
From: Miller, Carla
Sent: Tuesday, December 24, 2019 10:25 AM
To: CM
Cc: Hodges, Lawsikia
Subject: Negotiation Meetings of JEA--Notes from Ethics Director
Attachments: 2 JEA Nov 29 E .docx; 4 JEA Dec 3 E.docx; 1 JEA Nov 25-27 E .docx; 5 JEA Dec 4 E.docx; 3 JEA Dec 2 E.docx; 6 JEA Dec 6 E.docx

Dear Council Member:

I would like to thank the Council President for allocating funds for me to go to Atlanta to monitor the JEA negotiation process. As part of my travel report to City Council, I am attaching my notes of the negotiation meetings prior to the Atlanta meetings. (These were confidential prior to the ITN withdrawal this morning.)

I will have an additional report coming to you after Christmas on the Atlanta meetings. (Note: a court reporter was present at all of these meetings, so the actual transcript would be the best record of the entirety of what was said.)

Happy Holidays,
Carla Miller
Ethics Director

PS. If any file is encrypted and you need a password, it is JEAITN

JEA Meetings

Nov. 25. Approx. one hour training. (CM did not attend)

Nov. 26. 3:30 Next Steps. Strategy Session

8 in play.

SMEs are: Ryan W.; Melissa Dykes; Aaron Z; H. Vineyard; advisors JP Morgan, Morgan Stanley; Foley; Pillsbury (Andy Wiseman)

SMEs and Advisors will do analysis and prepare summaries for negotiators (an executive summary)

Time: Friday and Monday: ask questions of Rs; it will be recorded. Tuesday—strategy session

JEA Management Presentations will be week of the 10th

Should be 2-4 to presentations; there will be a separation in the field.

Stephanie Burch was chosen to be lead negotiator.

Nov. 27. 3pm Strategy Session (phone)

(CM said people call in on phone should announce their names for Court Reporter so it is clear who is speaking)

Negotiators have reviewed documents. Advisors should put together advice on combining offers.— need advice on pair ups with financial analysis. SMEs are doing finance piece.

Question on retirement of debt . Responses have large differential in amounts on retirement of debt

Nov. 29 JEA (phone)

Phone interviews with first 3 Rs Respondents.

(Foley/Melissa Dykes.; JP Morgan ; Chase Morgan; attorneys)

Meeting from 9-9:30 Strategy Session

(Discussion on if a person is on one call, they should be on all calls for fairness); Questions only received from financial advisors for the day.

9:30 JEA PPP. 12 people. Asked for allocation between water and electric. There is debt defeasement.

How quickly can they do due diligence (90 days).

10:30 Next Era

Will provide allocation between water and electric. Still evaluating rate assumptions.

How much optimization—did not pick a precise number. JEA is their first priority. Is consent required? If shared facility is retired, there will be changes and less personnel. Needs FPSC approval of aspects. Intention as to electric employees, attrition 50%; decline in operating expenses. Fair amount of attrition. Decline in operating expenses tracks employee attrition. They would honor certain obligations. They anticipate approval needed of FPSC of water. They want to be a long term owner of assets. Is there intent to make employment offers to all JEA employees? Have not given a lot of thought to this question. Will take employees at closing, but then it has to meet business plan. Can be attrition.

11:30 McQuarie

Discussion on due diligence needed; rate assumptions. Certificate of Authority required for water from FPSC. Process could take some time. Will employment offers be made to all?

Dec. 3, 2019

Carla Miller (document handed out evaluating all current proposals; taken back by JEA at end of meeting)

1. There were 16 original replies; 3 rejected. 13 evaluated and 4 scored less than 75. So 9 invited to bid, and only 8 did so.

American Water Works (water)

Duke Energy elec

Emera and Blackstone (elec)

JEA PPP (all)

Blackstone Capital/Suez/ Emera (all)

IFM all

Macquarie MIRA all

Next Era Energy (all)

2. All 4-5 billion net except top one, Next Era (6.42)
3. Next Era: Question of treatment of Plant Vogtle project. And, interpretation of MEAG (City to retain ownership of Plant V?)
4. JEA PPP, complex structure; 50 year agreement and then back to City.
5. How quickly can all do due diligence.
6. S. Burch (SB): it needs to go to Board of JEA at end of January.
7. Randall: we need to drop IFM; Argo too complex and too much risk on City.
8. SB: with the JEA timeline (end of Jan) can they all meet that deadline? (The top 5 discussed) at 2:48pm: all contracts have to be signed and final by end of Jan; banker in NY says that is "an extremely aggressive timeline".
9. For next round, there will be 5 entities that will make up 4 potential contracts (2 combine for water and electric)—"they deserve a chance to partner".
10. Need to review time frame and try to get to 2 entities.
11. 2:52, "charge to the finish line". If pairing, do now, by end of month. Asked if due diligence could be done by all by end of Jan...answer "yes".
12. SB: aggressive time period, and a lot of work, but they will make it work. Some might drop out.
13. Discussion about telling lower ranked entities that "you are far from top of bids" so they are aware of risk of preparing for the Atlanta meetings.
14. Robert Hosay 3pm; yes, notify them that they are low in bid so you only negotiate with one entity, 2 at most.
15. SB; send email to all bidders notifying them that there is a significant gap; email going to parties moving on.
16. Finalists: Next Era; Macquarie; Duke; Emera and American Water;
17. SB: Should also include JEA PPP. It's a heavy lift to evaluate in the timeframe we have (end of Jan.) In this scenario, city retains ownership
18. SB: Some in the group will "self select" out b/c of timelines.
19. 3:17pm Eddie talks about the aggressive time line and how tight it is; some will "down select"; leave the process. Having 6 respondents will be a challenge.

20. 3:22pm SB: I want to scare people away “they have a lot of ground to make up”—get that across.
21. 3:24 Banker: better to have bankers call them with “nuanced conversations”; should be oral conversations by bankers to give them “nuanced color”.
22. ? on how does this comply with JEA procurement code? Lynne asked if this is normal protocol. Usually, it would be done face to face and not in writing. Should be face to face.
23. Tell bidders they are very far from #1 in some way.
24. Must know what content is relayed; conversation switched to doing it on the record in a negotiation meeting.
25. Can they ask SMEs to reach out with “nuance”? It is a friendly thing to do to tell them they are not close so they can drop out before spending more money on the process. SB—some may not want to make the trip.
26. Melissa Dykes—can SMEs participate in discussion? Legal: yes, they can provide guidance in negotiation sessions. Invite JEA advisors into calls, as there is an art in how this is communicated.

2pm-around 4pm

FINALISTS (ATLANTA MEETINGS):

Finalists: Next Era; Macquarie; Duke; Emera and American Water and JEA PPP.

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Dec. 4. Phone calls to “finalists”

1:30 Strategy Meeting. New confidentiality statement read on photos and notes.

There will be a Transaction Announcement at the end of Jan. Todd from Morgan Stanley will give feedback to those moving on. There will be a process letter so they know what is coming up. DPRs will reach out to them. Top bidder (Next Era) does not need evaluation guidance.

Travel to Atlanta; Mayor’s office will pay for Ns.

PHONE CALLS.

2pm Next Era. Access to Data Room now. Schedule: 1st week of Jan replies; transaction announcement will be the end of January. Fast and aggressive time period. “you could be successful”. We do not intend to publish names of those moving on. “you are competitive”. We need guidance as we will spend millions.

2:30 PPP JEA

It is a very competitive process; your structure is interesting. Value is substantially below the top bids. To be successful, you have to move bid up substantially. Asked for what the gap is; not to be answered. Can they get list of who is going on? No

Requests from vendors—check later.

2:40 Macquarie.

It’s a competitive process; you could be successful; there is a delta in value between top. Question— what is the reason for the rapid timetable? SB: important to meet date “to get it wrapped up”. It will go to JEA Board end of January with an announcement. M: is there a date for City Council approval? No

Revised replies in by week of Jan. 13. Will not be posting others names. Delta in value... What is Delta? Won’t say. Is it price? Not just that, all criteria in the ITN. (they have a problem with making meetings next week?) 3pm end

3pm Emera. Talk about partnering up. That could increase value and increase chances of being successful. JEA will have docs next week to mark up. ended 3:14

3:19 American Water. (Todd on competitive process). Need more value on table. Concern about things going public. They will get draft agreement next week to mark up. ended 3:32

3:40 Duke. (Todd) Needs a partner. Same info as others.

Dec. 6 JEA

4-4:26pm Talk about upcoming meetings in Atlanta

Maybe partnerships forming.

Aggressive schedule; maybe too aggressive for some. In meetings next week they can talk about this; open door a little; but keep end of January date. Don't want to extend schedule, see what they say. Get "feedback on schedule". 6 have agreed to come next week.