

November 25, 2019

The Honorable Scott Wilson
Jacksonville City Council President
117 W. Duval Street, Suite 425
Jacksonville, FL 32202

Dear President Wilson and Colleagues:

First, let me start by saying that, just like most of the people who have voiced their opinions surrounding JEA, I love Jacksonville and care deeply about our city's future. I have three young children and realize that the critical decisions made by the leaders of our city today will impact our children's future. There are many different opinions about the future of JEA, but we must work together to find compromise. JEA's board of directors have made/will make recommendations throughout the process, and the City Council and Duval County voters will have the final say related to any substantial change to JEA's current business structure. There's still plenty of road to travel and there's no perfect process. I see this as an opportunity for each of us to step back, objectively assess the situation and educate ourselves on the options.

As I understand it, during its July 23 board meeting, JEA's board of directors unanimously voted to approve a resolution authorizing JEA's senior leadership team to look at different options to its current constrained business structure. My takeaway from that meeting was that the JEA senior leadership team would go through, what I can only imagine, to be a difficult process of examining multiple possibilities for the JEA of the future. And it is logical to go through this thorough process. The biggest challenge, as I see it, is that all of the examination is being done in the public eye, where reason and emotion often collide.

We have to get back to asking the question – what will happen to JEA if absolutely no changes are made? There is no debate that the industry is changing quickly through innovation and technological disruption. Doing nothing, or moving at a slow pace, leads to irrelevance and diminished value. Just take a look at Blockbuster, Toys “R” Us or Kodak for example. I'd like to encourage us to make a concerted effort to understand the scenarios that JEA's board asked its senior leadership team to review, two of which mean the utility would remain community owned.

- Scenario 1 is making no changes and JEA remaining “status quo.” It means continuing to operate as if JEA is still working within a predictable, low-uncertainty environment. This would also mean ignoring market and industry trends, disruptions and opportunities, and could lead to steep revenue declines and growing irrelevance.
- Scenario 2 is the traditional utility response. This alternative option is how most other government-owned utilities are addressing today's market uncertainty. While there's an acknowledgment of industry trends, disruptions and opportunities, “solutions” center on what can traditionally be done to stabilize profitability, pay down debt and maintain standard electric, water and wastewater services for customers – but within the constraints of a government-owned utility. This scenario would most likely include significant headcount reductions, along with negative impacts to service quality and rate increases.

Scenarios 3, 4 and 5 are all non-governmental alternative options that would remove government-owned constraints and allow JEA to do things like diversify into new, revenue streams and invest in new innovative services for our community. In my opinion, these are the greatest options for our city.

- In Scenario 3, JEA would convert into a non-profit organization that's owned and run jointly by its customers as members, who share the profits or benefits. The Clay Electric Co-op is an example of this type of utility.

- Scenario 4 is an initial public offering (IPO) and would convert JEA to a corporation, offering shares to the public in a new stock issuance.
- And finally, there's Scenario 5, the investor-owned alternative option that would mean privatizing JEA. Fully exploring Scenario 5 meant issuing an Invitation to Negotiate (ITN) in August, while also ensuring that JEA employees, the community, and the environment are taken care of in the best possible way.

At first blush, these scenarios may seem unrealistic to many of us who have always known JEA in its traditional government-owned form. The best option is still being investigated. The board has not made their recommendation on what the JEA of the future looks like yet. Until then, let's stay engaged in a thoughtful way. JEA is too important to our entire community to make a decision on its future without evaluating every option. Once JEA's board has a recommendation to present to City Council, let's make sure we understand it. And let's trust our elected city officials and voice our opinion through our vote.

Sincerely,



Ricky Caplin
Chief Executive Officer, HCI Group

Cc:

The Honorable Lenny Curry, Mayor
Jacksonville City Council