

**OFFICE OF THE CITY COUNCIL**

117 WEST DUVAL STREET, SUITE 425

4TH FLOOR, CITY HALL

JACKSONVILLE, FLORIDA 32202

904-630-1377

**Special Committee on the Future of JEA Meeting Minutes**

**May 10, 2018**

**3:30 p.m.**

**Topic:** Future of JEA

**Location:** City Council Chamber, 1st floor, City Hall – St. James Building, 117 West Duval Street

**In attendance:** Council Members John Crescimbeni (Chair), Greg Anderson, Danny Becton, Aaron Bowman, Lori Boyer (dep 5:25), Anna Lopez Brosche, Garrett Dennis, Al Ferraro, Reginald Gaffney, Bill Gulliford (dep. 5:04), Tommy Hazouri (arr. 4:04), Jim Love, Scott Wilson

**Excused:** Council Members Matt Schellenberg, Doyle Carter, Sam Newby, Joyce Morgan, Reggie Brown, Katrina Brown

**Also**: Peggy Sidman - Office of General Counsel; Phillip Peterson and Jeff Rodda - Council Auditor’s Office; Staci Lewis and Althea Henry – Legislative Services Division; Jeff Clements – Council Research Division; Nancy Kilgo and Jordan Pope - JEA

**Meeting Convened**: 3:33 p.m.

Council Member Crescimbeni called the meeting to order and the attendees introduced themselves for the record. He announced that a topic for the next committee meeting will be an appearance by the Supervisor of Elections to discuss the straw ballot referendum authorized by Ordinance 2018-141E on whether City Council should call for a binding referendum on the terms and conditions of a proposed sale of JEA. At the following meeting, representatives of the Florida Public Service Commission will address the committee. Because of the travel required to and from Tallahassee by the PSC staff, the May 24th meeting will begin at 2 p.m.

JEA follow-up items

Jordan Pope of JEA presented information requested at previous meetings of the Special Committee.

JEA solar power issues: there are 8 solar power purchase agreements for sites in Jacksonville to be operated by various companies. Some of the sites are owned by the JEA, others by the operator. JEA has 33MW of solar capacity currently in operation, 6 MW under construction, and will add 250MW in 2019-20.

Commercial and residential customers producing their own solar power: 59 of JEA’s commercial customers and 1,463 residential customers currently generate their own solar power. JEA’s cost to purchase solar power is $0.075 from large scale solar producers (2015 Phase 1 and 2 system) and below $0.0325 for new large scale producers from the 2018 RFP. In response to a question from Council Member Dennis about why the number of commercial solar self-producers is so small, Mr. Pope said there are probably numerous considerations and he didn’t want to speculate about why companies make the decisions they do. He said that JEA doesn’t yet consider solar power an immediate threat to its electric operations, but it is a growing trend that bears watching. Mr. Dennis asked if JEA could project when solar power production reached a tipping point that would constitute a sea change in its business model. Mr. Pope said that a utility needs to have a certain amount of generating capacity available at all times to serve its customers, including those who generate a lot of their own solar power, so JEA is acting as the backup power supply for solar users who will need its services when weather or other conditions reduce solar generation. In response to a question from Chairman Crescimbeni about whether the change in JEA’s net metering policy has produced a change in the number of solar users, Mr. Pope agreed that the announcement of the change in the policy may have caused a bump in the number of installations before the deadline from customers trying to lock in the higher net metering rate.

Council Member Becton asked JEA to present information on what a typical residential solar installation requires in the way of equipment, how much it costs, how much power it produces, and what is the amount of the net metering differential. In response to a question from Council Member Gulliford, Mr. Pope said that the expected lifespan of a solar farm is 20-30 years. Mr. Gulliford said that it seems logical that electric utilities would get into the solar business as a matter of self-preservation, and speculated that generating power from a large, utility-operated solar farm is much more economical than by generating it on individual homes and stores with small systems. Council Member Love felt that JEA could get into the solar panel installation and leasing business to serve its customers who might want to acquire a solar installation from a known, trusted provider.

Comparison of power costs of the St. Johns River Power Park v. Plant Vogtle: Mr. Pope presented a comparison of the cost of generating power at the SJRPP versus a power purchase agreement for 200MW of power from Plant Wansley in Georgia, not the cost of power from Plant Vogtle since that plant is not yet in operation and the cost of its power is not entirely clear. The cost of purchasing 200MW from Plant Wansley is considerably less expensive than operating the 1,000MW SJRPP when only 200MW of is actually needed.

Capital budget prioritization: Mr. Pope discussed how JEA develops its capital plans and how it prioritizes different aspects of its needs (capacity, renewal and replacement, and support services). He noted that the 6 groupings of projects (safety, environmental/regulatory, renewal and replacement, growth and capacity, efficiency/optimization, and joint participation projects) are all important and spending decisions are a trade-off among the competing priorities. Ms. Boyer said that the information provided did not completely answer her question about prioritization strategies and she will work with Mr. Pope to clarify her request. Council Member Anderson requested details on what is included under “Technology Services – Water” line item.

Electric sales projections: Mr. Pope distributed charts showing several kinds of sales projections produced for different purposes, extended to 10 years from the 5 years presented previously. Council Member Anderson asked for projection of electric revenues over those same 10 years. In response to a question from Council Member Dennis about whether the City Council should be informed of and review JEA transactions over some threshold value, Mr. Pope said that he would relay that question to JEA upper management for a response. In response to a question from Council Member Hazouri about how many entities qualify for JEA’s tariff for large users, Mr. Pope responded that it covers the U.S. Navy, City of Jacksonville and Duval County Schools. He said there are two economic development incentive tariffs.

Utility diversification areas: Mr. Pope distributed a sheet with enhanced definitions and examples of how other utilities are diversifying their operations into related fields.

The committee was in recess from 4:37 to 4:44 p.m.

Chairman Crescimbeni thanked Mr. Pope for supplying the committee with all the information it has requested and supporting the Council’s consideration process.

Jacksonville Civic Council

Michael Ward, former CEO of CSX and Chair of the Civic Council’s subcommittee studying the JEA issue, said that fundamentally the proper question to be asked is not to sell or not sell JEA, it’s how to best maximize the value of the asset to the City and it taxpayers. To do it properly will take 9-12 months of study. The Civic Council will continue its work despite the Mayor’s recent statement that a privatization of JEA is off the table for the time being. The subcommittee is in the data gathering phase and Howard Serkin of Heritage Capital Group is doing a cash flow analysis that will lead to ideas for enhancing JEA’s value (i.e. sale/leaseback of assets, leveraging JEA’s very strong balance sheet, alternative operating models, etc.). In response to a question from Chairman Crescimbeni, Civic Council Executive Director Jeanne Miller said that the council has previously done studies in the areas of education, public finance, the city pension system, downtown, UF Health as the City’s safety net hospital, and the Human Rights Ordinance. Ms. Miller said that the Civic Council does not always issue public reports resulting from its studies, but anticipates that it would in this instance. Council Member Gulliford urged the Civic Council to look at JEA’s operating expenses to see if there are opportunities there for improvements. Mr. Ward said the nature study will depend in part on the ultimate goal – is it to determine how much JEA might be worth to private buyer? Is it to run JEA better in its current business lines? Is it to determine how to monetize various JEA assets to generate cash? The Civic Council has retained Gerry Hartman, an engineer and certified appraiser from Central Florida, as a utility industry expert to provide in-depth analysis of JEA.

Mr. Ward said that his group will be meeting with JEA’s management team next week to discuss the study. In response to a question from Council Member Bowman, Mr. Ward said that the Civic Council was very strict about ensuring that no one participating on their subcommittee has any real or perceived conflict of interest with regard to the JEA. The JEA is providing all the information the subcommittee has requested, but is trying to be careful not to give the appearance that it is using the study process to shop itself to potential buyers. In response to a request from Council Member Dennis, Mr. Ward clarified that his earlier comment about JEA “definitely being changed” by the end of the study process was meant to convey that many good ideas will be raised during the study process, some of which JEA will likely want to adopt to make itself a better utility. Mr. Dennis suggested that the subcommittee review and comment on JEA’s governance structure; Mr. Ward said that he would relay that suggestion to Civic Council leadership, but cautioned that the topic of governance may be outside the scope of pure fact-finding to which they are adhering. Council Member Boyer said that one of her top priorities is finding out how JEA could generate more cash flow for JEA utility expansions and improvements, not additional cash for the City to utilize. Jeanne Miller said that the Civic Council is doing an in-depth study of comparative city and county taxes for comparable cities and counties both inside and outside Florida to determine how Jacksonville compares with other places on taxing and spending in numerous areas. Council Member Anderson suggested that the subcommittee consider making a recommendation on how often a valuation study should be done of the JEA and what methodology should be used.

Committee discussion

Council President Brosche distributed copies of a letter she has written to Alan Howard, the Chair of the JEA Board, with a list of 10 questions concerning the hiring of Aaron Zahn as Interim CEO that she hopes Mr. Howard will discuss with the committee at a future meeting.

Council Vice President Bowman said that he will be filing legislation to require all of the independent authorities to make an in-depth report to the City Council every 18 months on their operations, opportunities, challenges, future plans, etc. Council Member Anderson reviewed the various bills pending on the subject of JEA and the timing of their committee and council consideration dates.

Public Comment

Karen Morente talked about the value of JEA to the community, the number of employees and retirees, and the fact that JEA is as valuable as businesses that the City incentivizes to relocate here. The citizens of Jacksonville should be able to vote on any proposed sale of the JEA.

Valerie Gutierrez said that Council Member Gulliford misspoke earlier in the meeting when he said that Germany gets 80% of its energy from renewable sources – it’s really 27% She cautioned about JEA getting into the household solar power business because of the amount of work involved in repairing damage after hurricanes, which is extensive and costly. She advocated for passage of pending bill 2018-248 (resolution opposing sale of JEA). She lamented that the process started so poorly and caused so much anxiety among JEA employees and in the community. She hoped that the next Council President would continue the committee so the general public can be informed about everything that’s going on.

Alicia Grant said that installation of solar panels in wetlands could be detrimental to those wetlands because of the heat they attract.

Next meeting – May 17th at 3:30 p.m.

**Meeting Adjourned**: 5:36 p.m.

Jeff Clements, Council Research Division

5.14.18 Posted 3:00 p.m.