okay. How much they can provide daily, all right. Thank you.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Love.

Councilman Gulliford.

COUNCILMAN GULLIFORD: Thank you.

Through the Chair, going back to the request about looking at, say, commercial businesses that are generating their own
solar right now, the other question that comes to mind is how does their cost of producing compare with the JEA's cost of producing, say, a kilowatt hour of electricity? I mean, that -- if you read much about this thing, that's becoming a bigger and bigger issue. You would think that JEA, by taking advantage of the same tax credit as these businesses are, with respect to solar power, would have an economy of scale that would make them more competitive on that production. And are we missing an opportunity to sell solar power to commercial businesses in lieu of them building or having their own?

MR. POPE: Through the Chair to Councilman Gulliford, I think part of the be-bold strategy, we will look at all that. I will tell you the new 55 -- the 5-50 megawatt solar installations, the contract price for those came in more than 20 percent below our current fuel rate. So these are -- so that's a great thing for our customers and our community. And to your point, solar is getting more efficient and
there may be opportunities.

COUNCILMAN GULLIFORD: On April 30th of last year in Germany, 85 percent of the power generated that day was by renewables, from renewables. And so we know what the trend is going to be.

MR. POPE: Yes, sir.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Gulliford.

Councilwoman Morgan.

COUNCILWOMAN MORGAN: Thank you so much. Through the Chair to Mr. Pope, thank you so much for the information. If I could expand on what you're going to bring back about the commercial businesses and the residential, would it be possible not to give us addresses, but to give us locations? Because -- the reason I ask is because sometimes, if one neighbor goes solar and starts talking to others, some in that neighborhood say, oh, I'm going to try as well. So I kind of want to see where around the city this is happening.

MR. POPE: Through the Chair, I think a map might be appropriate to demonstrate
COUNCILWOMAN MORGAN: Yes. I would love that. Thank you so much.

CHAIRMAN CRESCIMBENI: Thank you, Ms. Morgan.

Councilman Wilson.

COUNCILMAN WILSON: Thank you, Mr. Chairman.

I understand we're at 14 megawatts now. Can you maybe, in your document, explain the progression of where we got to that 14 megawatts? And maybe if you're able to, include the projection of where you think we might be in 5 or 10 years?

MR. POPE: Yes, sir.

COUNCILMAN WILSON: Thank you.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Wilson. Anything else?

All right. Mr. Pope.

MR. POPE: Thank you. Behind tab 13 is a one-page summary. This is in response to Councilman Hazouri's question comparing JEA to Tampa Electric. This slide compares JEA's electric utility to TECO's electric utility. Now, TECO has gas; JEA has water
and sewer. I can't really compare those
two, but we can compare apples to apples on
the electric utility. So you can see
they're about a little over double the size
of our service area. We both operate in
four counties. They have roughly 300,000,
maybe 280,000 more customers than JEA does.

As far as comparing -- I think this was
also part of Councilman Hazouri's question,
what would make TECO attractive to a
purchaser that -- as compared to JEA. To be
honest, that -- there are so many variables
when analyzing that, it really -- it wasn't
an exercise we felt comfortable with doing.
What we -- we really felt comfortable just
saying, here is what TECO looks like as an
electric utility, here is what JEA looks
like. But going back in time to the market
that was there when TECO was acquired as
compared to what the market looks like today
and what it could look like in five years,
it gets a little difficult to make that
comparison. So we felt like it might not
be -- I don't want to say accurate, but
maybe a -- not the best comparison for us to
make in regards to another utility.

CHAIRMAN CRESCIMBENI: Councilman Hazouri.

COUNCILMAN HAZOURI: Thank you.

When was TECO acquired? The reason I brought this question up, because the news -- and I don't want to get back into sale/no sale kind of thing. The reason I brought it up is because editorial after editorial, and I mentioned this to Mike Clark, is why are you comparing a private company to the JEA and it sold for $10 billion, it's half the size, and how we expect to get whatever everybody has added up and subtracted in three or four fold times, you know. So I just didn't understand what the comparison was with the TECO. We're out of that ball game now, hopefully.

But it did just kind of concern me, if you had a private company that went for $10 billion, it wasn't near the size, much larger than Jacksonville, or the JEA, and yet they're comparing that. And I never -- it's almost like we're going to get $10
billion or whatever it might be, and it really does sound like it's moot. And I was just curious when they did it and why we would even be comparing it to a private utility versus a public utility.

MR. POPE: Yes, sir.

COUNCILMAN HAZOURI: No thoughts on that?

MR. POPE: Well, again, through the Chair to Councilman Hazouri, as I mentioned, you add in TECO has gas, JEA has water and sewer. And you're really looking at two different companies. And so we just wanted to drill this down to what can we compare apples to apples, and these are some statistics. And to your point, it's a private utility versus a public utility. We think this is as far as we can take the comparison right now in response to your question.

COUNCILMAN HAZOURI: Last thing then, if you were -- okay. Like I said, this is the past, but why would a private utility -- I don't know what kind of money they were making or not making -- sell themselves for
$10 billion or whatever and get out of that business, and we're a public utility and we're trying to end up, not now, but selling to a private utility? I didn't understand the difference in that and why there would be even any comparison at all. It just didn't make sense to me.

And I didn't know whether you-all were part and parcel of that comparison or not when all this stuff was coming down. You don't have any thoughts on that?

MR. POPE: Through the Chair, I do not.

COUNCILMAN HAZOURI: That's a good answer. Thank you.

CHAIRMAN CRESCIMBENI: Mr. Hazouri, according to the PFM report, TECO changed hands in September of 2015, September 2015.

Councilman Dennis.

COUNCILMAN DENNIS: Through the Chair to Mr. Pope, thank you for being here. Thank you for continuing to give us good information.

Just kind of piggyback on Councilman Hazouri, and just had an opportunity to look through the market and regulatory changes
and how, you know, JEA has navigated over
the years. And you provided, you know,
close to 50 years of how the market has
changed and JEA has adjusted to that.

And in saying that, have you all had an
opportunity or have started looking at 5
years down the road, 10 years down the road?
And, you know, look at -- looking at the
market changes and how the utility will
adjust and adapt to those changes? Because,
in my opinion, I think that's the bottom
line, you know, being a forward thinker and
having some very, you know, smart people --
I'm not saying that you're not smart -- but
having smart people to kind of forecast and
move forward. So you kind of -- you kind of
share that, and then I do have a couple
follow-up questions as well.

MR. POPE: Through the Chair to
Councilman Dennis, JEA certainly has always
had its eye on the future. I think what
you've seen in the last eight days is that
JEA has a new set of eyes on the future.
And it's maybe -- while it is also market
and regulatory changes, it's tech- --
technology is such a driver in what's changing the utility market.

And to your point, that is what our focus is on that, what does it look like 5, 10 and 20 years down the road, and how does JEA fit into that. So that's the conversation we want to keep having. That's the conversation we need to have with all 19 of you on a consistent basis to know how does JEA continue on into the future and adapt to market regulatory, technological changes.

COUNCILMAN DENNIS: Through the Chair, you said only in the last eight days you've had different eyes look at it?

MR. POPE: Through the Chair to Councilman Dennis, what I believe I said was that JEA has always had its eye on the future. But under our new leadership, which happened in the last eight days, we do have a new set of eyes on that. So to that extent, we are, since we have a new leader, looking at the way JEA fits into market regulatory and technological changes a little bit differently.
COUNCILMAN DENNIS: So through the Chair to Mr. Pope, so I understand you said that JEA has always looked at. In the past eight days, you're looking at it differently. What's different about a new look at it? I mean, can you expound on that?

MR. POPE: Through the Chair to Councilman Dennis, I cannot expound on that only to the extent I'm not familiar with all of the ways that we would look at it differently. What I can tell you is JEA has a new leader of its organization. And what you have heard in one-on-one meetings and at this Committee today and at this Committee last week is we're going to focus on serving our customers and preserving the value of JEA. And to the extent that we need to adapt to all of these changes that you asked us to illustrate, we're looking at that. And, naturally, when you have a new leader, you look at that in a -- through -- with a fresh perspective. And that, I think, is what's happening at JEA.

And to illustrate that, eight days ago you didn't hear the words be bold, you heard
that today. And I think that's reflective of a different way we're looking at preserving the value of JEA and continuing to serve this community.

COUNCILMAN DENNIS: So through the Chair, do you see organization as being a conservative brand organization or an organization that's kind of cutting-edge? Or do you look at the organization as being a pioneer or -- I mean, how do you see JEA? I mean, what is the culture? I mean, because I would look at JEA as a very conservative, well-ran organization.

MR. POPE: Through the Chair, I would answer that by saying and using the word that I think we heard earlier today in that JEA is a company in transition, partly because it operates in an industry that is in transition. And as we look at that transition and what that looks like for JEA, we recognize the importance of interacting with all of our shareholder trustees in making sure we understand what's expected of JEA so that we can transition if needed and we can continue to provide a central utility.
services and preserve the value of JEA to this community.

COUNCILMAN DENNIS: So through the Chair, I wasn't here earlier and I'll -- I had another engagement. But at the last meeting, I know the new leader mentioned a pause button. Is that still the same sentiment of the organization and its leadership?

MR. POPE: Through the Chair to Councilman Dennis, I have not heard a change in the sentiment from what you just described.

COUNCILMAN DENNIS: Okay. So through the Chair, and I know my time is running up, and I shared this with your new leader and I'm going to share it publicly with my colleagues. You know, the first time I heard the word pause, my mind went to Netflix. You know, I'm watching a Netflix movie and I press pause. And I press pause so I can go to the bathroom and come back and start off, you know, continue the movie where I left off; pause, not stopping.

So I'm sharing that so again
everything -- you know, we talk about words and having to play on words. So I shared that with your leader today to say, listen, let's change that word from pause to what it really is, stop or, you know, we're going to continue. So those are all my questions. Thank you.

MR. POPE: Mr. Chairman, may I say one thing?

Through the Chair to Councilman Dennis, while I have not heard that sentiment has changed, I will also say that Mr. Zahn has committed to continue to support this committee in whatever way it has asked for however long it continues to exist.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Dennis.

Thank you, Mr. Pope.

Mr. Gulliford.

COUNCILMAN GULLIFORD: With all due respect, Mr. Chairman, through the Chair to Mr. Pope, while we're getting into this discussion about direction, I have to make folks aware that may not be aware that, when we were first elected, the JEA was in a
pretty tough -- it was in pretty tough shape because of the excessive debt burden that they were carrying.

And I did go as Council president to the rating agency meeting that year in New York, as has every Council president.

And, you know, it's kind of hard to talk about building an addition onto your house when the living room is burning down, or on fire. They had -- the rating agencies put great pressure on the JEA with respect to that debt burden and a certain amount of threat that, had they followed through with some of that threat, it would have been very detrimental to the utility financially. So while I applaud the direction now of being more bold, let's not forget the fact that in the past they inherited some pretty bad situations, financial situations, that I applaud them that they have dug out of that and it's been very, very difficult, I think Melissa will certainly tell you that, it's been very difficult for them to do that. So now we're in a position, better position, where we can go ahead.
But you can't lose sight of the fact that they are a utility that's driven by bottom line. And that bottom line is scrutinized by such folks as rating agencies. So there is some impediment that's placed on them because of that. Is that not correct, Mr. Pope?

MR. POPE: Yes, sir.

COUNCILMAN GULLIFORD: Thank you.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Gulliford.

Mr. Dennis, for the second time.

COUNCILMAN DENNIS: Through the Chair, I just want to comment to what Councilman Gulliford said. You know, Councilman Gulliford, when you came in and it was at -- it was at 2011, there were -- it was tough times here in our city. And I do think that, because of your leadership when you were president and the conservative nature of JEA, that was the reason why they were able to navigate, pay off debt and be a stronger company today.

And, you know, if you look at -- you know, we talk about Plant Vogtle and how
much debt, was that a bold action? You know, was that, you know, an action of not thinking conservative and not thinking, you know, you know, in the direction of, you know, keeping the agency strong?

So, again, you're absolutely right, you know, I think we need to be careful when we talk about bold so we won't get into a situation such as a Plant Vogtle.

But, again, I do want to, you know, thank you and my other colleagues who were elected in 2011 for your leadership in helping guide and navigate JEA so when, you know, the newbies on this committee, you know, Councilman Hazouri, Councilman Wilson, myself, Councilman Becton and Councilwoman Morgan, that, you know, now we're in a posture of an agency that's doing well, that's financially sound and that's going to definitely continue to grow and produce electricity and provide, you know, clean water for the ratepayers.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Dennis. No further questions.

Mr. Pope, you want to go on to the last
tab?

MR. POPE: Thank you. Tab 14 is a response to a question from Councilman Becton asking how other utilities are diversifying. So the seven bullets we have on this slide are just -- they are illustrations of what other utilities are doing. This may not necessarily be what JEA might consider down the road as we work to develop a framework and how that informs our strategic plan on how JEA might diversify or not diversify or grow revenues. And so this is -- this is just what some other utilities are doing, operating these as separate businesses. And so you see telecom on there, that's something JEA, as we've talked about in some other committees lately regarding those revenues. And so to some extent we're doing some of these, but it's just a list to show what other utilities might be doing. And we certainly plan to keep talking about this diversity question as we move forward.

CHAIRMAN CRESCIMBENI: Can you help me out with the definition of energy marketing
and distributed generation companies?

MR. POPE: Yes, sir. I'm glad you asked about energy marketing. I asked the same question this morning.

CHAIRMAN CRESCIMBENI: I tell you what, if you asked any other questions, go ahead and include those in your explanation. Oil and natural gas gathering, that sounds like we're trying to clean up after a spill or something.

MR. POPE: I shouldn't have printed the packet before I asked the question.

Energy marketing, if you've heard of the energy authority, these are companies that buy and sell power on the open market. So it's a -- JEA utilizes the energy authority as part of its business to achieve, really, cost savings for its customers in the energy market. There are other companies that do this apart from their core electric utility business. And so there are some utilities that are getting into that. It includes natural gas marketing and hedging and things like that.

Distributed --
CHAIRMAN CRESCIMBENI: Didn't you mentioned earlier back on tab 12 that you were buying some power from somebody and then reselling all of it to somebody else?

MR. POPE: The wind farm, that is a power purchase agreement. We don't actually take the power, but we purchased it at the time. We entered into that contract at the time for renewable energy credits, that we consequently do not need at this current time that the power was never --

CHAIRMAN CRESCIMBENI: I thought you said you were buying it and reselling it and we weren't actually -- you weren't selling it to any of our customers, sounded like you were doing this energy marketing thing. No?

MR. POPE: No, sir. It's not the same thing.

CHAIRMAN CRESCIMBENI: Okay.

MR. POPE: The wind is -- that power doesn't come here. We resell it. We really entered into that for the renewable energy credits. And we actually sell the power and the renewable energy credits at this time because we don't need either.
CHAIRMAN CRESCEMBENI: I'm sorry. So are we buying it or are we just assigning it to somebody else?

MR. POPE: The power purchase agreement, we take the power, we resell it in the market, as well as the energy credits associated with that power.

CHAIRMAN CRESCEMBENI: Doesn't that match your definition for energy marketing?

MR. POPE: Through the Chair -- or to the Chair, I don't think so because the -- what we are doing is through a power purchase agreement. This is a company that would --

CHAIRMAN CRESCEMBENI: A commodity, you're buying commodity?

MR. POPE: Yes, sir.

CHAIRMAN CRESCEMBENI: Oil and natural gas gathering, what is that?

MR. POPE: So that's the pipelines and the physical infrastructure in even the refineries that utilities are getting into, actually, installing this infrastructure. And, of course, they're operating that, again, as a separate business from their
utility business.

Distributed generation, I think the simplest explanation is solar panels on a roof. That's distributed generation. And there are companies getting into that, where they maintain the solar panels, lease the solar panels potentially --

CHAIRMAN CRESCIMBENI: Would the sale of metered gas to your existing utility customers be the second item?

MR. POPE: No, sir. I do not believe it would. I believe that's just the --

CHAIRMAN CRESCIMBENI: Is that not anything that is being considered with regard to diversifying?

MR. POPE: On JEA -- for JEA?

CHAIRMAN CRESCIMBENI: Yeah.

MR. POPE: So this list is just what other utilities are doing. JEA may consider all seven of these and we may go beyond this list. This is what other utilities are doing.

CHAIRMAN CRESCIMBENI: Doesn't TECO sell gas to customers?

MR. POPE: Yes, sir, they do.
CHAIRMAN CRESCIMBENI: Is that a form of diversification?

MR. POPE: Well, through the Chair, TECO is a gas utility, I guess maybe at one point, that was a diversification. I don't have a good answer to that question.

CHAIRMAN CRESCIMBENI: Okay. I've got some questions for you.

Councilman Hazouri.

COUNCILMAN HAZOURI: Thank you.

In looking at this list -- thank you for doing this, Danny -- what is the -- that's -- I hate to keep going back to yesteryear, which was last month. Why -- if we're trying to be competitive and looking at other utilities, private utilities, it seems like a while back we were throwing in the towel because we thought that other utilities may be able to do something better. But these are the things that I would expect you-all to be doing yesterday, today and tomorrow, looking at other opportunities.

And what is the difference in what -- the competition, if they're doing this, we
can very well do the same thing. I never understood why we were looking at the grass on the other side when we have it right here and we could be doing the same thing. And this sounds like, in our bold new electric authority of the South, that we're getting ready to do what we should have been doing all along.

MR. POPE: Through the Chair to Councilman Hazouri, I apologize if I've given the impression that we've never looked at any of these.

COUNCILMAN HAZOURI: I didn't think you never looked at it. I didn't mean it that way.

MR. POPE: JEA certainly has. We've talked about natural gas, we've talked about recently dark fiber and small cell and all sorts of other businesses. But what I think -- what I want to say out of that is we want to have a serious conversation and really look at which one of these can help preserve the value of JEA as we move forward.

COUNCILMAN HAZOURI: Don't you think we
all -- I mean, you know how we did the oil
back in the '70s, we were paying normal
price and then oil went up and then we
started doing short-term contracts and we're
doing a good deal and then they went back up
and we had no more -- I mean, why wouldn't
we have a multiple choice out there like
you're doing right here instead of just
concentrating on one? Obviously, that's
what other companies are doing. Their
business models -- if they're doing that
great that we think that they -- we would be
appealing to them to do the same kind of
thing, why wouldn't we be competitive, and
why wouldn't we be doing that, and why
wouldn't we be just as competitive as
Florida Power & Light or Duke Energy or any
of the rest?

MR. POPE: Through the Chair to
Councilman Hazouri, certainly this is
looking at diversifying different business
lines. To your point about oil, we have
certainly diversified our fuel mix since
1970 and we're in a much better position
there. It happened sooner than today,
but --

CHAIRMAN CRESCIMBENI: Thank you, Mr. Hazouri.

Councilman Gulliford.

COUNCILMAN GULLIFORD: Thank you,

Mr. Chairman.

Through the Chair, Mr. Pope, it's good to hear you make reference to the possibility that JEA might become a marketer of residential and commercial solar panels or solar installation or whatever else that might -- where that might go, because it seems like you are situated better than most to be able to do that. And I think utilities probably around the country are learning, probably learning that. So I'm glad to hear that you mentioned that.

MR. POPE: Through the Chair to Councilman Gulliford, I hope I didn't sound so excited about it that it sounded as if we were moving in that direction right now, but we are certainly evaluating that.

COUNCILMAN GULLIFORD: I'm sure you are, Mr. Pope.

You have given us a list of things that
other utilities have either engaged in or
looked in to drive their revenue. But as
with any business, revenue is not the only
component that needs to be addressed.
Because those of us that have owned
businesses and run them know that you can
drive 20 percent more revenue and have 40
percent more cost and the net effect is not
good on the bottom line.

So the question becomes is it something
that also, in this strategic planning and in
this assessment of JEA, that it might not be
appropriate to take a really good look by
somebody outside, because those of us in a
business tend to not -- that are involved
every single day with it, we lose sight
sometimes of things. And would it not be
appropriate to add to that plan for the
future, the immediate future, to get
somebody to do a strong assessment of our
operating expenses and how we might be
better served by initiating things that may
lower those expenses? I don't know if you
have the capability of coming up. I know
it's very difficult, because many times
comparative information is not fair because of the differences from one utility or one business to another.

But, certainly, one of the values we had in the industry that I was in was that we did have a national association that put together information where we could get comparative numbers, at least from a percentage standpoint with others in our industry and had some sense about how well we were doing on the expense side or the operational side of the business. And I haven't heard that discussed much. But -- and I haven't heard that JEA has in recent years gone outside of the utility to have somebody really assess it in a meaningful way. So is that something that might be addressed by the Board and by JEA in the near future?

MR. POPE: Through the Chair, I don't know. It sounds perfectly reasonable. And to your point, I think any new business line should be fully evaluated, not just for revenues, but costs. So I'm happy to take that back.
COUNCILMAN GULLIFORD: Good. Thanks.

CHAIRMAN CRESCIMBENI: Thank you,

Mr. Gulliford.

Councilwoman Morgan.

COUNCILWOMAN MORGAN: Thank you so much.

Through the Chair, Mr. Pope, I appreciate you trying to give us a definition of some of these different ways to diversify, but if you would, could I have definitions of all? And if I can get that, I would appreciate it. And if there is any kind of reference to it that could be an example for me, I would greatly appreciate that. And then that way, if I go back to look over this information, I'll have it right there, rather than trying to pick my brain and go, exactly what did he say.

MR. POPE: I will be happy to do that.

COUNCILWOMAN MORGAN: Thank you. I appreciate it.

CHAIRMAN CRESCIMBENI: Thank you,

Ms. Morgan.

All right. We are going to recess for 10 minutes for the court reporter, who is not up front today, she's in the back room,
for some reason. So we'll reconvene at --
it's 4:49 now. We'll reconvene at one
minute to 5:00. So we'll stand at recess.

Mr. Pope, will you -- I think Mr. Zahn
mentioned that the Board had authorized an
RFP for the search of a new CEO. Did I hear
that correctly?

MR. POPE: I believe that's the same
thing I heard, yes, sir.

CHAIRMAN CRESCIMBIENI: Okay. Can we get
a copy of that RFP when it's available to be
put on the street?

MR. POPE: Yes, sir.

CHAIRMAN CRESCIMBIENI: All right. Thank
you.

We'll be in recess for 10 minutes.

(Brief recess.)

CHAIRMAN CRESCIMBIENI: If we could have
everyone return to their seats, please.

All right. We'll go ahead and continue.

Thank you, Mr. Pope. Now you've given
us all the tabs that are outstanding as of
the last meeting; is that correct -- or
everything but the last meeting? All right.

Thank you. We'll see you here next week.
Moving on with our agenda, we have a few reports from our Counsel Auditor's Office.

Mr. Billy -- or, Mr. Peterson, I'm sorry.

MR. PETERSON: Not a problem. The first document that you will be receiving is a request that came from the Chair of the dollar amount necessary or the dollar amount increase to JEA customers to generate an additional $91 million on the electric side and an additional $25 million on the water side. This would be -- equate to 116 million JEA contribution the City is currently receiving.

The two sheets that are in this packet are the impacts to a typical residential bill, so 1,000 kilowatt hours on the electric side and then 6,000 gallons of water with a five-eighth meter on the water/sewer side.

Keep in mind that, to get to this 91 million and 25 million, we also factored in the increases that would result from franchise fees, as well as public service taxes. As we discussed in earlier meetings,
those compound upon each other.

So the impact to a residential bill would be $9.18 a month, a 7.4 percent increase over a current bill. And then flipping to page 2 on the water side, that's the top section, $1.27 increase per month; and then the bottom section sewer, $2.34.

CHAIRMAN CRESCIMBENI: All right. So I've had a lot of people ask about what is the value of the JEA contributions, so I asked them to perform this exercise. So, essentially, the money that is coming to the City in this year's contribution, 108 million, would equate to on a standard 1,000 kilowatts, 6,000 gallon water electric bill would equal a contribution from the customer -- residential customer a contribution of $9.18 on the electric side and $3.61 on wastewater.

And these would be in addition to similar increases on water, wastewater on the commercial side. He did not present those.

MR. PETERSON: That is correct. The numbers were factored in. We just presented
the residential.

CHAIRMAN CRESCIMBENI: Councilman Gulliford.

COUNCILMAN GULLIFORD: Just a point, Mr. Chairman, this includes franchise fees and utility tax; correct? I mean, we're not really talking about separate -- the actual contribution, if you excluded those, is not separated out in the impact that that's shown in the way of a rate increase; correct?

CHAIRMAN CRESCIMBENI: This exercise was what would it take to offset or replace the $116 million that comes in as a contribution. If we weren't making that -- if that wasn't a contribution from earnings and it was simply revenue from commercial and residential customers, what would that equate to in dollars and cents. So these numbers do include the franchise fee and the public service tax.

COUNCILMAN GULLIFORD: I understand that. But my point is that would be constant whether we had a private utility, public utility, whatever kind of utility.
CHAIRMAN CRESCIMBENI: That is true.
COUNCILMAN GULLIFORD: Yes, it would,
Mr. Anderson, it absolutely would.
The franchise fee stays constant at	hree percent regardless of whoever is
operating the utility or owns the utility.
So I just wanted to make that point, because
it has some validity to it. I'm not being
argumentative or saying that that's a big
deal, but I just think everybody needs to
understand that.

CHAIRMAN CRESCIMBENI: Right. The JEA,
that was, I think, expressed at a former
meeting. I think we get about $250 million
from the JEA, but only 116 of that is
revenue that actually comes from the JEA.
The balance is a franchise fee that the City
levies that anybody would collect on our
behalf. And the other is the public
services tax that --
COUNCILMAN GULLIFORD: Exactly.

CHAIRMAN CRESCIMBENI: -- anybody would
collect on our behalf. Those are constants
and it doesn't matter if it was the JEA or
FPL or Gulf Power or whoever. If they were
providing services in our jurisdiction, they
would be compelled to collect the franchise
fee or the public services.

COUNCILMAN GULLIFORD: And I think the
other significant number that the Council
Auditor has developed in the past is what
would be the shortfall if you had a utility
that was paying property tax versus the
contribution that we're getting now. And as
I recall, that was about $60 million that
we'd be short; correct?

CHAIRMAN CRESCIMBENI: That's correct.

COUNCILMAN GULLIFORD: I just think we
want to throw all those numbers out there.
Peterson loves numbers anyway.

CHAIRMAN CRESCIMBENI: All right. Thank
you, Mr. Gulliford.

Councilman Anderson.

COUNCILMAN ANDERSON: Thank you,
Chairman.

I'm trying to understand what we're
trying to drive at here. Does this say
that, if the City was not getting the $116
million, that the bills would be $12.79
less? Is that what the analysis is?
CHAIRMAN CRESCIMBENI: No. What this means -- well, it could be, it could be that direction as well.

But what this analysis was predicated on is, if we needed to collect $116 million and we didn't want to do that through the ratepayers, commercial and residential, what would that equate to in residential customers -- an average residential customer on the electric side and water and wastewater side. These are the numbers it would take along with similar increased monthly billings on the commercial side to get us 116 million. These do include the franchise fee and public utility.

COUNCILMAN ANDERSON: So can I make sure I'm -- so it goes either way, either way is what you're saying --

CHAIRMAN CRESCIMBENI: If we reduced our rates by these amounts, we'd have -- JEA would have 116 million less revenue and -- they'd have a little bit less revenue and then we'd also have the difference in less franchise fee and public service.

COUNCILMAN ANDERSON: Mr. Peterson, is
that really what the analysis was driving at?

MR. PETERSON: Through the Chair to Councilman Anderson, yes, sir.

COUNCILMAN ANDERSON: Okay. Thank you.

CHAIRMAN CRESCIMBENI: No one else on the queue.

Mr. Peterson.

MR. PETERSON: The second sheet with the title JEA Membership Totals By Fiscal Year, this was a result of a document JEA passed out last week, tab 5 of your notebook that had their memberships. And we were just asked to add -- or foot those columns. And so here are the fiscal year totals for each of those memberships.

CHAIRMAN CRESCIMBENI: You can add this to the back part. There is a section under tab 5, I don't think it's the last section, but there is a section in tab 5 that just has memberships, who they were paid to, year and the amounts, but there were no totals. So if you add up -- I had the Council Auditor add up all the totals. And you can see what the JEA is spending each year on
membership fees to various organizations
that are identified on the back tab.
Any questions on that?

All right. Mr. Peterson.

MR. PETERSON: And then the last
document is another attempt to answer
Mr. Becton's question on JEA's investments.
There is a three-page kind of PowerPoint
looking slides. JEA's investment portfolio
as of 9/30/17, the page 1 shows total
portfolio of $1.58 billion broken down into
various investment strategies.

And then pages 2 -- or page 2 is a
breakout of the municipal bonds. So if
you'll see on page 1 they have total
municipal bonds of $320.9 million. Page 2
is a breakdown of those 320 million.

And then on page 3, same thing for the
commercial paper, page 1 total commercial
paper 170.9 million and you see that
commercial paper broken down on page 3.

CHAIRMAN CRESCIMBENI: These are
investments that are on the JEA books;
right?

MR. PETERSON: That is correct, yes,
CHAIRMAN CRESCIMBENI: And on page 2, what were the universities listed on here? Penn State University, University of Kentucky, what would -- Texas A&M, what would those be?

MR. PETERSON: Through the Chair to the Committee, those universities would issue bonds to do projects at their facilities. And JEA purchases those bonds as investments that meet their investment strategies.

CHAIRMAN CRESCIMBENI: Indianapolis Wastewater, we would be purchasing another utility's bonds to develop their wastewater facility or something?

MR. PETERSON: It would appear so. JEA has a representative here if you have specific questions about any of these investments.

CHAIRMAN CRESCIMBENI: If you'll just state your name for the record.


CHAIRMAN CRESCIMBENI: So JEA is investing in bond sales from other utilities
that are financing infrastructure?

MR. ORFANO: To the Chair, correct, sir.

CHAIRMAN CRESCIMBENI: And there is a

lot of university bond investments here.

Are those for infrastructure improvements?

MR. ORFANO: Or refunding of existing

bonds that they've issued. Very highly

rated, I might add, for the university.

CHAIRMAN CRESCIMBENI: All right. Any

questions from the Committee?

Mr. Becton.

COUNCILMAN BECTON: Thank you.

Through the Chair, so what is -- kind of
give us an overview of what JEA's investment
strategy is and, you know, what kind of
retained earnings, if you want to call it

that, I guess, for a private municipal, what

is your strategy on that?

MR. ORFANO: Very good question.

Through the Chair to Council Member Becton,

we have an exhibit as well, I believe, that

Mr. Peterson handed out with our investment

policy itself. If I could read it, just a

couple of sentences from the first page.

COUNCILMAN BECTON: Where is that at,
before you begin? All right. We don't have that, so we'll just listen to you.

MR. ORFANO: I'll read a couple of sentences into the record, very important. The first is, JEA's investment portfolio shall be managed with the primary objective of safety of capital. JEA will strive to obtain the highest possible yields consistent with safety of capital, liquidity of the portfolio and prudent investment principles.

So I can't stress that enough.

Preservation of capital is our primary concern.

Our existing portfolio has a weighted average life of just under two years at present. The balances that you see on the first page are a little bit high. At fiscal year end, the cash balances reflect a full year of principal payments that are due the next day on all of our debt. We pay principal -- pay principal on October 1st and we pay six months of interest.

So just to give you a more representative balance, as of March 31st, we
had just over 1.3 billion of total
investments. So you see, there is about
$300 million of debt service payments that
came out of our total investments as of
10/1. And that happens every year.

COUNCILMAN BECTON: Okay. So --

MR. ORFANO: But the investment strategy
is extremely conservative, largely --

COUNCILMAN BECTON: I don't think
anybody is surprised, I guess. No surprised
looks up here that you might say that.

So what is JEA's strategy as far as how
much retained earnings that you hold versus
investing in how we're going to invest in
being bold or how we might use that capital
to further advance JEA's business strategy?

MR. ORFANO: To the Chair to Council
Member Becton, I don't get paid to be bold.
And just to be clear -- apologies.

COUNCILMAN BECTON: But you got to give
the fuel to the people who are, though.

MR. ORFANO: Correct, correct.

I want to clarify something on page 3,
commercial paper. For those that aren't
familiar with this instrument, that is a
debt instrument. Commercial paper are
securities issued from 1 to 270 days. You
might be confused seeing Apple at the top of
this list. That is a debt investment.

COUNCILMAN BECTON: Those are not cell
phones?

MR. ORFANO: We do not invest in equity
securities.

COUNCILMAN BECTON: Okay. But I still
go back. You haven't answered the question
that I'm asking in the sense of is there
a -- are you just squirrelling away cash --
I mean, at what point do you have to take
the cash that you generate -- that you might
say, well, let's just go pay off debt -- is
there a point where you make that capital
work for you in a sense of growing the
company or paying off debt? I mean, is
there some kind of defined strategy as we're
going -- a percent of equity or, you know,
PE -- I'm not a financial analyst here, so I
don't know maybe the exact term to give you.

But is there an amount of cash that you
guys say we have to have this on hand --

MR. ORFANO: We do.
COUNCILMAN BECTON: -- whether it's an
investment, short-term? And above this,
we're going to, you know -- we're going to
use this, perhaps, to make decisions to pay
down debt?

MR. ORFANO: Again, a very good
question. Through the Chair to Council
Member Becton, we also provided to the
Council Auditor our quarterly reserve fund
report. It's a detailed look at both the
electric system and the water and sewer
system.

All of our various reserve funds have a
specific purpose. Some of them are
unrestricted cash that are available to use,
as you say, to -- for further capital
expenditures or for debt repayment.

We then have restricted funds. Our debt
service reserve funds are restricted. Our
renewal and replacement funds are
restricted. So we have provided previously
to the Council Auditor our most current
quarterly reserve fund report. So we can
make that available as well.

COUNCILMAN BECTON: So your reserves are
separate from this. So this doesn't make up reserves?

MR. ORFANO: The reserve fund balances are -- this is just a summary of the overall securities. But these securities actually fund these various reserves.

COUNCILMAN BECTON: Okay. So through the Chair, so it does include those reserve allocations?

MR. ORFANO: Yes, it does. Yes, it does.

COUNCILMAN BECTON: Okay. So I guess somewhere then --

MR. ORFANO: And we would be happy to provide that to you.

COUNCILMAN BECTON: Okay. So somewhere, though, there has got to be some level of, you know, tucking away cash for the sake of, you know, making your balance sheet look good, where debt -- your interest rate on debt is going to be higher than the interest rate that you're bringing in, I'm sure, on some of these short-term securities and so forth where you say, hey, we would be better off paying off this eight-percent or
five-percent interest debt than just sticking it in a mutual bond fund that's giving us a point and a half or something. So I assume there is some strategy there that says anything over this we should consider higher debt interest payments.

MR. ORFANO: Through the Chair to Council Member Becton, absolutely. We have specific uses for all these funds. We have -- we do have discretionary cash, pardon me. But, again, we have a fuel reserve, for instance. And that balance was relatively high at yearend as well. There was approximately 131 million in the fuel reserve. At March 31st that balance had dropped to approximately 75 million based on a decision to drop that balance over time.

So, yes, we have specific objectives and requirements for these various reserve accounts. And we have a detailed 30-plus-page report that also includes all of the bond resolution requirements and the specific conditions around the use of that cash. And we'll be happy to provide that.

COUNCILMAN BECTON: All right. I look
forward to maybe continuing that
collection in the future. Thanks.

CHAIRMAN CRESCIMBENI: Thank you,
Mr. Becton.

Are you even allowed to be in the same
room as the new CEO?

MR. ORFANO: Yes, sir, I am.

CHAIRMAN CRESCIMBENI: Okay. I didn't
know if some kind of chain reaction would
happen because he's bold, bold, bold, and
you said you didn't get paid to be bold. So
I didn't know if you-all could even be in
the same room.

MR. ORFANO: Treasurers seldom get paid
to be bold.

CHAIRMAN CRESCIMBENI: I understand.
They don't go around admitting that, though.

Mr. Dennis.

COUNCILMAN DENNIS: Through the Chair,
so I'm looking at this sheet here. So kind
of help me understand. It says total
investment portfolio as of 9/30/17. So the
agency -- so the agency's -- let's get the
Federal Farm Credit Bank, right. That's
$172 million. Is that how much money we
have in that -- or invested in that bank?

MR. ORFANO: Through the Chair to Council Member Dennis, as of that date, that's how much cash we had invested in those particular bonds.

COUNCILMAN DENNIS: Okay. So --

MR. ORFANO: And to amplify on that, those security -- the agency securities are rated the same as U.S. Treasury securities. So they are AAA by Fitch & Moody's and AA plus by Standard & Poor's.

COUNCILMAN DENNIS: Okay. So Councilman Anderson, I know you're the banker. You're the only banker here on our Council, yeah -- no, not really. But you're the banker, right, of the -- you're our banker, all right.

And I know that my good friend, Councilman Love, you are an insurance guy. But you all sell investments at your company; right?

Okay. So what strikes me on this piece of paper, if you go down to PFM, money market fund, so we have $65 million invested in PFM money market fund. But then a few
months ago we had PFM going out soliciting an RFP to help whatever you want to call it. And then we had PFM come before this body to give us a valuation, evaluation. So I'm curious to know if the PFM money market fund that we have $65 million is the same PFM down in Orlando that is doing business over at JEA. And then once you answer that question, if it's yes, then I want to turn to my banker, you know, insurance guy over here and -- because I'm curious, to me, it seems like a conflict. But before I, you know, jump to conclusions, can you answer that question?

MR. ORFANO: Through the Chair to Council Member Dennis, they are affiliated. This is actually PFM Asset Management, an affiliate of PFM Group. Apologies, we probably did a poor job of labelling this fund. This is actually the Florida Education Investment Trust Fund. And that fund is administered by PFM, but that is open to various education, tax exempt entities, municipal entities in the state of
Florida. They currently have $1.1 billion under management in this fund. But it is an affiliate of PFM, the advisor.

But they have, for regulatory purposes, split out. I can't get into the legalities here in front of you today. I could provide further information if need be.

COUNCILMAN DENNIS: So Google is so, so, so amazing. So I Googled PFM money market fund. And when I Google that, it says PFM funds managed by PFM Asset Management, LLC. So I was like, wow, that sounds like the company out of Orlando. So I Googled again --

MR. ORFANO: They have an office in -- through the Chair to Council Member Dennis, they do have an office in Orlando. To give you an idea of the total -- and this is, again, just one fund administered by PFM Asset Management. They currently administer a total of approximately $79 billion in assets as of 9/30. And because it's NFL draft day, about a year ago or so, they just were awarded the investment advisory services for the NFL's pension
contributions. So this is a legitimate --
79 billion under management.

COUNCILMAN DENNIS: Through the Chair,
I'm not questioning they're legitimate. I'm
questioning is there a conflict of interest
here, because if this $79 billion asset
management goes under, guess what, we lose
65 million; am I correct? So I don't care
about the 79 billion, I care about my 65
million. Likewise, you know, a small
investment.

So I want to turn to my banker and my
insurance guy, and I would love to get your
thoughts on it. And should we be concerned
as a body on having a $65 million part with
PFM and then PFM is also doing, you know,
business with JEA?

COUNCILMAN ANDERSON: I guess you're
asking me. And you're asking me a lot of
questions about something that I don't think
we have a lot of information about. I
understand where you're going.

I think what you said was that this is
administered by PFM, but that the fund
itself is another fund; is that right?
MR. ORFANO: That's correct.

COUNCILMAN ANDERSON: And the fund is --

MR. ORFANO: And the fund is -- through
the Chair to Council Member Anderson, the
fund is comprised of, again, AAA, AA rated
municipal securities. It is a very
conservative fund.

COUNCILMAN ANDERSON: Yeah. And, you
know, I don't know how the rate compares,
but it strikes me as being -- is it a daily
money market rate?

MR. ORFANO: The average life of the
portfolio, I believe, is approximately 80
days.

COUNCILMAN ANDERSON: Is it fully
liquid?

MR. ORFANO: Yes, sir.

COUNCILMAN ANDERSON: It's fully liquid,
okay.

You know, Mr. Dennis, we ought to look
more into it. But it would not be unusual,
in my mind, that this would be a separate
part of the company. And, frankly, it's not
the investment portion itself. It's just
the administrative portion of it.
So I know that JEA has a very strict investment policy, which is approved by the Board and which is not bold in the way that you said. It's conservative, so that's appropriate. So, anyhow, that's kind of my thoughts.

COUNCILMAN DENNIS: So if I can just -- because I think I had, like, about two minutes. So as the banker on the Council, nothing gives you pause having seen the 65 million PFM money market funds, and then we also have PFM doing business in and around JEA that's totally separate from this, but, again, we have one company managing 65 million as well as advising, because I would think that I would advise for the best interest of my company and the bottom line, not for the best interest of --

CHAIRMAN CRESCIMBENI: Mr. Anderson, do you want to respond to that?

COUNCILMAN ANDERSON: Mr. Dennis, I'm not familiar with this, so I don't want to pretend that I have information that I don't have. I will say that my sense of it is that it's not unusual.
As a matter of fact, you would imagine a company like Bank of America, which owns Merrill Lynch, would provide services in the same way. They provide multiple services across business lines and they have very strict guidelines around that.

The financial service industry is highly regulated. And I would not find it, in my impression, unusual. Again, I'm not familiar with the specifics.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Anderson.

Are there any other things listed on this report that might be managed or administrated by PFM or is this the only one?

MR. ORFANO: To the Chair, this is the only one. I would point out the next fund, Florida Prime Fund, we actually pulled out of this fund -- this was administrated by the state. It had liquidity issues. JEA pulled out of this fund back, I believe, in '08 or '09. At that time Federated Investments took over the administration of this fund.

We elected to get back into this fund
about a year ago. The performance is, frankly, a little better than PFM. But I believe the fees that we pay on this fund are a little bit lower. That's what's driving the Florida Prime Fund. Again, highly rated AAA, AA securities, federated, it is Pittsburgh based. They have $11 billion under management right now.

CHAIRMAN CRESCIMBENI: Not related to PFM?

MR. ORFANO: Not related to PFM. And I will double check with my counterpart at the City, Mr. Greive, but I believe the City is investing through a PFM asset management as well. And I will get --

CHAIRMAN CRESCIMBENI: I tell you what, we'll just ask the Council Auditor, who may be looking for that, make sure you copy all the appropriate people in that email.

All right. Thank you.

Mr. Gulliford.

COUNCILMAN GULLIFORD: Through the Chairman, following Mr. Dennis' questioning, should we be concerned about Wells Fargo bank handling some of our accounts in light
of all the bad publicity and fines and the like that they've gotten in recent months with their mortgage operation, et cetera?

That might be a little tongue-in-cheek, sir. It might even be rhetorical. I don't see whether it's at all germane to the issue, because it is so heavily regulated, as Mr. Anderson has said.

The other thing that I think may have been lost on members of the Committee is that you mentioned the heavy regulation that's imposed on JEA, but also some cash maintenance requirements that leave some latitude. But the rating agencies look very, very strongly at cash on hand, do they not?

MR. ORFANO: Through the Chair to Council Member Gulliford, absolutely. Our days of cash on hand and days of liquidity are closely scrutinized by the rating agencies.

COUNCILMAN GULLIFORD: And that's a significant consideration?

MR. ORFANO: Absolutely.

COUNCILMAN GULLIFORD: And I think
everybody needs to be aware of that. Thank you, sir.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Gulliford.

Councilman Becton.

COUNCILMAN BECTON: Thank you.

Through the Chair, so if someone asked, you know, so we have all of this cash that we use to, you know, for retained earnings and, you know, for rainy days and future needs, and someone were to say, okay, we see all these investments and special munies, a lot of different other states and colleges within other states. And their concern was, why not take these type of funds and invest them into Jacksonville. How would you respond to that?

In other words, we're not using -- you know, we're sending this money out of state, nationally and so forth. And there might could be some synergies with things that we do right here in Duval County that these funds might make good investments in to our own community.

MR. ORFANO: Through the Chair to
Council Member Becton, are you speaking about specific bond -- debt investments or capital -- to invest actual capital?

COUNCILMAN BECTON: I'm probably just backing -- probably backing debt, you know, probably backing projects -- you know, just doing the same thing, but having something there that says Jacksonville rather than Ohio or Texas, you know. Whether it's -- however you want to define it, kind of all of the above, but something that's within our 850-mile confines here.

MR. ORFANO: Through the Chair to Council Member Becton, a valid question. We have a significant presence here in the state of Florida. There are various Florida either municipal or education entities. Diversification is key. There is a number of names here both in the state, outside the state. And, frankly, at times it's subject to availability.

These bonds are, when they're sold, similar to when we went to the market in December with the refunding transaction, the demand often exceeds the supply by multiples.
of -- as many as 10 times.

So our chief, our investment specialist
and manager of cash investment struggled to
even find homes for some of these
investments, frankly. It's a very
competitive -- and JEA, while a sizable
entity here in Jacksonville, is up against
investment portfolio analysts for major
corporations both here in the U.S. and in
the world, frankly.

So we're doing the best we can. I could
follow up at a later date to talk about
specific Jacksonville or North Florida
investments, but, again --

COUNCILMAN BECTON: Let me just comment
and say this, our treasurer, just like you,
you know, we're kind of on the other end to
where, if there is a demand for our paper,
then our interest rates go low. It becomes
competitive where -- and I think we've got
just about as good of a credit rating as
probably anybody on this sheet that might
say, you know, the Jacksonville munies are a
conservative investment. But I don't see
any of those on this sheet to where we can
say, you know what, we at least own a little bit of our own city. You know what I mean?
And I think that's just been a dialogue that I've had with constituents to say, look at this and see if we're investing in our own home turf.

Now, obviously, you don't want all your eggs in one basket. And you certainly want to be careful and buy too much of your own stock, so to speak. But, once again, we're talking about just a safe of debt, you know, within our own confines as you might see in some of these other states and counties.
And, you know, just, surprisingly, I see none. But JEA could help by reduce -- you know, by making more demand on our buying issuances saying, hey, we would like a little bit of the action too in helping us get a bigger bang for our buck.

MR. ORFANO: Through the Chair to Council Member Becton, appreciate the feedback. Again, we have credit rating threshold levels as well. And the City, Mr. Greive and his team are issuing revenue bonds that are below the AA -- while the
City has a AA GO rating, the AA minus rating on revenue bonds is slightly below -- again, there are other considerations, as you say, around investing in our owner.

But I'll be certainly to take that -- to take that on and discuss this with our interim CFO leadership here and with Mr. Greive. We have a terrific relationship.

COUNCILMAN BECTON: Thank you for that answer. And I understand maybe we don't live up to the level of expectations that JEA has. But, still, there is just a little bit of pride in saying, you know what, we may not have a significant liability in this, but at least there is a line item here that we try, you know, that -- as long as it's not, you know, beyond the risk tolerance that you guys just say, you know what, it's not even worth having it on our balance sheet to say Jacksonville there. But just a thought. Thank you.

CHAIRMAN CRESCIMBENI: Thank you, Mr. Becton.

Anybody else on the Council Auditor
report? I don't have anyone else on my queue.

All right. Thank you, sir.

Next is public comments. I only have two speaker cards. Does anybody wish to speak that hasn't filled out a speaker card? If you do, you need to do that now. The first speaker card I have is Dwight Brisbane. Mr. Brisbane here? Followed by Jason -- is it, Baber or Baber (pronouncing)? I do not remember from last time. I can't remember yesterday. It's been a long day. Baber, okay.

MR. BRISBANE: Dwight Brisbane, 5056 Johnson Creek Drive. I just have a couple questions for -- pretty much for Council Members, as well as JEA executives that are still remaining. So now that the conversation is over about the sale or no sale of JEA, what I'm speaking for, you know, from a community perspective, is what are the plans for the Council to address the $2.5 million contractor construction agreement that JEA currently has with Plant Vogtle, question number one.
And kind of going along the lines of Councilman Becton, why not take those resources and invest those back into the community and provide infrastructure, better service and lower rates? That's what I have for you.

CHAIRMAN CRESCIMBENI: Thank you, sir.

Any questions for Mr. Brisbane?

I suspect those will be questions that we'll be addressing shortly as we try to turn into the home stretch of this committee's work, so stay tuned.

MR. BRISBANE: Thank you.

THE COURT: You're welcome back at any time.

Mr. Baber.

MR. BABER: Hello. Jason Baber, my address is on file. Hopefully, I'll keep this short too.

I had two comments: One was the email I already sent to all of you earlier in the week, I wanted to say that for the record. Councilman Dennis, your legislation you introduced about revamping the JEA Board, I'd just like to state that there is a lot
of us that don't think that goes far enough.
One, it should not just by the JEA Board.
We've seen, sitting here in these meetings
and watching the Council meetings since this
started talking about Kids Hope Alliance and
the other boards, where similar things have
happened. I would like the Council to think
about expanding that to fix this across the
city. And maybe including not just mayoral
appointees and council appointees, but also
having some elected representation and maybe
even employee representation on each of
those boards.

That being said, the other thing is
earlier -- and I didn't mean for this to be
responding to Councilman Dennis the entire
time. But earlier he was asking Mr. Pope
about if JEA is conservative or how they're
going with that. Part of what I do in my
job every day at JEA involves analyzing the
solar stuff that comes into our distribution
system and how it affects the customers
around it. And part of that I'm paying
attention to how the solar stuff is going in
the rest of the country.
I was sitting here trying to find the original article. I could not find the one I saw from 2015, but a simple Google search, what I just did, top solar cities in the United States, the very first thing that came up was from some place called Environment America and they did a shining cities of 2017. And in their top 20 cities of 2017, Jacksonville was already number 19 for solar, just two years ago. That's not including what you saw today with the 250 megawatts, all that.

I scanned through real quick. Number one in the entire United States was San Diego with 303 megawatts.

Now, I don't know what their methodology is, or how they came up with those numbers. Looking what they had for us, it looks like they were only including in their stuff for 2017 the Jacksonville solar that we've had for years out by Brandy Branch. But you saw today how much more we already have from that.

So I would say in some things we're not very conservative; we're leading. On other
things we're changing over software when Microsoft stops supporting it and a building that's 40 years old, so maybe that's conservative. Thank you very much.

CHAIRMAN CRESCIMBENI: All right. Thank you, sir.

Any questions for Mr. Baber?

All right. Anybody have any announcements? If not, then we'll wrap this up. Our next meeting will be two -- I'm sorry, one week from today, 3:30 p.m., Thursday, May 3rd here in Council chambers.

Thank you all for being here, particularly everybody that started at the beginning and stayed to the end. I appreciate your commitment to this process. This meeting is adjourned.

(Meeting adjourned at 5:40 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 115, is a true record of my stenographic notes.

DATED this 3rd day of May, 2018.

Amanda E. Robinson, Registered Professional Reporter, Florida Professional Reporter
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