

IN RE: AARON ZAHN-TERMINATION OF EMPLOYMENT
AGREEMENT WITH JEA

SWORN STATEMENT
OF
MICHAEL BROST

DATE TAKEN: Thursday, February 27, 2020
TIME: 10:02 a.m. - 12:48 p.m.
PLACE: Office of General Counsel
117 West Duval Street,
Suite 480
Jacksonville, Florida

REPORTED BY: Heather M. Thomas,
Court Reporter

1 APPEARANCES FOR CITY OF JACKSONVILLE:
2 CHRISTOPHER GARRETT, ESQUIRE
3 SONYA HARRELL, ESQUIRE
4 ADINA TEODORESCU, ESQUIRE
Office of General Counsel
117 West Duval Street, Suite 480
Jacksonville, FL 32202

13 ALSO PRESENT: RANDY DEFOOR

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I N D E X

WITNESS: MICHAEL BROST

EXAMINATION

By Mr. Garrett..... 4
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EXHIBITS

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MICHAEL BROST,
having been produced and first duly sworn as a witness,
testified as follows:

THE WITNESS: I do.

EXAMINATION

BY MR. GARRETT:

Q Good morning, Mr. Brost.
A Good morning.
Q I'm Chris Garrett with the Office of General
Counsel, and we appreciate you coming voluntarily to
give a sworn statement today.
A Not a problem.
Q And as you know, your testimony was requested
by the special committee of council that's doing the
investigation of JEA.
A Yes.
Q And the subject of this discussion will be
that topic.
So maybe if you could just start out with some
background information for us. How long were you at
JEA?
A 35 years and some change. So I came to JEA
right out of college, University of Florida in '83, and
stayed here 35 years. Retired January of '19.
Q And what positions did you hold during that

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1 time?

2 A I did a lot of different things. I mean, you
3 can imagine after 35 years. Like every five years I'd
4 move -- they'd figure out I wasn't any good at what I
5 was doing. They -- incompetence was figured out and
6 they'd move me around or something.

7 Yeah, so the first ten years I was just
8 front-line employee, front-line supervisor doing --
9 electrical engineering was my major. And then moved
10 into management. So out of the 35 years, about 25 was
11 in management, and 15 to 20 of that probably upper
12 management, you know, senior CEO level.

13 Worked for Royce Lyles. I worked for Walt
14 Bussells, closely with Walt. Jim Dickenson for eight
15 years or so, and then Paul McElroy. And then I had a
16 little bit of overlap with Aaron and Melissa when Paul
17 left. So Paul left in March of '18, and I stayed on
18 through nine or ten months.

19 Under Jim Dickenson I was responsible for the
20 electric system. So I -- I didn't -- did not do
21 planning and big projects, but I basically ran the power
22 plants and the transmission distribution, and that was
23 about eight years under Jim.

24 When Jim finally retired, he -- we had kind of
25 a long, painful, drawn-out succession plan for him

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1 trying to get his replacement. Paul was ultimately
2 selected, McElroy, and I became his electric system
3 general manager, so I did that from '12 through '19.

4 And so basically the previous job, I just
5 picked up planning, fuel purchase, power, procurement,
6 kind of stuff, and construction, so building -- building
7 plants and substations and stuff. I kind of -- so
8 basically responsible for the electric system for that
9 period of time.

10 Q So --

11 A Had a counterpart on the water side,
12 Brian Roche. And then when I left in January, they
13 brought in Caren Anders from Duke. She's doing well.
14 And they actually carved some of my area out and put it
15 under Steve McInall. So my area was kind of divided up
16 a little bit, and both of those roles were reporting to
17 Melissa Dykes as COO.

18 Q And so from 2012 to the time you retired in
19 2019, you said that you were involved at that point in
20 planning and --

21 A Right.

22 Q And did that -- that included generation?

23 A Yeah.

24 Q And --

25 A Yeah, the whole electric generation,

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1 transmission, substations, distribution.

2 Q Distribution, okay.

3 A Yeah. Yeah, really the whole electric
4 business.

5 The metering was done in another area by
6 Kerri Stewart. And then, of course, you had IT and
7 finance and some of the other back office stuff, HR
8 was --

9 Q The customer side?

10 A The customer side was Kerri.

11 Q Okay.

12 A So the customer care consultants answering the
13 phones, and the meter -- fuel meter folks were under
14 Kerri.

15 Q Okay. When you're in -- and I'm sorry. What
16 was the -- your title again? You were vice president;
17 is that --

18 A Title was VP and general manager. So the
19 general managers had this GM title. Our peers were
20 officers, so ...

21 Q Got it.

22 A All kind of at the same level. About ten of
23 us reporting to Paul --

24 Q Okay.

25 A -- for those six years or so.

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1 Q And if you would maybe just kind of generally
2 describe for us how the kind of planning process as far
3 as strategic planning worked during that time when you
4 were under Paul McElroy.

5 A Well, really under all of the leadership.
6 There's kind of two -- when you say planning, there's
7 system planning, so planning the next 40 years for the
8 electric system generations, where do we need new
9 substations, where's the growth. So there's the nuts
10 and bolts.

11 And you got the same thing on the water side.
12 You got to plan for the future. You try to estimate
13 customer growth and requirements. And it's a tough
14 business, because you're looking out so far and you've
15 got billions of dollars in assets that are going to last
16 for 40 years, and there's so many changes.

17 This wasn't true, you know, 40 years ago, but
18 today things change so rapidly with respect to
19 technology and fuel prices and politics and regulations,
20 and what looks good, you know, ten years ago all of a
21 sudden -- so it's a tough business anymore, and being
22 able to predict and project the future customer
23 consumption was a whole lot easier in the past. Now
24 it's just gotten a lot trickier.

25 Used to you just looked at the local economy

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1 and, you know, the growth in the local Jacksonville
2 metropolitan area, and now you've got electric vehicles
3 and rooftop solar and energy efficiency. It's just
4 gotten a whole lot more difficult to project.
5 But anyway, that's the planning process there.
6 Strategic planning is much more generic. All
7 companies should do strategic planning every five to ten
8 years. You're really looking at your business and the
9 external markets and what's changing and SWOT --
10 strengths, weaknesses, opportunities, and threats -- and
11 you try to chart a course for your business 20, 30 years
12 out that will ensure success.
13 You want to remain profitable and viable, and
14 how do you reduce costs, how do you -- how do you prop
15 up your revenues. And you want profitability. And even
16 though JEA's not a for-profit entity, it does generate
17 net cash flows that -- you know, I don't know that --
18 goes back to the City. So that's -- sometimes that's
19 called our -- in lieu of taxes kind of number. It's our
20 money that goes back to the owner.
21 Q Sure.
22 A So that's -- you know, strategic planning is
23 really -- you know, all companies do that. JEA does
24 that every -- in my experience, every five to ten years.
25 Typically, if a new CEO would come in, they'd want to

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1 take a fresh pass at it.
2 So Paul did one in 2012, 2013, a very solid
3 effort, I thought very powerful, very successful. This
4 hasn't gotten much air time, but we actually did one in
5 2016, 2017. We hired Deloitte and a company -- another
6 company called Xtensible, E-X-T-E-N-S-I-B-L-E [sic].
7 You know how to spell Deloitte, of course.
8 And they did a lot of recommendations, and
9 there was a lot of stuff underway. And then 2018 came
10 and Paul left, and that kind of went away.
11 Q So for that planning, both the 2012/13 and --
12 A Right.
13 Q -- then the 2016/17 --
14 A Yeah.
15 Q -- were there discussions at that time about
16 privatization or recapitalization?
17 A No. No. It was always what are we going to
18 do to -- with the public power model to remain -- to
19 remain viable and competitive and successful.
20 Q And those were -- you said Deloitte and
21 Xtensible were outside vendors that --
22 A Yes. Consultants.
23 Q -- you brought in -- consultants.
24 Were there consultants involved in 2012 and
25 '13 as well?

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1 A Yes. We used a different consulting firm,
2 Bill Kemp, kind of a small -- wasn't a big McKinsey,
3 Deloitte type. He was small.
4 Q Okay.
5 A A little boutique firm. He lives down in
6 Naples. They did a good job for us. And he brought in
7 a guy named Bill something who wrote a big book, and
8 they had this methodology, and it worked well for us.
9 They did a good job.
10 Consultants generally don't come in and tell
11 you want to do; they more facilitate the process, and
12 the leadership team engages and figures out.
13 But to your question, though, it was -- in my
14 time at JEA, privatization, you know, selling, going
15 from a public utility to an investor-owned, comes up
16 every five or six or seven or eight years. It kind of
17 follows the political cycle. People come in, and it's
18 always been driven by City Hall. Either the mayor or
19 council members would bring it up, and it would get
20 studied and, you know, the board would engage, and
21 there'd be some back-and-forth.
22 It's not a -- this is not the first time it's
23 come up. It came up in 1970, two years after
24 consolidation, when JEA was created. There's a
25 legislation in Tallahassee to sell JEA. It came up 100

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1 years ago when electricity was just coming on. The City
2 was in town doing an electric utility for lighting, and
3 there were investor-owned people knocking at the door
4 saying, no, we want to be your electric company.
5 So it's been a debate that's been going on for
6 a long time, and so it's not a new issue.
7 But in my experience, JEA's never taken it on
8 internally, certainly from a driver's seat perspective.
9 It was more of a reluctant council member X is calling
10 and thinks we should sell you guys.
11 So, you know, give us some -- council auditor
12 would often be involved, almost always. Going back
13 three or four council auditors, they would generally
14 look at it and say, no, the City's better off keeping
15 the public utility.
16 Q Did that -- did that change when Paul McElroy
17 left or when Aaron Zahn came in as CEO?
18 A Well, it changed when Tom Petway left the
19 board in 2017 and gave his famous speech going out the
20 door. It was the first time a board member had ever, in
21 my experience, promoted -- you know, usually the board
22 comes in and they're an independent board, and their job
23 is to run JEA, and they generally looked a little less
24 favorable on folks from City Hall coming in and
25 basically pushing for privatization.

1 So if they supported it, it was more of doing
 2 what they were asked to do, often through the council
 3 auditor.
 4 But no, Tom Petway brought it up on his way
 5 out, kind of launched that balloon in late '17, early
 6 '18, and Paul and the team under Alan Howard at the
 7 time -- Alan took over and pushed JEA staff to do the --
 8 sort of evaluation or an evaluation study, and -- with
 9 PFM that resulted in the Valentine's Day City Council
 10 meeting.
 11 Q Who's PFM?
 12 A PFM was the consultant that Paul and Melissa
 13 hired to do the study in late '17, early '18. Prior to
 14 Aaron Zahn, there was a push to look at privatization
 15 that -- and so they basically wrote up a pretty good
 16 report, 30, 40 pages. Here's JEA. Here's what it's
 17 kind of worth in the market, a range, and here are the
 18 pros and cons of keeping it for -- you know, it was
 19 pretty balanced.
 20 It didn't come up with an answer. It just
 21 basically threw out a good assessment of the opportunity
 22 for a privatization push. And you got, of course, the
 23 issue of electric versus water and do you separate it
 24 out or do you keep them together. So all -- it was very
 25 high-level with no clear recommendations.

1 Q And --
 2 A That was PFM.
 3 Q Okay. And were you involved in that process
 4 with PFM?
 5 A No. No. That was really handled by Paul and
 6 Melissa, Ryan Wannemacher.
 7 Q Okay.
 8 A And again, that was in response to -- yeah.
 9 There's always been at least low level, below the radar
 10 screens, pressure coming over from City Hall. So it's
 11 often below my radar screen. My job was to run the
 12 utility, not deal with City Hall on stuff, so ...
 13 But Tom Petway, you know, threw it out as he
 14 thinks, given everything going on, now's a -- it was a
 15 good speech, about one minute, and it was his last
 16 statement as a board member, and he kind of launched
 17 that. And Paul took it on.
 18 I'm not going to say he was enthusiastic or
 19 reluctant, but he -- you know, you do what your boss
 20 tells you to do. And it was Tom Petway handed off to
 21 Alan Howard.
 22 And it just blew up. It was before the --
 23 before the last election, and things got real ugly, and
 24 the council was fighting with the Curry, and it was very
 25 ugly, a black eye for Jacksonville, in my opinion. So

1 it just -- it blew up. And a few months later, Paul
 2 left. It was March.
 3 And Aaron had been on -- to one board meeting
 4 and decided in a week's time he was going to resign from
 5 the board and wanted to be the interim and then competed
 6 for the -- so the rest is kind of history from an
 7 '18/'19 perspective.
 8 But in answer to your question, there was a
 9 push earlier in late '17, early '18, for privatization
 10 specifically, just to ask the question and evaluate the
 11 pros and cons, followed by 2019. And then I would say
 12 for about nine months of '18 and early into '19, it was
 13 kind of quiet. If it was going on, it was below the
 14 radar screen. Aaron was in doing his thing, getting --
 15 getting up to speed and ...
 16 Q Okay.
 17 A But it clearly -- clearly heated up in the
 18 spring and the summer of '19 again.
 19 Q Okay.
 20 A And it --
 21 MR. GARRETT: Can we go off the record for
 22 just a second?
 23 (Discussion off the record.)
 24 BY MR. GARRETT:
 25 Q So --

1 A All right. What's next?
 2 Chris and I have worked together before, by
 3 the way. A little travel to ...
 4 Q Yeah. Let's not get into mediations and
 5 litigations --
 6 A And lawsuits.
 7 Q So let's switch gears --
 8 A Sure.
 9 Q -- for a moment.
 10 Tell me about Florida Public Utilities.
 11 What --
 12 A They're a Florida investor-owned utility.
 13 They've got a little bit of gas and electric around the
 14 state. Kind of a small -- you know, everybody talks
 15 about FPL and Duke. But they're an investor-owned
 16 utility. They're headquartered out of Marianna in the
 17 Panhandle, and they've got more gas customers than
 18 electric.
 19 But they're the electric retail provider in
 20 Fernandina, so basically the eastern half of
 21 Nassau County, so Amelia Island up the -- up into the
 22 Fernandina area, FPU, investor-owned utility.
 23 JEA has served up there wholesale for many
 24 years. We were serving up there when -- in the '80s
 25 when I came to work here, and it was under a long-term

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1 power agreement that has terms and conditions and
2 pricing and escalators and just typical stuff, and it
3 has a, you know, termination. So it -- in my time
4 there, it was renewed a couple of times, and JEA
5 remained the service provider.
6 In January of '18 it flipped to FPL. So the
7 term -- the normal -- wasn't anything abnormal. It was
8 up for -- the contract was up. It was up for renewal
9 or -- so they went through an RFP-type process. They're
10 investor-owned, so it's a little different process to
11 what JEA uses or the City uses.
12 Q And so did --
13 A They put it out for bid, and JEA bid. A
14 couple of iterations, best and final offer. Steve
15 McInall was very involved in working that. And they
16 selected Florida Power & Light.
17 Q Do you know why?
18 A Huh? No, I don't. And they're not subject to
19 government or the Sunshine, so I don't know all the
20 details. But I'd say two things. You know, FPL -- for
21 years and years and years, JEA was cheaper than FPL.
22 For the last ten years, FPL's cheaper than JEA. And
23 it's not huge, but it just bounces around. So my guess
24 is they got a better deal.
25 FPL is investor-owned; they're investor-owned.

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1 There may have been some issues. Synergy's there.
2 There's no telling -- you know, kind of back to this
3 argument of why it's better to be investor-owned than a
4 public power. Investor-owned companies can do stuff.
5 They can negotiate with customers a little differently
6 and it remains protected. So FPL has some competitive
7 advantages and that kind of --
8 You know, the other big thing, JEA used to be
9 the only utility with a power line to Fernandina. So we
10 have two -- still have them -- two 138,000-volt lines
11 that go up there. FPL didn't have lines in there.
12 Georgia Power didn't have lines in there. Duke. So
13 they would have had to -- for them to serve Fernandina,
14 they have to wield through our system, which adds costs
15 and gives JEA a competitive advantage.
16 Well, Florida Power & Light serves in western
17 Nassau, which is booming. So FPL's system has grown,
18 and they've -- they've gotten to the point where in
19 2017, they have power lines right up to the
20 Fernandina -- to FPU service territory. So really for
21 the first time they had a direct connection, and they
22 didn't have to go through JEA. So I think that was --
23 And then just the fact that in today's Florida
24 utility market, FPL's a little cheaper than JEA, and
25 so ...

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1 Q Okay.
2 A You know, price and ...
3 Q And when did -- when did that relationship
4 end?
5 A January -- midnight January 1, 2018.
6 Q 2018.
7 A The minute after Power Park officially
8 retired, which is probably on your list.
9 (Discussion off the record.)
10 BY MR. GARRETT:
11 Q So when the contract terminated between FPU
12 and JEA, how did that affect, I guess, resource
13 planning --
14 A Yeah.
15 Q -- and the number of employees? What impacts
16 did it have?
17 A That would have -- fairly small, I mean, from
18 a JEA overall perspective. Certainly no impact on the
19 employees. If anything, it had a bigger impact on the
20 finances, and even there it was pretty small.
21 Operational -- it just -- it -- it showed up
22 in the planning, in Steve McInall's planning work, as a
23 blip. Not huge, but it had to be taken into account.
24 It was interesting, the -- went from being a
25 good customer to a lousy customer, honestly, and they --

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1 because of natural gas getting so cheap. They have
2 three big paper mills, and they started cogenerating.
3 So they went from being a regular customer with 100
4 megawatts of peak and lots of energy and -- you know,
5 like a big city to being weird.
6 They still kind of had a peak, but the energy
7 went way, way, way down. So their load factor -- load
8 factor which is the average demand versus the peak --
9 typical customer's 50 -- they went from 60 percent way,
10 way down. So their -- their revenue had already
11 gotten -- there was some discussion at Monday's
12 committee meeting by the attorneys on JEA's supposed
13 drop in unit sales of 8 percent and how much of that was
14 the Fernandina thing.
15 But that wasn't a cliff. They actually were
16 going down five or six years prior to that.
17 And somewhat interesting is that FPU is the
18 gas supplier. So they -- they lost revenue from the
19 paper mills as an electric provider, but they gained
20 electric -- they gained revenue from the gas business.
21 So they were kind of playing both sides of that. It was
22 an advantage for them.
23 For JEA, we're not in -- we're not -- we
24 should be in the gas business, but we're not in the gas
25 business. So for us, when somebody goes off on their

1 own and -- it's lost revenue for JEA. We don't get the
 2 corollary benefit of increasing revenue from gas sales.
 3 So honestly -- and it had gotten so small and
 4 was just in the noise, and we -- to be honest with you,
 5 we spent more time figuring out how to do the
 6 interconnection with FPL up there around our assets and
 7 their assets, and that was more work on that than
 8 anything else.
 9 It just -- it went away. And the fact that
 10 coincidentally SJRPP retired at the same time, I mean,
 11 it -- it didn't put us in a bind or it didn't really
 12 affect us to any great extent. Certainly no employees
 13 were involved. I mean, it's small. JEA's a
 14 33,000-megawatt company, and we're talking 100-megawatt
 15 peak, maybe, if that --
 16 Q So this wasn't a huge event --
 17 A No.
 18 Q -- from a --
 19 A No.
 20 Q -- business perspective?
 21 A And even on the financial side, it wasn't --
 22 you know, there's a difference between revenue and
 23 profit. So I'm not sure we were really making a whole
 24 lot of money on the deal anyway. They were pretty
 25 noisy. They would come to board meetings and complain

1 about how big their bill was.
 2 And so we negotiated -- and I -- and, you
 3 know, Ryan Wannemacher and Melissa would know about the
 4 profitability. But from an operational perspective, we
 5 had to serve the demand on a day-to-day basis, so ...
 6 Q And if JEA had won the RFP in -- to continue
 7 providing services in January of '18 and forward, but
 8 SJRPP was being closed, would we have had sufficient
 9 generation to sell to them?
 10 A Yes. We'd figure it out. It's -- the
 11 retirement of Power Park took us from being way long and
 12 way more than we needed to being about where we needed.
 13 And technically, we probably -- you know,
 14 generation isn't scalable. You can't pick, okay, I want
 15 400 -- you know, we lost 600 megawatts when we were 500
 16 megawatts long, or 4-. So we actually had to go to the
 17 market and buy low-cost.
 18 It was a good deal. We bought very --
 19 relative to Power Park -- we bought from Georgia some
 20 low-cost, 400 megawatts or so on an annual basis. So if
 21 Fernandina was still in the mix, we would have just
 22 picked up a little more if we needed to.
 23 And there's -- you know, there's a difference
 24 between peak and normal day-to-day stuff. JEA has
 25 plenty of generation available to meet Fernandina's

1 demands. You know, throughout the year, you get into a
 2 little trouble on the peak, and their peak had gone down
 3 because of the cogeneration. And the problem with
 4 cogeneration is you can't predict it very well, and
 5 they -- they're on when they want to be on, and then
 6 they're off, and then all of a sudden, the load went
 7 from, you know, 40 megawatts to 100 megawatts.
 8 And so it -- again, more of a pain in the neck
 9 customer than -- than a valuable customer and -- but
 10 nonetheless, we wanted to keep them. And we went after
 11 the new contract.
 12 And in ten years, it'll come up for bid again,
 13 and if JEA's still around, it'll compete to serve it
 14 again. Certainly pro customer service, revenue service.
 15 When I came to work here, we served Jax Beach wholesale.
 16 That went away as well years ago. So a lot of changes
 17 in the business over time.
 18 Q Let's talk about the --
 19 A Power Park.
 20 Q -- St. Johns River Power Park, which I'll call
 21 SJRPP.
 22 A Okay.
 23 Q Can you just describe briefly what type of a
 24 plant it was?
 25 A Had two name plates, you know, 600-megawatt

1 coal units. Built in -- the joint ownership agreement
 2 with Florida Power & Light was signed in '82, came
 3 online one unit in '87, one in '88. Coal units. It was
 4 JEA's first venture into the coal business.
 5 You may remember in the '70s they had very
 6 high rates because we were dependent on oil, and the oil
 7 embargo and Jimmy Carter and everything went crazy. And
 8 so JEA learned under Royce Lyles to diversify. So we
 9 bought a lot of coal from Georgia, and then embarked on
 10 this joint venture with Florida Power & Light to build
 11 St. Johns River Power Park. So that was in the '80s,
 12 and ...
 13 Q And what was the relationship in that just --
 14 I know it's -- it's complicated, but just generally the
 15 relationship between FPL and JEA with respect to the
 16 Power Park?
 17 A Well, it was a partnership. It was a little
 18 unique in that it was investor-owned and a public power
 19 entity. But we had done other partnerships with one of
 20 Royce Lyles' legacies. We built a substation together
 21 on the Westside. We built 500 KV transmission lines to
 22 Georgia together, joint. So we did a number of joint
 23 projects.
 24 We own -- I still say "we." We own a
 25 coal plant in Georgia that is --

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1 Q Is that Plant Scherer?

2 A Plant Scherer, yeah. We own 20 percent of an

3 800-megawatt unit and they own the other 80 percent to

4 this day.

5 So we have a history of doing joint projects.

6 It was -- it was a little -- a little weird. It was --

7 so we had -- we had an executive committee that I served

8 on, not from day one, but I was the executive committee

9 rep. And we had an operating committee and a fuels

10 committee and, you know, different committees.

11 And so because it was joint owned, we -- it

12 wasn't a JEA plant. We could just go do whatever we

13 want to with it. We had to work with them and

14 communicate and make sure we had agreement on decisions,

15 particularly long-term strategic decisions.

16 And, you know, you can imagine over the life

17 of a large complex facility like that that's one of the

18 questions that come on. So we had to work -- work

19 through -- work through the partnership. The joint

20 ownership agreement was like 1,000 pages, and then there

21 was a bunch of appendices.

22 And it was set to end in 2022, so it was a

23 40-year agreement. And it was a successful, from my

24 perspective, partnership with a few bumps along the

25 road. We didn't always agree on everything, but a

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1 pretty good relationship.

2 It was a very well built, well run, safe,

3 reliable plant that was low cost because of the coal.

4 You go back into the '80s and '90s, coal was king, and

5 it was our base load unit and it ran year round. It was

6 our lowest cost unit. And same thing for FPL.

7 Q And who were the employees actually working --

8 A Yeah.

9 Q -- at SJRPP?

10 A There were about 220 employees when we shut it

11 down. It was kind of weird. They -- they weren't --

12 they weren't JEA employees. They were not JEA

13 employees. They were not civil service. They were not

14 on the pension. They were a separate -- and it was

15 because of the co-owner. And you have this what was, in

16 essence, a 50/50 partnership with an investor-owned

17 utility and a public power entity. Employment laws are

18 different in investor-owned versus public power, and it

19 was a little messy.

20 So it was a separate class of employees. They

21 paid into Social Security. They did have a pension, but

22 it was a different pension. It was an SJRPP pension.

23 They reported to the plant manager, who was selected by

24 the co-owners.

25 So a little -- it was always kind of weird.

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1 They felt like they were redheaded stepchildren. They

2 weren't as good as JEA employees or -- but then they --

3 then they would put their independent hat on; we don't

4 want JEA messing with us. We want to be independent.

5 So they were like a kid with parents that played both

6 sides.

7 So kind of a weird -- it's not correct to say

8 that SJRPP was a separate company, separate legal

9 entity, so to speak. It was really kind of a weird --

10 it existed through the joint ownership agreement, and it

11 wasn't a separate -- it was kind of weird the way it was

12 put together.

13 So anyway, those were the employees.

14 Q And you said the agreement was set to end in

15 2022?

16 A Uh-huh.

17 Q What would have happened in 2022?

18 A Well, the brilliant people that put it in

19 place in the '80s didn't -- they couldn't agree, so they

20 basically just skipped that. Didn't say anything. It

21 was silent on what happened. So we were sent to hire

22 lawyers and argue about it and --

23 Q So that could have been --

24 A -- if we agreed to shut it down, then it

25 would -- we'd shut it down. If we agreed to keep

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1 running it, we could -- if we agreed to buy them out of

2 their owners -- you know, so we could agree to whatever.

3 But if we disagreed, that was -- you know, FPL was

4 taking a pretty hard stance: We're out of here. We

5 want out today. And we certainly want out in 2022.

6 And we were saying no, we have to -- we have

7 to consent to that and we don't want you out. We want

8 you in the partnership today, and we'll argue about 2022

9 in 2021, but we think you have to stay until we both

10 agree to amend the agreement.

11 But technically the joint ownership agreement

12 terminated in 2022, so then you get into legal arguments

13 around what would happen.

14 Q So when did the first discussion start about

15 closing SJRPP?

16 A 2017. Serious discussions about closing would

17 have been in '17. And don't -- you know, it may have

18 been a little earlier.

19 Q And what prompted those?

20 A The fact that -- well, two things. JEA was

21 receiving 50 percent of the plant through the life of

22 the plant, but in 2019 there was an interesting trigger

23 point that would have resulted in JEA taking 80 percent

24 of the output and capacity and costs. It's called

25 suspension.

1 So that -- 2019 was hanging out there, but
 2 then more than anything -- so JEA would have -- and for
 3 JEA, a 600-megawatt unit is a big unit, because we're --
 4 you know, we're not FPL. FPL is ten times JEA. So for
 5 us, we're a 3,000-megawatt system. 600 megawatts is a
 6 big deal.

7 So the strategic planning implications of
 8 what's going to happen to that unit is getting more and
 9 more significant in 2018. 2019 we were set to get
 10 another 380 megawatts, so we'd go from 600 megawatts
 11 almost to 1,000 megawatts.

12 And then just a couple years later, 2022, you
 13 got this cliff, this big unknown, and as it kept getting
 14 closer and closer, just from a planning perspective, how
 15 does Steve McInall -- you know, you talk about
 16 Fernandina coming or going, but how do you plan for the
 17 future of a 12 -- plus just the electrical
 18 significance -- forget about ownership -- of a
 19 1,200-megawatt plant plopped in Jacksonville service
 20 territory is a huge electrical issue.

21 So its future was important for planning of
 22 the bulk electric system, transmission system, but also
 23 just generation planning.

24 So as it kept getting closer and closer, we
 25 would dance around it with FPL power parts and trying to

1 get them to -- you know, we did pretty good on
 2 operational issues and big decisions, but strategic
 3 stuff, sometimes we were not always on the same page.

4 So FPL for the last decade has been very
 5 anti-coal. They've wanted to -- they want us to -- they
 6 want us to shut down Scherer 4. They want out of the
 7 coal business, and they're out building -- they've got
 8 nuclear and they want -- they've expanded the nuclear.
 9 They've got a lot of gas. They've got a lot of solar
 10 they're building.

11 And they just -- their corporate philosophy is
 12 they want out of the coal business, which is fine.

13 Q So what was the deal that was reached to close
 14 the plant?

15 A Well, we -- we agreed to close it in -- you
 16 know, a couple years early and contribute to the
 17 demolition and remediation.

18 One of the important things I think maybe
 19 missed -- one -- a little later this year, once all is
 20 said and done, FPL goes away and all of that property is
 21 JEA's. It's 2,000 acres of -- a lot of it prime
 22 industrial -- it's going to be cleaned up and pristine
 23 and good for future development. 2,000 acres. And it's
 24 all JEA's.

25 But so, you know, J -- FPL was still on the

1 hook through 2019 to take that 380 and the associated
 2 costs, and they were on the hook through 2022. So they
 3 were willing to write a check of some amount to
 4 terminate early.

5 Q And --

6 A And then we had to deal with the employees and
 7 we had to deal with the pension and we had to square up
 8 all the inventory and the balance sheet. I mean, it was
 9 a pretty huge financial transaction. So there was a lot
 10 of accounting, if you will, and legal stuff that went
 11 into it.

12 But in simple terms, we agreed to shut the
 13 plant down, lay off the employees. It happened
 14 December 31st of '17.

15 Q And that's when all the employees were laid
 16 off?

17 A Yes. Yeah. Midnight of December 31st, 2017.

18 Q Okay.

19 A And we gave them nine months' notice. It was
 20 a hard meeting. I was out there with Paul and Angie
 21 Hiers when we announced it in -- it was March of '17,
 22 and it was a shock. And it was a hard meeting to have.

23 But I think we did good by them, and we gave
 24 them a good -- we supported them for reemployment, nine
 25 months' notice, and some severance -- not two or three

1 years of consulting contracts, but they got a
 2 three-month and benefits. And we -- Angie's job did a
 3 stellar -- Angie's team did a stellar job supporting
 4 that painful transition.

5 So we didn't go into it lightly. It was a big
 6 deal and a big decision.

7 And I don't know if you want to talk about the
 8 business rationale, but it was a -- from a --
 9 Paul McElroy, 2010 to 2020 perspective, it was a home
 10 run. It was a very, very good decision to go ahead and
 11 shut that plant down.

12 Q And from a financial standpoint, you know,
 13 there's -- you have less generation, but -- so less
 14 revenue from selling that power, or how did it impact
 15 the revenue?

16 A No. No. It didn't -- it didn't impact
 17 revenue at all, really. It was -- JEA was entitled to
 18 half the power out of the plant and paid half the costs.
 19 There was a long-term power sale agreement embedded. It
 20 was that 380.

21 So see, technically JEA owned 80 percent of
 22 the plant but sold FPL 30 percent of the plant over the
 23 life of the project, only it didn't last until 2022.
 24 For IRS reasons, they -- it was going to end in 2019.
 25 So the point is there was technically a power

1 sale agreement embedded, but it wasn't profitable. It
2 was basically the cost for that 380 megawatts FPL paid.
3 So JEA paid it up front and FPL reimbursed us. It was
4 really a cost sharing on a -- we converted on -- what
5 was on the books an 80/20 plant to a 50/50 plant.

6 So JEA, for all practical purposes, had 600
7 megawatts of capacity for it to do with -- it was just
8 part of the generation fleet. So it really had no
9 impact on revenue.

10 Q What about costs? Was it a cost savings to --

11 A It was a huge cost savings, yes. I mean, that
12 was the -- we had a -- we had a motivated partner, which
13 helps, but from a JEA perspective, we saved hundreds of
14 millions of dollars over the next few years.

15 Somebody like Melissa or Ryan would have a
16 more accurate number, but it was a huge cost savings,
17 which is why we did it. It's the only reason we did it.

18 MR. GARRETT: Okay. If we can take a short
19 break.

20 (Discussion off the record.)

21 BY MR. GARRETT:

22 Q And then tell me about the Northside
23 Generating Station.

24 A Okay.

25 Q With type of plant is that?

1 repowered the units to a solid fuel technology. So if
2 you will, you kept the generator but you tore down the
3 steam, the oil boiler, and we brought in new -- it's
4 called CFB, circulating fluidized bed. It burns pet
5 coke or coal or tires or biomass or anything you want to
6 throw into it that's got BTU content. Very flexible and
7 very clean. It's actually a very, very clean
8 technology.

9 You can't see anything coming out the stack,
10 it's so clean. You can't even tell it's running. It's
11 a good clean technology. We got \$75 million from
12 Washington. It was a DOE grant plant.

13 Clean coal. Clean coal technology back in
14 2000 when you could still say "clean coal." So anyway,
15 that was repowered, and today you've got these two solid
16 fuel units, Northside 1 and 2. They're about 300
17 megawatts each. And then 3 is still there running the
18 oil and gas, and it's 500 megawatts. So 1,100, 1,200
19 megawatts total.

20 There's four diesel combustion turbines,
21 50-megawatt fast start units that come on quickly when
22 we need them. So that's Northside Generating Station.

23 Q And in 2000 when the -- it was updated,
24 what -- what was the kind of expected life of the
25 upgraded plant or updated plant?

1 A It's an old plant. It was built in the '70s.
2 It was originally oil, had three units, one of which
3 never ran and one of which caused lots of blackouts in
4 the '70s. Every time they tried to run it, it was kind
5 of a disaster in the early days. But it was oil-fired.

6 In the '80s or so, we converted it to burn
7 natural gas just for diversity. And through -- until
8 the shale fracking in the 2005 to '10 time frame, you
9 know, oil and natural gas were kind of competitive in
10 pricing. Sometimes gas would be cheaper so we'd burn
11 gas; sometimes oil was cheaper, we'd burn oil. That all
12 changed in the 2005 time frame with natural gas
13 revolution, and gas was cut by a factor of five times in
14 terms of the price, so ...

15 But -- so the plant had -- it had three units:
16 Oil, natural gas -- Northside 3 is the -- was the third
17 unit built -- you know, 1, 2, 3 -- and it's still
18 running. It's 500 megawatts. It's a workhorse. It's
19 pretty flexible operationally. It's a good unit. It's
20 not the cheapest unit, but it's a good solid unit.

21 1 and 2 -- 2 never ran. They burned it up
22 during startup or something. It was like it had
23 gremlins in it. They never could get it to run
24 reliably. So it was sitting there dead for 30 years.

25 1 was a good unit. In 2000 or so, we

1 A Yeah, 30 to 40 years is typical for a power
2 plant. Nuclear units, you typically run -- the plant
3 will run those longer. 80 years or 100 years on nuclear
4 unit as long as they can continue to get the license.
5 But a traditional plant, 40 years is a long life span.

6 So they would have been in that time frame.
7 And they've run 20 years, so they're kind of at the
8 midpoint.

9 Q Okay. So it wouldn't have extended the life
10 from --

11 A No. You really --

12 Q -- 20 --

13 A -- tore them down and started over. You just
14 reused what you had.

15 Q Okay.

16 A But the boilers, which is a significant part
17 of the front end -- that's the big furnace where you put
18 the fuel and the steam -- all of that was torn down and
19 replaced. And then you just -- you retooled, re -- you
20 know, the steam turbine generator were either kept and
21 extended or --

22 So it's kind of a -- it's like an old car that
23 you rebuild or something. You kept some stuff and you
24 replaced some stuff, and you basically had new units.
25 And it for all practical purposes was two new units.

1 Q Is that -- that's operated by JEA employees?
 2 A Yes. Yeah.
 3 Q And --
 4 A It's a standard JEA facility.
 5 Q At the time when the decision was made to
 6 close SJRPP, what was the -- I guess the cost to produce
 7 energy at Northside Generating Station versus the cost
 8 at SJRPP? If you recall.
 9 A That's -- yeah, it's comparable, you know.
 10 Different -- you know, you're comparing apples and
 11 oranges. You got two 30-year-old coal plants versus,
 12 you know, Northside 3 is 500 megawatts. It's an oil/gas
 13 plant. It's cheap.
 14 There's two costs in power plants: One is the
 15 ongoing ownership, repair, or maintenance, upkeep, and
 16 the fuel. And the fuel's half and the cost to own and
 17 operate and maintain is half.
 18 So when you talk about, you know, all-in cost,
 19 it's really a blend of the two, and it's heavily
 20 influenced by fuel, so depending on what fuel's doing.
 21 The problem with St. Johns River Power Park is
 22 coal in the 2000, 2010 decade doubled in price. It went
 23 way up. Gas went way down. So that favored Northside 3
 24 against Power Park.
 25 Northside 1 and 2, it's two 300-megawatt

1 units, and petroleum coke is its primary fuel, and it
 2 tends to be cheap historically. It was much cheaper
 3 than coal when we first built it.
 4 So a lot of the -- I mean, you're asking about
 5 costs and stuff, and the underlying cost of Power Park
 6 was comparable kind of dollars -- annual dollars per
 7 kw -- Power Park was comparable to Northside 1 and 2,
 8 because they're solid fuel. Maybe not identical.
 9 Northside 3 is a strange animal because it's
 10 40 years old. It's an old steam. It's not a solid fuel
 11 unit. It's -- and it runs oil and gas, so it's --
 12 At one point, you know, one of the drivers for
 13 retiring St. Johns River Power Park is JEA found itself
 14 long on capacity, because we were growing 2 to 3
 15 percent, growing, growing, growing, and then the
 16 recession happened, and we kept building.
 17 In the decade of 2000 to 2010, we brought on
 18 three new generating units and were planning on building
 19 a coal unit in Taylor County. And, you know, the
 20 growth -- you know, this planning stuff and the
 21 momentum, it kind of moves forward. So stopping it is
 22 not easy.
 23 So kind of woke up in 2010 and said, hey, we
 24 got more than we need, and we looked at retiring
 25 Northside 3, because it's 500 megawatts. And we -- we

1 wouldn't save much. Even though it was an old unit, it
 2 wasn't costing us much and it only takes 10 people to
 3 run it, not 200, and very flexible, fuel flexible, and
 4 it's natural gas.
 5 So we actually had it -- we announced we're
 6 going to shut down Northside 3. About a year later, we
 7 had to go out and -- we changed our mind. We took a
 8 second look at it. You know, that's a good thing. You
 9 know, you make a call that turns out to be not such a
 10 good thing, you need to be able to say, hey, we
 11 changed -- we looked at this again.
 12 And that was about a year before we kind of
 13 migrated over to what about St. Johns River Power Park.
 14 It's -- for JEA, it's 600 megawatts. We're 500
 15 megawatts long. It's about to be 1,000 megawatts, which
 16 we don't need. We got Vogtle coming. Load's -- load's
 17 kind of flat to -- depending on who you listen to,
 18 shrinking, we're growing, and ...
 19 Q Okay.
 20 A But -- so the future of -- you know, you look
 21 at your fleet and you do an integrated resource plan,
 22 which has been discussed, and you try to look out into
 23 the future.
 24 And, you know, the next big thing for JEA is
 25 probably retiring Northside 3, 500 megawatts, and it

1 will have to be replaced. Aaron didn't like this, but
 2 it'll have to be replaced with a central plant, another
 3 500-megawatt unit.
 4 You're not going to in five years have grid
 5 parity. You're not going -- you're not going to have
 6 crashing demand. You know, this utility of the future
 7 might be 50 years in the making, but it's not in 5
 8 years, and we -- JEA still has a utility to run.
 9 So Northside 3 needs -- for a number of
 10 reasons, needs to go ahead and retire probably in the
 11 next 5 years, and they need to build some traditional --
 12 they need to build solar. They need to build some small
 13 units scattered around town, and they need a couple of
 14 good-sized -- like Brandy Branch. Like Brandy Branch.
 15 Combined-cycle, gas, that's the way to go.
 16 Q Okay.
 17 A So anyway, didn't mean to wander off.
 18 (Discussion off the record.)
 19 BY MR. GARRETT:
 20 Q If we're going to need additional --
 21 A Yeah.
 22 Q -- capacity or generation in the next five
 23 years, then --
 24 A Right.
 25 Q -- why did it make sense to take SJRPP down?

1 A It's all economics. So the retirement of
 2 Northside 3 is kind of an independent thing hanging out
 3 over here. I'm saying I think it's going to retire in
 4 the next five years. It may not.
 5 We were long looking backwards and we just
 6 needed to downsize. The units were going to shut down
 7 anyway probably soon, so they were coming down anyway.
 8 You shut it off early -- you wouldn't have Power Park in
 9 2022 anyway, likely.
 10 And at the end of the day, it's very
 11 expensive. It was -- even if -- even if the unit --
 12 even if the Power Park might run for another 20 years,
 13 you're better off retiring the 30- to 40-year asset and
 14 building something cheaper in today's market.
 15 Just like if we had to do it all over again,
 16 we wouldn't be in the Vogtle plant with nuclear. That
 17 looked like a good deal at the time, but today you'd go
 18 build solar and batteries and natural gas combined-cycle
 19 unit. That's the way to go moving forward.
 20 And we had this -- so you can't just look at
 21 megawatts as megawatts. It's the age and the cost.
 22 We had \$20 million to spend at Power Park on
 23 environmental controls. Already spent a fortune, a
 24 billion, I mean, but there was more to spend at Power
 25 Park for a unit that was only running half the year. It

1 only ran six months out of the year because of
 2 economics, because of the price of gas versus coal.
 3 So it just -- looking forward, it made sense
 4 to go ahead and retire it. And who really knows what
 5 the next 10 or 15 or 20 years are going to bring. I'm
 6 sitting here saying I think that Northside 3's going to
 7 retire, but it doesn't have to.
 8 There's some environmental projects at
 9 Northside that are going to be expensive that -- you
 10 know, you don't want to spend that money and retire a
 11 500-megawatt unit which has had -- you want to go ahead
 12 and retire it now.
 13 So retiring Northside 3 in the next five years
 14 is probably in the mix, and then you got to replace it.
 15 And you're better off replacing it with a natural gas
 16 combined-cycle unit or even solar than keeping Power
 17 Park in the mix, just because of the cost.
 18 Power Park is 200 employees. An equivalent
 19 gas plant is 20 employees, one-tenth the head count to
 20 run it. And the ongoing O&M and capital is a similar --
 21 it's much more expensive at Power Park.
 22 And Northside 1 and 2, I mean, that'll be the
 23 next big thing that comes up. They're only 20 years
 24 old, not 30 years old, but when do those go away. A
 25 similar question will be asked.

1 So over time, you're constantly evolving your
 2 generating fleet. This is what the integrated resource
 3 plan does that we did in 2018 that's still kind of lost
 4 in space.
 5 Q Let's --
 6 A That's what it would tell you is --
 7 Q Let's talk about that briefly.
 8 A Yeah.
 9 Q The integrated resource plan, what is included
 10 in that plan, usually?
 11 A It's like the ten-year site plan, only it's 30
 12 to 40 years, so it's very similar. It looks at electric
 13 generation and it looks out into the future. Ten years
 14 is pretty short in the life of generation. Not a whole
 15 lot going on. You have plans that you've got in the
 16 works, so ten years is pretty short.
 17 30 to 40 years is a much longer time horizon.
 18 But both of them -- just a different time horizon. Both
 19 look at future customer growth and demand. You look
 20 both at energy and capacity, peak, and you got to meet
 21 the demand -- the state requires JEA plan for the peak
 22 plus 15 percent reserve margin.
 23 So you factor all that in. You look out --
 24 you tend to -- it's a lot easier to estimate the future
 25 ten years out than 30 years out, so you tend to do

1 sensitivity analysis. You do a good economy and a poor
 2 economy. You do high fuel price, low fuel, high gas,
 3 low gas, CO2 rules and regs, no CO2 rules and regs. You
 4 try to -- it's a crystal ball. You know, you're trying
 5 to predict the evolution of technology, and things
 6 change. And you're looking out into the future.
 7 So you really do different scenarios and you
 8 do sensitivity analysis, and you bring it all back 30 or
 9 40 years to the present value, and you say this is what
 10 JEA should do.
 11 Q And --
 12 A And you make decisions and you move forward.
 13 And then ten years later, you do another run at it.
 14 It's not much different than strategic planning that you
 15 do every five to ten years --
 16 Q And who --
 17 A -- in terms of the IRP.
 18 Q -- actually creates the IRP?
 19 A Utility. In our case it was Steve McInall,
 20 generation planning. We worked on it during the -- we
 21 hired Black & Veatch.
 22 Q And that's a consultant?
 23 A Yeah, as a consultant. Brad Kushner did the
 24 study, wrote the report. I did finally get a copy of
 25 it, but with everything going on at JEA, they didn't --

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1 they didn't want it -- they didn't -- a combination.
2 They said they don't need it.
3 So one of the drivers for an IRP is so that
4 you can make big decisions and go to your Public Service
5 Commission and tell them why you need to go build
6 something. And what -- the latest I'm getting from
7 Steve McNall is at this point they have a year or two;
8 they can tread water. They're not up against a decision
9 point.
10 And kind of -- if you go back a year or two,
11 we kind of thought we needed to -- I thought we needed
12 to do the report in '17 so we could make decisions and
13 move forward.
14 One of our -- one of our future generation
15 options is to build at Greenland Energy Center. If --
16 have you driven along 9B going south --
17 Q Yes.
18 A -- off to the right is a couple little stacks.
19 If JEA expands that plan, it's going to be five monster
20 stacks and it's going to be huge in that part of our
21 county.
22 So Paul and I said we need to go ahead and get
23 that plant permitted. I don't care when you build it,
24 but we need to go ahead and get it permitted. And to
25 get it permitted you got to go to Tallahassee with the

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1 need for power and the siting act and all that mess, and
2 it -- and what you want is an IRP and Brad Kushner, the
3 consultant, to basically say, here's why JEA needs to
4 build a power plant.
5 Well, that didn't work in 2019 because Aaron
6 was saying utility of the future is no more big plants,
7 only small stuff, customer-owned systems, distributed
8 generation, energy efficiency. We're going to get our
9 power through the Internet and all kinds of crazy stuff.
10 And so he was -- his vision was at odds with
11 the recommendation of the IRP, and honestly, I think
12 Melissa and Steve McNall felt like they could just put
13 this into a holding pattern for a while.
14 It would be interesting to see what the
15 ten-year site plan says next month. You know, that's
16 the big thing that got some coverage. Every year the
17 PSC -- they don't require an IRP, but every ten years --
18 every year you have to do ten-year site plans, and it's
19 March of every year. It's due April 1st, but it gets
20 published in March, so we got that coming up.
21 And this will be the first one kind of
22 post-Aaron and everything that happened in 2019, so ...
23 Q So going back to the IRP for a second. You --
24 so you were working on an IRP --
25 A Uh-huh.

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1 Q -- when you left in January of 2019? It was
2 in progress?
3 A It was -- it was done. You know, final draft,
4 call it.
5 Q Okay. And Black & Veatch was the consultant
6 that --
7 A Yeah.
8 Q -- was involved?
9 And what kind of information were you getting
10 regarding, you know, the forecast of the future?
11 A Yeah, growth. Similar to the ten-year site
12 plan. They tend to do some sensitivity analysis. So
13 there's a high growth case and a low growth case. I
14 mean, the smart way to do this kind of stuff is you look
15 at kind of the key variables, input variables, and you
16 do a high, medium, low, and you run all three cases, not
17 one case that says 8 percent contraction for the next
18 decade and let's plan -- that's our plan moving -- you
19 do a sensitivity analysis and you look at different
20 things. So it's not just here's what they say.
21 Now, when it gets rolled into the ten-year
22 site plan, they tend to forecast a number. So
23 historic -- the last -- since the recession, ten-year
24 site plan has called for 1 percent annual growth rate in
25 demand and energy. And the IRP kind of followed that

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1 with the exception of there's some variations, some
2 sensitivity analysis, high, medium, low growth. So
3 they -- and --
4 Q Do you recall, was there --
5 A But they did call for retiring Northside 3 to
6 avoid hundreds of millions of dollars of environmental
7 spend at Northside, and it's a 40-year-old unit that you
8 eventually -- and building more gas combined-cycle and
9 building some more solar.
10 You know, JEA's in the process of bringing on
11 250 megawatts of utility scale solar, going from 50 to
12 300. Build another 300. That's what FPL's doing.
13 Q So as far as the --
14 A So that was in the IRP. I'm sorry. But
15 growth.
16 Q Okay. So how did it -- in your recollection,
17 the information that we were getting from
18 Black & Veatch, or JEA was getting from Black & Veatch,
19 how did it match up with the presentations that were
20 given to the board in May of 2019?
21 A Yeah, night and day, obviously.
22 Q So --
23 A Night and day.
24 Q So you'd say --
25 A No correlation.

1 Q -- they were inconsistent?

2 A Oh, yeah, totally inconsistent.

3 (Discussion off the record.)

4 THE WITNESS: I would argue that when we
5 finally got a report out of McKinsey in December
6 that didn't match up with what the board saw in
7 June and July either.

8 And, in fact, I don't know how Aaron and Ryan
9 had the -- had the meetings in June and July
10 without having the strategic planning done. We --
11 I kept asking for it. I couldn't get it. I
12 couldn't get it. I finally got it in December, the
13 strategic plan from McKinsey, a draft version, that
14 largely -- it didn't line up at all with what was
15 presented in July.

16 The scenarios, you know, status quo,
17 traditional utility response, Scenario 3, A through
18 F, the 8 percent reduction, grid parity, none of
19 that's in the McKinsey study.

20 BY MR. GARRETT:

21 Q And McKinsey, when did they start their work?

22 A Late '17. So like I said, we had done -- we
23 had done the work with Deloitte and Xtensible, and
24 that -- there was some stuff on that and it just kind of
25 died, particularly around Paul's departure.

1 And then they hired -- even before Paul left,
2 we had brought in -- and I don't know, maybe we looked
3 at the work done by Deloitte and Xtensible and decided
4 it wasn't what we wanted to -- anyway, they had already
5 moved forward to hire McKinsey in late '17.

6 Q Okay.

7 A I'm sorry. No. '18. I'm off a year.
8 That -- I never had a meeting with McKinsey, so they
9 were -- they were gearing up in late '18 and really hit
10 the ground hard --

11 You remember Julio? Was there a couple
12 months. It was his job to manage McKinsey. So I
13 noticed you haven't interviewed Julio. He might be
14 worth talking to.

15 So there was clearly some clashes going on
16 here. McKinsey's a great organization and reputable.

17 (Discussion off the record.)

18 THE WITNESS: Julio was hired after I left.
19 He had actually competed for my position. They
20 said we really don't think you're right for that
21 job, but we're going to put you in -- you're
22 responsible for innovation and strategic planning.

23 So he was hired in February-ish, January,
24 February, and McKinsey reported to him. And he
25 didn't work out. I never met the man. I don't

1 know all the ins and outs, but he -- he left
2 suddenly or was fired or he left. I don't know.

3 But it was his job to manage McKinsey. And
4 all I know from McKinsey is they were working under
5 presumably Aaron's direction.

6 And it's kind of like the PUP; nobody seems to
7 know who was talking to them, but all of a sudden,
8 here comes a finished product that I got in
9 December.

10 BY MR. GARRETT:

11 Q So they were working --

12 A A draft.

13 Q -- on the strategic plan --

14 A Yes.

15 Q -- in 2018?

16 A Mainly '19. I was there in '18. I left in
17 December, January. They -- I didn't have any meetings
18 with them. I never saw them. So they were probably
19 in -- you know, the early stages of a consultant, they
20 come in and ask for all kinds of documents and go in a
21 room and read them until they can't see anymore. So
22 they were kind of in that ramp-up mode, but I never met
23 with them.

24 So their work was done predominantly in 2019.

25 Q And do you know if there was any effort made

1 to reconcile their forecasting with what had been done
2 by Black & Veatch, for example?

3 A I don't know of any. That was clearly a
4 disconnect between the various -- between JEA's budget
5 forecast, between what they were telling rating
6 agencies, between everything and the July board meeting.
7 July board meeting was an outlier, and I'm sure they had
8 lots of painful discussions and anxiety around how do we
9 resolve this glaring delta.

10 For the most part, people didn't see the
11 delta. They just saw what was presented in July, and
12 very few people saw the ten-year site plan or the IRP or
13 these other documents, so the disconnect.

14 And then, of course, they tried to explain why
15 the two were different, Kerri Stewart in particular.
16 And there's some truth to what she says. Sometimes you
17 do what you do for different reasons. When it comes to
18 predicting the future, nobody has a bead on what's going
19 to happen.

20 It's a complex model with lots of input
21 assumptions and variables, and who the heck knows what's
22 coming, so one prediction is as right or as wrong as
23 something else.

24 So if you're telling the PSC what we have to
25 build to meet peak, err on the high side. If you're

1 doing a financial forecast, you don't want to -- you
2 don't want to be optimistic; you want to be pessimistic,
3 which is why JEA historically on the financial forecast
4 said we're going to assume flat. PSC was told
5 1 percent.

6 And every now and then we had to explain,
7 well, why did you tell the PSC 1 percent and your
8 budget -- you're telling everybody your financial
9 forecast is flat? Well, you kind of bias it up or down
10 based on being cautious. You don't want to be overly
11 optimistic on your financial forecast and get halfway
12 down the road and all of a sudden, you're in the red,
13 so, yeah.

14 MR. GARRETT: Can we go off the record for a
15 second?

16 (Discussion off the record.)

17 BY MR. GARRETT:

18 Q And then what would you tell the rating
19 agencies --

20 A Yeah.

21 Q -- with respect to the forecasting?

22 A The rating agencies generally saw the rearview
23 mirror. We came in every year and we said we were here
24 a year ago. This is what we told you we were going to
25 do in 2018 and this is what really happened. And of

1 course we always beat our projections. That's the game
2 there.

3 You want to say -- what you told them was
4 often a little bit biased to the bad, underforecasted,
5 so that you could come in and say, hey, we did better
6 than we thought.

7 There was very little future projections that
8 went to the rating agency. They -- there were some in
9 there, but it would have been something middle of the
10 road, similar to our budget forecasts.

11 JEA internally would run five-year forecasts
12 or maybe even ten-year, and we were looking at revenue
13 requirements and can we -- what the rating agencies want
14 to know is debt service coverage; can you meet your bond
15 obligations; what's your debt service coverage; what's
16 your liquidity. So those are the things they would look
17 at.

18 And we would try to give them a forecast
19 looking out into the future maybe five years, and it was
20 generally middle of the road, not overly optimistic, but
21 not -- we didn't want to tell them doom and gloom, we're
22 going to be in trouble tomorrow, death spiral's coming.
23 That's not the kind of thing you would --

24 You know, the hardest thing to talk to the
25 rating agencies about was probably Vogtle. They wanted

1 to talk about Vogtle. They wanted to talk about the
2 pension reform. They wanted -- they want to understand
3 our relationship with the City. They want to -- they
4 want to make sure that you'll raise rates when you need
5 to to protect the bondholders. Those are their
6 objectives.

7 So more of a rearview mirror view of things
8 and then maybe a five-year forecast and debt service and
9 coverage and liquidity. Are you doing anything with
10 generation. You know, I would go up there and talk
11 about the generation business and put them to sleep.
12 They were really not interested in the utility business
13 as much as just the financials.

14 And Ryan Wannemacher and Melissa Dykes were
15 the -- Joe Orfano, the treasurer, were the people they
16 were interested in talking to, so ...

17 Q So who at JEA would have created the five-year
18 forecast?

19 A That's the finance group, Ryan/Melissa.

20 Q And do you recall what the last one that you
21 were aware of --

22 A 20 --

23 Q -- what it looked like?

24 A 2017 was the last one I was aware of, but I'm
25 sure they did one --

1 Things changed in '18 with Paul's departure.
2 I don't think I went -- with everything going on,
3 even -- we would go up every fall. It was kind of
4 around -- it was between Thanksgiving and Christmas, and
5 the board members liked to go and sometimes the Mayor
6 would go and Sam would go, and it's kind of a -- so we'd
7 go up every fall.

8 I don't think I went in the fall of '17
9 because everything was crazy with Tom Petway's --
10 everything was -- that became the big -- the big point.
11 They didn't even bring me that time.

12 And that was generally when I saw it. Now, I
13 would also -- throughout the year, I would provide input
14 to Melissa and Ryan and maybe see something back, but it
15 was really more of a process where the business was
16 providing inputs and they were crunching the numbers,
17 and it might go to the board finance committee, so ...

18 Did they -- are they -- did they do one in
19 '19? I don't know. I obviously didn't see it. I don't
20 remember seeing one in '18. I bet they did one.

21 And what happened, of course, in '19 when
22 Aaron came on is the -- the pro forma began to take on
23 more of the pessimistic view, more of the status quo,
24 bad stuff's coming, contraction in revenues.

25 Q And were those things that you were being told

1 or -- by consultants or internally that there was this
 2 really downward slope that was coming --
 3 A No.
 4 Q -- while you were there?
 5 A It was all coming from Aaron. It was all
 6 Aaron.
 7 You know, there's consultants that will tell
 8 you anything, and there's -- it's like politicians.
 9 There's liberals and conservatives, and there's people
 10 that say there -- you know, things are -- grid parity is
 11 coming in five years, and there's people that say it'll
 12 never happen. I'm kind of more in that latter category.
 13 So there's different people that'll tell you different
 14 things.
 15 Bill Kemp, the guy we hired for strategic
 16 planning in 2012, he was fairly liberal and progressive
 17 on -- he thinks solar's the end-all, be-all and it's
 18 going to take over the world and -- so there's people
 19 that have that flavor to them.
 20 But from an internal JEA shift, from things
 21 are fairly flat and manageable, past and future, with
 22 some modest growth to the 8 percent contraction and the
 23 significant penetration of rooftop solar and grid parity
 24 and -- how many times -- I got tired of looking at
 25 Ryan's stupid house in the woods on the Southside --

1 this guy's got batteries. He can go off grid. This is
 2 the future. Okay, Ryan.
 3 Q So is it safe to say there were discussions
 4 before you left in the senior leadership team about the
 5 outlook of JEA?
 6 A It was beginning. It was beginning. We were
 7 beginning to work on -- Aaron had taken over a
 8 spreadsheet on JEA solar customers and had kind of done
 9 some work on that. I had issues with and gave him
 10 feedback.
 11 You know, it -- once you -- once you come out
 12 and say you're retiring, you kind of become lame duck
 13 and they quit listening to you, especially if they don't
 14 want to hear what you have to say.
 15 So I would -- even Melissa, I'd provide some
 16 feedback, and there were some assumptions they were
 17 making in some of their spreadsheets I pushed back on.
 18 And that was just zeroing in on the growth of
 19 JEA customers with solar panels on their roof and what
 20 that was going to do to the business and the bottom
 21 line.
 22 The broader -- what became known as the status
 23 quo and the traditional -- those were worked -- if they
 24 were worked when I was there, it was -- I wasn't
 25 involved. It was later. They began working on those

1 pretty much in January of '19, building towards the --
 2 Q Did you --
 3 A -- April, May, June board meeting.
 4 I'm sorry.
 5 Q Did you feel that when you were there on the
 6 senior leadership team that Aaron was pushing a specific
 7 agenda?
 8 A Yeah. Of course.
 9 Q And what gave you that sense?
 10 A Just being around him, listening to him. You
 11 know, he -- it's not an age thing, but he was young and
 12 was influenced by books that -- you know, TED talks and,
 13 you know, stuff that I guess -- and I had gone through
 14 my career 30 years earlier, and a lot of that stuff just
 15 gets retread and repackaged and put out again.
 16 So a lot of it I was scratching -- he had us
 17 reading a book every week. So it was this kind of new
 18 edge -- the Internet of things. Amazon and Google were
 19 taking over the Facebook, and JEA should be like them
 20 and -- you know, that kind of out there thinking.
 21 Innovation, he had -- I will say zero -- and
 22 that may be a hard word. He had close to zero respect
 23 for the history of JEA and for public power. He -- he
 24 didn't want to learn how the business worked. He didn't
 25 want to learn about public power. He basically -- all

1 the things that we spent decades building relationships
 2 and -- he didn't seem to be interested in continuing.
 3 He had this view or vision of the future that
 4 was much, much different and no need, really, for a
 5 utility, certainly not a public utility. So that was
 6 just his bias.
 7 Q And what was his background coming into the
 8 position of CEO?
 9 A Y'all know what his -- I mean, he supposedly
 10 went to Yale and studied philosophy or something. His
 11 dad was a rich, successful CFO at a big oil and gas
 12 company.
 13 Came from a rich family and went to Yale and
 14 had a couple -- he was kind of an entrepreneurial kind
 15 of a guy, and he had a wastewater company, and he would
 16 knock on JEA's door and want us to buy his stuff prior
 17 to -- this was five or so years ago, six years ago.
 18 He would come in through connections on the
 19 board or City Council, and we'd have to -- not me. This
 20 is on the water side. So Brian and them would -- Scott
 21 Kelly, some of -- Brian Roche, they would -- they would
 22 listen to him. But he really didn't have anything we
 23 were interested in, so ...
 24 But that was -- that was our exposure to Aaron
 25 was that kind of work. And he's had a couple of

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1 other -- he's an interesting guy and I think very smart,
2 but I would say entrepreneurial and kind of a startup
3 and has never run a big company, and certainly not a
4 utility.

5 Q And did he seem to have any knowledge or
6 experience about the energy side, the generation
7 distribution --

8 A No.

9 Q -- transmission?

10 A No, no. He kept saying he and I were going to
11 go in the field for a day of tour and I'd teach him the
12 basics, and it never happened.

13 So no, he came in with none. And again,
14 from -- almost had a really negative opinion of public
15 power, looked down upon it as old and inefficient, and
16 not very -- not a very good opinion.

17 Q Did you ever hear him or anyone else in the
18 senior leadership team talking about kind of a dislike
19 of public records law or the --

20 A Yes.

21 Q -- constraints --

22 A Well, him in particular. Just Aaron. It
23 wasn't something he had ever been exposed to.

24 Everybody that comes to JEA that's from the
25 outside has a -- even on the board, it's eye-opening.

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1 And we hired a -- we were recruiting for Jim
2 Dickenson's replacement in 2012, and we hired a guy
3 from -- Bill Belichick from the Northeast, a utility
4 guy. He was selected ahead of Paul McElroy. And he had
5 his orientation session with ethics and counsel and
6 public records and travel. He was going to bring his --
7 just totally -- he basically never did sign a contract.
8 So he just -- his eyes were opened to --

9 So for somebody from the public -- the private
10 sector, the real world out there, it's a shock. And
11 Aaron was in that -- that mode of, you mean that's a
12 public record or you mean this has -- you know, it was
13 more of a shock learning about it than necessarily a
14 pushback.

15 It's certainly -- you know, it -- it makes it
16 hard to run the business. There's no question that
17 it's -- it's -- I'm not going to take a position --
18 necessary evil. It's a good thing that it exists. But
19 there's certainly an argument that it gets in the way of
20 JEA being competitive.

21 To use that as the end-all to let's just throw
22 the towel in and sell to -- you know, it was a stretch.
23 In the past we always said, okay, you know, there's ten
24 things about being public power that are -- that are not
25 good, if FPL doesn't have to worry about blah blah blah.

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1 Well, there's another ten things that are advantages of
2 being public power that FPL doesn't -- doesn't benefit
3 from. FPL, I'm using them as a surrogate for
4 investor-owned.

5 So, you know, I mean, the cup is half full or
6 half empty. So you have to look at -- it's all part of
7 the deal, and you -- you know, people talk about
8 headwinds and death spirals. It's been coming for
9 decades, and you deal with it.

10 You don't use it as an excuse to throw in the
11 towel and say let's just take the easy way out and sell
12 the place and it'll be somebody else's problem. I don't
13 have to worry about an IRP if we're going to sell,
14 right? I don't have to worry about a strategic plan.
15 You know, let's just -- basically, let's just take the
16 easy way out.

17 Q And --

18 A Public records, to me, is a subset of -- and
19 the government and the Sunshine. It's just a -- it's
20 a -- it certainly makes sense for government, for
21 elected officials. It gets pushed on to, you know,
22 public power.

23 It's kind of a weird thing, and it -- our
24 peers in the industry don't -- our peers -- our private
25 investor utilities don't have that constraint. But you

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1 work with it, I mean ...

2 Q So in -- based on your interactions with
3 Aaron Zahn, did you get the sense that he was definitely
4 going to sell the company or that was the -- that was
5 the driving goal?

6 A Yeah, I think you got the sense. He didn't
7 say that. When he first came in, he was saying good
8 things. I'm going to shut down all this noise about --
9 I'm going to make the noise go away. I'm going to -- I
10 have experience with shareholders. And JEA's problem is
11 they haven't figured out who owns them and they haven't
12 gone out and said how do you define value.

13 Of course, we did all that. We knew who our
14 shareholders were. We knew who our stakeholders were.
15 We knew how to define value.

16 So he kind of came in and threw everything out
17 and started over, and he came up with -- you know, it's
18 not rocket science. It's finances. It's customers.
19 It's environment and community. Those are the big four
20 buckets. You know, so how do we define value, and then
21 let's put everything that we want to do against that --
22 that matrix, and that'll be how we make decisions.

23 So, you know, looking back, it seems like he
24 had set all that up with the intent of running the ITN
25 through that model, because there's all kinds of things

1 that could have been run through that model that were
 2 left on the sidelines. Like getting into the gas
 3 business would be a perfect example of what we ought to
 4 be doing, but that got, you know ...

5 And there's all kinds of things that could be
 6 run through that model with JEA remaining a public power
 7 entity that weren't evaluated. They just in July
 8 glossed over Scenarios 1 and 2 and jumped into Scenario
 9 3 without much effort at addressing JEA's future as a
 10 public power entity. It's almost like that had been
 11 preordained, predetermined that we were going to head
 12 down another path.

13 Q And did the presentations that were made to
 14 the board in May, June, and July, that had the status
 15 quo --

16 A Yes.

17 Q -- and then the traditional response --

18 A The traditional utility response, yes.

19 Q And then you have your nontraditional
 20 response --

21 A Which is nonpublic utility, yes. A through
 22 E -- A through F.

23 Q You had just left in January of 2019.

24 A Right.

25 Q Did it surprise you the direction that all of

1 those presentations went?

2 A No, I mean, I wasn't surprised. I saw it
 3 coming. I was shocked. My jaw hit the floor,
 4 particularly in July, because the -- I don't know, from
 5 my perspective, the lies were so blatant, and it
 6 reminded me of extortion. You know, behind --

7 Q There's only --

8 A -- behind door number one is doom and gloom
 9 and layoffs and rate increases, or -- and then over
 10 here, everything's wonderful. You know, if their
 11 projection of the future is true, FPL's going to have
 12 the same problem that JEA would have. Duke would have
 13 the same problem. Do you want FPL to raise your rates
 14 or JEA to raise your rates? Who do you think is going
 15 to be more responsible and --

16 So, you know, even if they were -- they're
 17 right in their projection, and maybe it's not 5 years,
 18 maybe it's 20 years, you don't solve anything by going
 19 and getting out of the business. You know, JEA has a
 20 50-year history of dealing with challenges and doing
 21 everything it can to be successful and to keep rates low
 22 and stable and reliability up and proceeds going back to
 23 the City.

24 \$100 million a year on a \$2 billion business.
 25 It's a success story. And to just throw it all in the

1 trash can because things look a little hard and --

2 So, you know, no -- no firsthand knowledge of
 3 this, but, you know, 3 or \$4 billion is a good -- it's a
 4 good motivator to sell JEA, right? I mean, that's --
 5 JEA's done -- JEA used to have a 90 percent
 6 debt-to-asset ratio, and we worked hard over the last
 7 decade to --

8 Because, you know, if your debt-to-asset ratio
 9 is 90 percent and you sell for 5 billion and you got
 10 5 billion in debt, that doesn't get you a whole lot of
 11 walkaway money. But JEA has done such a fabulous job on
 12 the electric and the water side paying down debt, which
 13 is good for business. It's one of our largest expense
 14 items. It's debt service. Think of how low our rates
 15 could be if we were even lower.

16 But what that does is it puts the margin
 17 between what you're worth and what you've got to pay off
 18 in debt, it makes that a bigger -- a bigger -- a bigger
 19 windfall.

20 And I just think that has to be one of the --
 21 one of the motivations to sell JEA. It's not really all
 22 this other craziness. It's just thrown out there to
 23 prop up the push for privatization.

24 MR. GARRETT: Okay. I think this is probably
 25 a good time to take a break.

1 (Recess taken from 11:34 a.m. to 11:53 a.m.)

2 BY MR. GARRETT:

3 Q Mr. Brost, with respect to Plant Vogtle, in
 4 your time at JEA, if JEA had had to comply with that
 5 contract, ultimately would -- the plant would be
 6 completed and ultimately would start taking power, was
 7 that hugely problematic for you?

8 A Yeah, I don't believe it was, Chris. And I
 9 wasn't at the table when the deal was inked and wasn't
 10 close to the -- to the numbers. So it has -- certainly
 11 had and still has some advantages. It's late and over
 12 budget, and the degree to which that's going to bankrupt
 13 the company or be a huge financial burden or cause
 14 significant rate pressure, I just -- I question that.

15 There are smart people there that are making
 16 those sorts of predictions, and so I don't want to come
 17 off, you know, without having good knowledge.

18 But it's 200 megawatts for 20 years. JEA is a
 19 3,500-megawatt company. It's not -- even if it's twice
 20 the cost of everything else, I mean, we have -- we have
 21 a diverse generation fleet with expensive units and
 22 cheap units. So it's just -- it goes into the mix.

23 We had done a lot of work with Melissa's team
 24 prior to 2018 getting ready to absorb Vogtle without any
 25 rate increases. Now, things changed in 2017/18.

1 Westinghouse went bankrupt. The costs continued to
2 climb. JEA corporately took a position that it would
3 like to get out of it if it could. That was -- that's
4 been unsuccessful, and there's litigation ongoing.

5 From my perspective, it's not a big deal.
6 It's a 20-year deal, zero carbon base load, good
7 megawatt hours. Yes, the price is higher than we would
8 like, but it's -- got zero liability. You know, there's
9 no waste fuel to deal with. It's purchase power.
10 There's no equity interest. So JEA gets power and then
11 walks away. And -- yeah.

12 Q So --

13 A 20 years --

14 Q As of --

15 A -- 200 megawatts. And we have zero -- JEA has
16 zero nuclear in the portfolio, and diversity is
17 important. So that was one -- you know, one of the big
18 drivers, so ...

19 Q Because natural gas could become very --

20 A Natural gas --

21 Q -- expensive and all --

22 A -- could go the other way. CO2 legislation
23 can, you know, tax, and cap and trade can hit you.
24 There's all kinds of things in the future that may
25 make -- that may change the -- today's economics.

1 It was a great deal in 2008, and it's -- it --
2 it's become less of a great deal. And it may -- who
3 knows what the next 10 years will bring, or 20 years.

4 Q So at the time that you left in January of
5 2019, up to that point, were you planning on making any
6 radical changes or expecting major rate increases --

7 A No.

8 Q -- from the generation and distribution side?

9 A No. We had a lot of big projects going on,
10 and they're still going on, but nothing radical, that I
11 would call radical.

12 Q Okay.

13 A We made a change in our metering rate that
14 affected -- we had a lawsuit out of that, last I heard,
15 on the net metering for the rooftop solar. That was
16 kind of a big thing.

17 We were working on demand rate, which is a big
18 thing for our industry and our company, and I'm afraid
19 that's taken a back seat. That's a big thing.

20 These are big things but kind of in the small
21 scheme of things. We had a lot of projects going on.
22 Changing out all the streetlights, you know, those kind
23 of -- LED and --

24 Q Well, I was going to ask you, you have
25 reviewed the traditional response, is that correct --

1 A Uh-huh. Yes.

2 Q -- that was presented to the board?

3 A Yes.

4 Q And are there any actions that were -- or
5 potential responses that you think were just excluded
6 from that presentation that would be obvious ones?

7 You just talked about demand rate.

8 A Yeah.

9 Q I didn't know if that was one. But if you
10 have any --

11 A So my -- yeah, the issue with the traditional
12 utility response -- well, you really have to back up to
13 the status quo. They started with a fairly radical,
14 aggressive, pessimistic assumption of contraction for
15 the business due to a continuation of what we've seen
16 for the last decade, which was energy efficiency and
17 rooftop solar.

18 So they really -- they really pushed the
19 envelope above and beyond what anybody else in the
20 industry has projected that I -- yeah, so that's the
21 first problem.

22 And then with status quo, they basically sat
23 back and said let's do nothing, and what would happen.
24 Well, your costs are still going up due to inflation and
25 consumer price index, and your revenues are shrinking.

1 So eventually it's obvious what happens, and that's
2 ugly.

3 So they went to Number 2, Scenario 2, which
4 was traditional utility response, which I think is an
5 interesting name. I don't know whose definition of
6 traditional -- you know, they didn't really -- as was
7 the case with a lot of stuff, they didn't disclose a lot
8 of what they were -- the underlying assumptions.

9 But it appears that the traditional utility
10 response was cut costs blindly across the board. Let's
11 just slash costs, and we'll reduce head count by
12 25 percent, and we'll raise rates, and that will let us
13 kind of shore up and protect our City contribution.

14 So to me, that's what I read in, without
15 seeing a whole lot of -- and starting in July, I kept
16 saying where's the McKinsey report so I can see where
17 you're coming up with all of this? And when I finally
18 got the McKinsey report, nothing was in there.

19 They just took that as input, took Scenario 1
20 and 2 and 3 as input and kind of jumped into -- and we
21 can talk about that later if you want. The McKinsey
22 report is good in terms of what it says to do. It
23 doesn't require selling the public utility to do it.
24 It's a lot of good stuff JEA needs to go do.

25 And I would argue that the traditional utility

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1 response excluded all that, the work done by Deloitte.
 2 Every time JEA's done strategic planning, we've come up
 3 with -- we don't say, well, let's sell the place. We
 4 come up with smart, innovative, creative ways to smartly
 5 cut costs, leverage technology, continue to improve,
 6 and -- and those were missing from the traditional
 7 utility response. They saved that for the privatization
 8 part of the McKinsey report.

9 So they didn't -- they didn't have that in
 10 there. They had very unrealistic assumptions of
 11 pressure on the business from lost unit sales. They
 12 didn't use the demand rate, and the demand rate is
 13 coming, and JEA can implement it next year, or we can
 14 sell to FPL and FPL will implement it. The whole
 15 industry is moving in that direction. It properly
 16 aligns revenues with costs; fixed and variable.

17 I mean, you know, utility is just like any
 18 other business; it has fixed and variable costs. We
 19 bill residential and small commercial industrial
 20 customers based on variable usage; kilowatt hours.
 21 Costs aren't variable based on kilowatt hours; only fuel
 22 is. The rest of the costs are fixed based on your
 23 demand.

24 Medium and large commercial industrial
 25 customers pay a demand rate. The only reason everybody

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1 doesn't pay a demand rate is because the technology of
 2 metering wasn't there until today. We now have the
 3 ability to put every customer on a demand rate. It's
 4 just a matter of making that shift, which will be hard
 5 for customers.

6 And I say that in the context of if you're
 7 worried about rooftop solar eating into your revenue,
 8 that problem goes away when you implement the demand
 9 rate. It totally goes away. So why didn't they factor
 10 that into their traditional utility response? Maybe
 11 they didn't think that was traditional. But it's still
 12 something that JEA, as a public entity prior to the ITN,
 13 could do.

14 And it's already piloted. JEA's been piloting
 15 it for three years. My daughter and son-in-law are on
 16 it. They live in Riverside. They're on the demand
 17 rate. They were one of the first people to get on it.
 18 And it's just waiting on leadership.

19 It was sidelined during the 2019 period. So
 20 they didn't -- they didn't -- they didn't do traditional
 21 strategic planning to say how -- the Deloitte
 22 recommendations, that sort of thing. They did it --
 23 McKinsey did it, but it was in Scenario 3, not in
 24 Scenario 2. They didn't implement the demand rate.
 25 They didn't push for natural gas sales. There's no

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1 reason that JEA's not the natural gas provider in Duval
 2 County. It would be great -- Paul McElroy pushed this.
 3 Jim Dickenson pushed this. It would be great for JEA.
 4 It shores up unit sales and revenue. And it's a good
 5 deal for the City.

6 The City would benefit if JEA had the
 7 franchise. I don't need to get into all the reasons for
 8 that, but it's a win win win. Well, let's push that
 9 instead of selling JEA, which is the opposite direction.

10 So just the traditional utility response
 11 didn't push hard enough on opportunities to cut costs
 12 and improve the business, and it didn't -- it didn't
 13 push diversification of -- we can do -- JEA can work
 14 behind the meters. It can. There's nothing stopping it
 15 today. There's no charter issue. There's no legal
 16 issue.

17 JEA can go to you and say instead of going
 18 over here and buying your rooftop solar battery system,
 19 let JEA buy it and install and maintain it and we'll --
 20 it's a partnership. And we can do it -- they can do it
 21 for residential customers. They can do it for medium
 22 commercial industrial, these companies that have all
 23 this green power corporate drivers.

24 You know, JEA in 2019 basically sat back and
 25 said we're going to lose all that. Well, no. You

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1 partner with those customers. They don't want to be in
 2 the power business. They don't want to -- they don't
 3 want to put this stuff up on their roof and have to
 4 worry about maintaining it. So they can go hire
 5 somebody else to do it, or they can partner with JEA.

6 JEA 15 years ago put solar panels in the
 7 schools and on the Jaguars stadium and at the zoo. I
 8 mean, JEA has a history of partnering with solar
 9 projects.

10 So they left -- from my perspective, they left
 11 a lot on the sidelines on the -- untouched in their
 12 traditional utility response and basically just said
 13 let's cut costs and raise rates. And you're plugging it
 14 in the spreadsheet and there's the answer, 20 percent
 15 reduction -- 25 percent reduction in employees, 50
 16 percent -- 50 percent raising of rates, pressure on the
 17 City, contri -- you know, that was what they came up
 18 with.

19 Therefore, let's close that window and let's
 20 go to the sun's coming up and roses and flowers and the
 21 birds are singing and everything will be wonderful. All
 22 we have to do is sell the system.

23 Q So you've read the McKinsey report that -- or
 24 at least a draft of it that came out after the July
 25 board meeting?

1 A Yeah, I got it in December. Yes.
 2 Q You got it in December. And --
 3 A Not from JEA.
 4 Q -- in your opinion -- in your opinion, having
 5 read that, there were a number of things that could have
 6 been included in the traditional response without it
 7 being transformed into a private utility?
 8 A You couldn't overlay JEA's board presentation
 9 in July and the McKinsey report and get any sense of
 10 alignment. There was no talk of Scenario 1, 2, and 3.
 11 There was no talk of status quo -- they didn't talk
 12 about the traditional utility response. They used a
 13 whole different language.
 14 They had two scenarios; one is stay the course
 15 and the other one is management response.
 16 Now, if you read closely, they use code --
 17 code language that kind of implied that the management
 18 response was privatization, but they never said that.
 19 And they never supported the argument that JEA should
 20 privatize.
 21 Do you remember the Herschel Vinyard list of
 22 here's ten things JEA would like to do, can't do it,
 23 can't do it? None of that was in there. They just kind
 24 of glossed over -- they never really spelled out we
 25 think JEA should no longer be a public entity. It

1 wasn't in there at all.
 2 You got to read between the lines. But it's
 3 basically stay the course, here's what the future is,
 4 with no support for where they got the numbers. It's a
 5 little table. It's number, number, number. Where does
 6 it come from? There's no -- it's in pages -- the first
 7 three or four pages. No supporting anything. It's like
 8 they took it as input.
 9 And they moved quickly into this -- what they
 10 call management response, which you can kind of infer is
 11 JEA's Scenario 3, A through F. But they didn't call it
 12 any of that. They didn't use the same -- the stuff that
 13 JEA staff developed in June, July was apparently
 14 something JEA developed, and to the extent there was any
 15 involvement with McKinsey, I don't know. But the two
 16 are really hard to -- well, they're six months apart,
 17 for one thing.
 18 And I think maybe JEA's story and the talking
 19 points and Project Scampi and this -- you know,
 20 whatever's going on -- I mean, there was so much going
 21 on there, I think things -- in trying to make everything
 22 line up, honestly, it's almost like they were trying to
 23 reverse engineer the answer so it all lined up with what
 24 they had pushed in the spring and summer.
 25 So beyond that, McKinsey's a good company and

1 it's a good report. There's nothing wrong with their
 2 management response. And there's absolutely nothing
 3 that says JEA cannot do everything that that report says
 4 to go do in the management response.
 5 It had simply been couched from the
 6 perspective of we looked at JEA as a public utility and
 7 that's terrible. Let's move to privatize, recapitalize,
 8 co-op, IPO -- you know, fill in the blank -- and then do
 9 all this other stuff.
 10 So the other stuff was good and should be done
 11 by JEA under new leadership. Today. Every bit of it.
 12 Q As a governmental entity?
 13 A As a governmental entity, yes.
 14 Q And those are things --
 15 A There's nothing in the report that talks at
 16 all, that I saw -- somebody else can go read it and
 17 point out where I'm wrong. I didn't see anything that
 18 really directed you -- or JEA as a public power company
 19 cannot do these things. Any of them.
 20 Q And were those things that, if you were
 21 talking about a traditional response, you think should
 22 have been --
 23 A Yes, they all should have been included.
 24 Every bit. They're all traditional response.
 25 Now, if you're Aaron Zahn and you're

1 brand-new, you know, everything's -- nothing's -- I
 2 mean, it's all new. It's all new. But from my
 3 perspective, I'm looking at it from a 30-year
 4 perspective. It was all traditional. So was the
 5 Deloitte stuff that they trash canned. So was the work
 6 we did in 2012. Great stuff.
 7 Q Do you recall what kind of things Deloitte had
 8 suggested?
 9 A Similar things. It was more -- it was more
 10 internally focused, maybe a little less external
 11 strategic get into different, you know, businesses or
 12 whatever. It was really more getting down into the guts
 13 of the business and saving money; supply chain,
 14 procurement, how can you buy things cheaper. Nothing
 15 transformational, for example. Really more nuts and
 16 bolts and let's run the business smarter.
 17 You don't really need 200 people at Power
 18 Park; you can do it with 180. It may have been set up
 19 as one of these they get a percent of the savings they
 20 generate. So it had a lot of that. It was just more
 21 traditional, but small stuff. Nothing big that I recall
 22 in Deloitte's work.
 23 Q Okay. So just talking about consultants, I'm
 24 going to show you what I guess will be Exhibit 1 for
 25 your deposition.

1 (Exhibit Number 1 was marked for
2 identification.)

3 BY MR. GARRETT:

4 Q I'm sorry. Your interview.

5 And what is this document?

6 A FMPA is an organization in the state of
7 Florida, big, big outfit, and they have -- they have a
8 board. They have customers. They have -- they talk
9 about the type of business, but they have a board
10 meeting once a month.

11 The first half of this is just general stuff
12 regarding their report to the board on their business.
13 So they have 31 members, public power, and they
14 basically go out and buy electricity for their members
15 instead of their members having to do it. It's -- they
16 do it.

17 So they have bought -- they go work with the
18 IOUs. They have bought into the nuclear units that are
19 in the state. They buy into others. They have some
20 generation.

21 So it's -- it's a -- it's an organization, 31
22 members. Jax Beach is a member. Jax Beach gets all of
23 its electricity from that bump-up. So it's a big
24 outfit.

25 And they -- this was from their meeting -- was

1 it October? No, September. First part of this is just
2 a general report. Here's -- but part of it was -- was
3 an attempt to address what they were seeing and hearing.

4 Their board is basically city mayors and city
5 managers from their members. It's a 30-member board.
6 And they had seen and heard all the reporting from
7 Jacksonville and JEA, and they hear all this doom and
8 gloom, you know, death spiral. And they went to their
9 leadership and said, hey, what's going on? Are we
10 looking at the same thing?

11 FMPA hired Burns & Mac, who was actually a --
12 they're a general utility consultant; transmission,
13 distribution. They're just -- they're kind of like
14 Black & Veatch. Hired them to come in and do a report,
15 and that's what this is. It's a report to their board
16 really largely challenging what JEA was saying was
17 coming.

18 Q And Burns & McDonnell, they were -- they're a
19 consultant that's been used by JEA?

20 A Yes. Including in 2019 until September.

21 Q And so this presentation, this update on JEA
22 from --

23 A Yes.

24 Q -- FMPA --

25 A What page is that on?

1 Q This is just the portion -- what I handed
2 you --

3 A Oh, okay. I'm sorry.

4 Q -- is just the update on --

5 A I'm sorry. I'm sorry. This isn't -- I should
6 have read it. Okay. I'm good. Thank you.

7 Q And you've reviewed this?

8 A Yeah.

9 Q And was there anything in here that you
10 disagreed with or it seemed maybe overly optimistic or
11 pessimistic?

12 A No. Nothing. Looked like a good work product
13 to me.

14 It basically refuted a lot of the -- as a
15 small example, JEA lost 8 percent sales over the last
16 decade, which didn't really happen, and JEA's -- it
17 refuted all of that from the perspective of FMPA. They
18 put the FMPA hat on it. They -- I don't know that they
19 were necessarily looking at JEA so much.

20 Q And it, in fact, showed, at least here in
21 their forecasting, I think it was primarily increases
22 in --

23 A Right.

24 Q -- growth? Maybe not fast growth, but some
25 modicum of growth?

1 A Yeah. Fast growth is actually a bad thing.
2 Can be. JEA has -- and the state has leveled off, and
3 we're growing about 1 percent a year.

4 One of the things the attorneys on Monday
5 missed -- they talked a lot about a lot of things.
6 They -- one of JEA's claims was that it's raised rates
7 71 percent in the last ten years, which is a lie.

8 JEA's rates have gone down in the last ten
9 years. If they went to their board and they said as
10 evidence of we're -- you know, remember the traditional
11 utility response? We're going to have 50 percent
12 increase in rates in the next decade. They said as an
13 example of that, look back. We -- JEA raised electric
14 rates 71 percent in ten years.

15 Now, I was there. 7 [sic] percent a year. We
16 would have been run out of town on a rail if that's what
17 happened. It didn't happen. It was all more lies, just
18 like the 8 percent contraction going backwards.

19 No, they played with the -- played with the
20 numbers, played with the data.

21 Q So to that point --

22 A And this is on cost, right, and rates going
23 down over time, not up. Yeah.

24 Q I'm going to hand you what we'll mark as
25 Exhibit 2.

1 Are you familiar with this document?
 2 A I've seen it.
 3 (Exhibit Number 2 was marked for
 4 identification.)
 5 BY MR. GARRETT:
 6 Q And this is a chart --
 7 A This is the 71 percent, yeah. Thank you.
 8 Q Okay. And this was what you were just talking
 9 about, a 71 percent increase. And this is essentially
 10 the information that was presented to the JEA board; is
 11 that your understanding?
 12 A I don't think -- I don't know that they
 13 presented this. They presented the answer 71 percent
 14 increase. I didn't get this from the board meeting. I
 15 had to go ask for it and find it.
 16 This is how they -- because I'm scratching my
 17 head trying to figure out where they came up with that,
 18 and this is what I found. And it's a spreadsheet. So
 19 71 -- it says right there, 71 percent; it must be right.
 20 Q And they use a metric in calculating this
 21 71 percent. They call it yield.
 22 A Yes.
 23 Q Do you understand what yield is?
 24 A Yes. Now that somebody explained it. I've
 25 never seen it prior. I don't know who came up with it,

1 never heard of it before.
 2 But yes, I understand what yield is.
 3 Q So in your role on the energy side, you
 4 wouldn't have ever used yield --
 5 A No.
 6 Q -- this metric of yield?
 7 A No. This is a high-level financial metric
 8 that the finance group might have used.
 9 Q Budgeting or something?
 10 A Or for telling a story to the board. I don't
 11 know.
 12 But it's a macro level quasi rate. It's a
 13 surrogate for rate. To think about electric rates, it's
 14 complicated. This simplifies it into a talking point.
 15 You know, you got base rates, you got fuel rate, you got
 16 four different rate classes. So it's complicated.
 17 And this was a way to kind of roll it up at a
 18 high level and simplify it into one number. If you do
 19 it the way I would do it, it would be a big table with a
 20 bunch of rows and columns and it would be complicated,
 21 and it --
 22 Q Yeah. And to that -- to that point, let me
 23 give you what will be Exhibit 3. And this is a table
 24 with -- that's a little more complicated --
 25 A Yes.

1 Q -- that you had provided to me.
 2 (Exhibit Number 3 was marked for
 3 identification.)
 4 BY MR. GARRETT:
 5 Q And just to start off, do you recall who it is
 6 that created this document?
 7 A I do not. Somebody at JEA, I think. I
 8 received it after retirement. It came through an email,
 9 and I don't know where it came from.
 10 Q Okay. And what else does this document show
 11 you?
 12 A Well, it's rates. It's rate history. It's
 13 October -- so their yield thing, you know, the
 14 problem -- part of the problem with yield is it was more
 15 than ten years. They didn't just look at ten years.
 16 They went from '06 to '18 -- how many years that is --
 17 but that -- this is their yield that gave you 71 percent
 18 was '06 to '18.
 19 This guy happens to be -- it's just a
 20 different time slice. It's '08, October of '08 -- it's
 21 just kind of right in the middle of the recession --
 22 through '16. So the columns are those years. It's
 23 every October.
 24 And then it's the rate numbers. So the first
 25 row is residential, and if you're a customer,

1 residential customer, consuming 1,250 kilowatt hours a
 2 month, which is average -- probably high average -- the
 3 rates during this time period went from \$143.76 down --
 4 not up, down to \$134. 71 percent decrease over those
 5 seven or eight years -- it looks like eight years.
 6 So it's just another way to look at -- it's
 7 more detailed. There's problems with yield. The
 8 biggest problem with yield is they didn't include the
 9 fuel. They only looked at base rates. Base rates is
 10 two-thirds of the total. Fuel is one-third of the
 11 total. You can argue that it's two different things.
 12 To simply pull off base and talk about that as the rate
 13 is misleading. If you want to pull it off and talk
 14 about, well, what have your base rates done, that's
 15 fine, but show the total, because that's what customers
 16 pay.
 17 And the fact of the matter is that fuel's gone
 18 down over ten years and the base went up. But they
 19 didn't want to share that. That's a good story. If you
 20 add base and fuel together, rates have gone down over
 21 the last ten years. They wanted the story to be
 22 71 percent increase.
 23 They didn't even say base rates. In fact,
 24 they didn't even say electric rates. They just said
 25 JEA's raised rates 71 percent over the last ten years.

1 You had to dig around to figure out that it was
2 electric. Then you had to dig around further to figure
3 out it was just the base rate. That's why only
4 two-thirds of the rate went up.

5 Ryan Wannemacher at the next board meeting
6 tapdanced as to why they excluded fuel and -- whatever.
7 It's just all part of the -- part of the misinformation.

8 Rates moving forward, according to JEA
9 traditional utility response, will go up 50 percent. If
10 you don't believe us, just look at 71 percent in the
11 past. Here's the history that's even worse. So we're
12 only asking for 50 percent increase.

13 This is a more detailed analysis. It's a
14 little unfortunate that it doesn't use the same years,
15 but it's basically by rate class. JEA has residential
16 rates. It has three categories of commercial
17 industrial: Small, medium, large.

18 And you really -- the rates aren't some macro
19 level quasi rate thing yield. The rates are tariff
20 sheets that are filed with the Public Service Commission
21 that have lots of numbers on them. And this is how I
22 would look at rates over time. What have residential
23 rates done, what's the fuel rate done, commercial
24 industrial, what have they done. And if you look down
25 this right column, it's all negative.

1 So the total rate for all of JEA's customers
2 has gone down, no matter what rate class you look at.

3 Q So this type of analysis, would you say that's
4 a more fair and accurate depiction --

5 A It's very -- yes, absolutely. But it gives
6 some people a headache that want to just look at it --
7 you know, they want a talking point or sound bite. It's
8 absolutely more. But you got to drill down. You got to
9 talk about base versus fuel. You got to talk about
10 residential versus -- you know. And you got to look at
11 the whole -- and why don't we look at water rates and
12 sewer rates and reclaimed water.

13 And JEA's a big company with lots of products.
14 They focused on electric and just a subset of the
15 electric rate and said it went up.

16 Q When you talk about the combination -- so you
17 have the base rate.

18 A Uh-huh.

19 Q And the base rate, is that what covers kind of
20 the cost of having facilities and --

21 A Yes.

22 Q -- transmission lines?

23 A Yes. And the owning costs, the building, the
24 debt service, the operation, the maintenance, the
25 upkeep. Everything but fuel. So there's -- the costs

1 are -- there's a \$5 per month customer charge and then
2 there's fuel, which is about 3 cents, and everything
3 else, which is mainly fixed costs at 7 cents, which
4 gives you about a 10-cent fixed rate total for electric.

5 Q So, for example, if JEA was to build a solar
6 facility, there -- it would probably affect the base
7 rate, increasing it, but the actual cost of fuel there
8 would be --

9 A Zero.

10 Q -- zero?

11 A Yes.

12 Q Okay.

13 A That's correct. And when you build a coal
14 plant, the fixed costs and the owning and the debt and
15 the operation and maintenance and the capital and --
16 base, the coal, the fuel is the variable, is the
17 other -- is fuel rate.

18 Q So you really need to look at both components
19 to --

20 A You need to look at both, yeah. That's what I
21 look at when I pay the bill every month. It's -- to
22 help prepare for Vogtle, the last rate action JEA had
23 was to raise base rates and reduce fuel, so it was a
24 zero net.

25 But by doing the analysis the way they did it,

1 it ignored the production. It only looked at the
2 increase.

3 Do you remember a few years previous, JEA was
4 overcollecting on fuel and kept doing refunds? Once a
5 month. It was during the year, you'd get a really low
6 bill. It's because the fuel was overcollecting.
7 Overcollecting, kept giving them, here's a hundred
8 bucks, Chris. Well, that got left off their 71 percent
9 analysis. They didn't count that.

10 So fuel's important. It needs to be included.
11 And there are technical mathematical reasons as to why
12 yield doesn't even work. Yield can be misleading.
13 Yield can imply an increase in rates when the rates
14 actually go down. It's a simple mathematical trick kind
15 of number --

16 Q And how does the --

17 A -- surrogate for rates, but it's not really --
18 rates are rates. They're in the tariff sheet. It's a
19 big book. It's complicated. You have to --

20 Q So that single number, the yield metric, it's
21 including both the residential customers that are --

22 A It's everything.

23 Q -- on that type of rate structure; it's also
24 including demand rate for the large --

25 A Yes. Yes. Yes.

1 Q -- commercial industrial?
 2 A It's total revenue, base revenue, divided by
 3 total kilowatt hours, all in one number.
 4 Q So it doesn't really tell you anything about
 5 any particular class of --
 6 A No.
 7 Q -- customer?
 8 A No. And it excludes fuel.
 9 And it went up when rates went down.
 10 MR. GARRETT: Let's go off for a moment.
 11 (Discussion off the record.)
 12 BY MR. GARRETT:
 13 Q Mr. Brost, I understand that you had asked for
 14 certain information from JEA after your retirement; is
 15 that correct?
 16 A Yes, on a few occasions.
 17 Q And was that the -- for a copy of the IRP that
 18 we were discussing as well as the McKinsey report?
 19 A Yes, it was.
 20 Q And what were you told?
 21 A That they didn't exist, or they weren't final
 22 and available to be disseminated.
 23 Q And when was that?
 24 A That was October-ish.
 25 Q Of 2019?

1 A August, September, October. 2019, yeah.
 2 Yeah, yeah, yeah. After the -- so I was interested in
 3 the IRP because I'm a 30-year utility guy and I was
 4 part -- I was just interested in the answer as an
 5 engineer, as an -- I was just interested in where they
 6 landed with the IRP. I had involvement with it. I left
 7 a lot of stuff that was still going on, and I wanted to
 8 kind of follow up and see how -- so that was the IRP.
 9 I was interested in the McKinsey report to
 10 help me understand the July board meeting, which I was
 11 sure they would have had done prior to the July board
 12 meeting, and so I was surprised to learn that it wasn't
 13 available.
 14 At some point I heard through the grapevine
 15 that one of those two documents -- I think the McKinsey
 16 report -- had been finalized, so I followed back around
 17 with Jeanie Gillespie, maybe, the lady in their public
 18 records. Nice, very helpful.
 19 And then later heard -- so I basically said,
 20 well, I'll try again. I understand it's now available.
 21 I forget how I heard it, but they had a big meeting on
 22 16 and were upset that people were talking to me. They
 23 wanted to try to figure out who the mole was. And all
 24 of a sudden, people quit talking to me, at least the
 25 ones that worked on 16. I have other connections lower

1 down.
 2 Q And who is it -- when you say "they" were
 3 upset, who was --
 4 A Well, I think -- you know, I heard second-,
 5 thirdhand it was just -- and it may -- I'm sure my name
 6 came up. It may have been broader, who's talking to
 7 Nate, who's talking to Bauerlein, who's talking to, you
 8 know, fill in the blank.
 9 I don't think it was just about me, but my
 10 name did come up. And it would have been Aaron and
 11 Vinyard, to the best of my knowledge, of just -- and
 12 they've -- as you know, and you read what I read, there
 13 was a lot of focus on let's push this through before
 14 leaks happen and we've got to keep things under wraps
 15 and we don't want -- we need to keep a tight lid on
 16 everything we're doing. Because they were worried with
 17 public relations and how to handle the messaging if
 18 things got out. And things got out anyway.
 19 And so they had some sensitivity around
 20 keeping things quiet, including the cone of silence,
 21 which was around the ITN and may or may not have had
 22 legal substance.
 23 Q So going back to your original request, who
 24 told you that those reports were not available?
 25 A Jeanie. She works in -- for McCarthy. She

1 works in the public records office. There's a couple
 2 folks here that handle that. Jeanie Gillespie, I think
 3 is her name. Nice lady, very professional. No issues
 4 with Jeanie. She just told me they weren't available.
 5 And when I asked for the IRP, she gave me the
 6 2012 version -- it wasn't 2012. It went back to 2008, I
 7 think. It wasn't the current one. But she thought she
 8 was giving me what -- I said, no, no, no, I want the one
 9 Steve and I did in 2018. Oh, well, that's not finished.
 10 Q And then did they ever fulfill your requests
 11 in the end, or did you withdraw them, or how were they
 12 resolved?
 13 A I'll say this. I didn't want to do public
 14 records requests at all. I just -- it's not me. I'm
 15 not -- I sent Melissa Dykes a text. I said, hey,
 16 Melissa, can you send me the blah blah blah? And
 17 then -- and Melissa and I had a good relationship, no
 18 issues.
 19 She handled it -- she wanted to handle it
 20 through normal channels. So I never sent them a formal
 21 records request. It was a -- she created it. Next
 22 thing I know I was hearing from Jeanie, who I didn't
 23 know, and then I worked with Jeanie a couple times, and
 24 it was email.
 25 When I heard about the ugly meeting on 16, I

1 did send Jeanie an email saying, hey, I didn't mean to
2 cause any problems. You can consider my request closed.
3 I didn't mean to get anybody in trouble. So I did. And
4 I said, make sure Herschel and Aaron know I rescinded my
5 request.

6 Now, at that time I had a gotten a copy. I
7 had already gotten a copy, so I was being a little
8 disingenuous. But I really -- I mean I've got good -- I
9 left on good terms. I didn't -- I didn't leave on -- no
10 bridges were burned. I had good relationships, even
11 with Aaron up until the end. I'd see him from time to
12 time.

13 And so, I mean -- and certainly Melissa and
14 the team and the folks I left behind, and I don't want
15 to get anybody in trouble, you know -- so it was -- it
16 bothered me that my simple request got blown up into
17 something ugly.

18 But that was a little bit of Aaron. Aaron --
19 a bit thin-skinned, and he would -- he could be
20 volatile. I never saw it much towards me, but he had
21 the tendency to kind of blow up and lose his temper. I
22 know y'all have gotten a few stories. Not bad.

23 I mean, I certainly -- there's people that are
24 even worse being hotheaded and tempered. But he would
25 occasionally get upset.

1 Q Was there anything that was presented there
2 that you disagreed with?

3 A No.

4 Q Or thought was inaccurate in --

5 A No. It was great. Y'all should get attorneys
6 to work for free more often. That was good.

7 No, no, it was -- I thought they did a good
8 job.

9 Now, they got a little confused -- and I'm an
10 engineer and I know all this stuff, and so I get -- I
11 pick up on things that aren't -- they got a little
12 confused between the ten-year site plan and the IRP and
13 the strategic plan. They kind of just rolled all that
14 in together, and it's really three different things. So
15 I noted that. But no, the things they talked about
16 looked solid.

17 From my perspective, there were two other
18 dishonest comments from Aaron to the board that they
19 didn't -- you know, they picked up on the 8 percent, the
20 games they played with the charts and the access and the
21 landscape. And I've done all that. I mean, that's
22 all -- instead of the power of the pen, it's now the
23 power of the keyboard and the spreadsheets, how you play
24 games to make things look.

25 And they went into the history of the kilowatt

1 Q And --

2 A So this was an example of that, I guess. I
3 don't know.

4 Q Did you hear anything about -- after this FMPA
5 presentation was done by Burns & McDonnell --

6 A Yes.

7 Q -- did you hear anything about how Mr. Zahn
8 reacted to the fact that one of JEA's vendors had come
9 out against their narrative?

10 A Yeah, he wasn't happy. And I don't know
11 whether he directed Melissa to fire them or she just
12 figured out she needed to do it, but they were
13 terminated because of what they wrote for FMPA.

14 Q So your understanding is that
15 Burns & McDonnell is no longer doing any work for JEA?

16 A Six months ago, or September or October. Last
17 fall. I don't know whether they've been brought back in
18 or not. Good company, doing good work.

19 Q Okay.

20 A Great outfit.

21 Q And you viewed the special committee meeting
22 this past --

23 A Yes.

24 Q And saw the Nelson Mullins presentation?

25 A Uh-huh.

1 hours, and the numbers are the numbers. They picked two
2 numbers that happened to give them a negative 8 percent,
3 which included FMPA and converting all the streetlights
4 to LED and all that should -- and if they were doing a
5 fair analysis, they would have pulled all that out. And
6 if you do a linear regression on the numbers, it's
7 1 percent growth, which is what JEA has been using in
8 its ten-year site plan and other studies and financial
9 forecasts.

10 But yeah, the -- we've talked about it. They
11 claimed that the rates have increased 37 --
12 71 percent -- I'm sorry -- 71 percent over the last
13 decade, which mathematically may be true, but it's
14 certainly misleading in the way they portrayed it.

15 They left fuel off, and they had this thing
16 called yield, and yield has inaccuracies embedded in it.
17 It's a surrogate for rate, but it's not rate. It's not
18 really the rate.

19 And then the -- did y'all know JEA has 400
20 fewer employees today than it had ten years ago?
21 Because remember the traditional utility response is got
22 to raise rates and we got to lay off 25 percent of the
23 workforce. Well, if you don't believe me, just look
24 back. We -- we had 400 fewer employees. Where did that
25 come from?

1 In 2008 we laid off for a year or two 200
2 Randstad temporary employees because of the recession.
3 We later brought them back. Today you probably got
4 more -- Randstad was the contract we had for years for
5 temporary employees, temps.

6 And we had another company for IT, because you
7 get niche, and the customer care people, they needed
8 their own. But those were equivalent employees. And
9 those -- we had -- first time in our history we laid
10 employees off in 2008 due to the recession. But it was
11 a one-time event, much like Fernandina going away.

12 You know, all things being equal, it was 200
13 employees let go, but we hired them all back. Maybe not
14 those individuals, but there's at least --

15 And the other one was SJRPP, which was another
16 Fernandina-like one-off hit. I mean, it was a coal
17 plant. They weren't even JEA employees, but they took
18 200 -- 225 employees. Yes, they were laid off in
19 January of 2018, December of '17, because we closed the
20 power plant. But it wasn't -- to take that and parlay
21 it into JEA's contracting -- every year JEA has fewer
22 and fewer contractings, it was misleading.

23 So the 400 employees was similar, to me, to
24 the 8 percent contraction in unit sales. You know, they
25 looked back and played games with the numbers and threw

1 something out that while maybe technically correct, it
2 certainly wasn't -- it didn't convey an accurate
3 portrayal of the past.

4 So they were just similar in the sense of --
5 the lawyers talked about the unit sales going down
6 8 percent, how that wasn't really accurate, and the rate
7 increase was similar in the ...

8 Q And going back to the ten-year site plan, the
9 IRP, and -- I'm trying to remember. What was the
10 third --

11 A Strategic -- the McKinsey report.

12 Q I'm sorry. The McKinsey report. Those are
13 different -- or have some different purposes, but were
14 they correct when they were saying that they have some
15 of the same underlying --

16 A Yes.

17 Q -- information gathered and the forecast --

18 A Well, the McKinsey report's a little more --
19 well, first off, that's all of JEA, and it's a little
20 different animal. And there were certainly who all
21 contributed to that. But the IRP and the ten-year site
22 plan are -- it's Steve McNall. That's electric
23 generation. It's a little more focused. And they're
24 very, very similar with a lot of overlap. And they were
25 consistent, yes, in their content.

1 Q And speaking of Steve McNall, would you have
2 expected that he would have been involved with the
3 strategic planning process?

4 A Should have been, would have been. At this
5 point I can't tell who was involved besides Aaron. I'm
6 not even sure Ryan was involved. And they had Julio,
7 who was in charge and came and went.

8 So one of my thoughts as I was recently
9 following up on Monday's committee meeting, I was
10 reading all the depositions. You ought to depose
11 McKinsey and Julio. I don't know.

12 Yeah, Steve should have been involved. I
13 think they -- you know, they went around and talked to
14 everybody individually and just tried to roll it up and
15 assimilate it, and particularly when it came to the
16 traditional utility response, what can you do to cut
17 costs. Caren Anders, Deryle Calhoun, they kind of went
18 out and solicited. But I couldn't tell where there was
19 a whole lot of high-level involvement in managing the
20 McKinsey group.

21 And I never met with them. They -- if they
22 were working prior to January of '19, they -- I didn't
23 have anything to do with them, so they showed up after.
24 And I don't know who they worked with. Ask Steve.

25 MR. GARRETT: Okay. Why don't we go off the

1 record here for a second.

2 (Discussion off the record.)

3 BY MR. GARRETT:

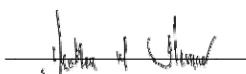
4 Q So, Mr. Brost, is there any other information
5 or statements you'd like to make to the committee
6 regarding all these issues?

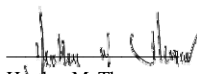
7 A I appreciate the three council members forming
8 the committee and President Wilson's work to put all
9 this together. It's a big job and probably thankless
10 and important work. And I appreciate the committee --
11 the council members collectively pushing back in the
12 last six months on the JEA process, ITN process in
13 particular.

14 And as much as people were spun up about
15 various aspects of things and had issues with Aaron, and
16 my -- my -- the issue that sticks in my craw is the --
17 what I perceive is significant dishonesty and
18 gamesmanship and negatively, you know, biasing reality
19 in the future to prop up a case to sell -- sell the
20 utility.

21 If there's certainly a legitimate case that
22 JEA should be privatized and if we want to have that
23 discussion, that's open and honest and -- to have that
24 discussion to set it up on a falsehood of fake forecast
25 of the future -- just it was frustrating to me, that

1 part of it more than anything else.
 2 Let's speak the truth and be open and honest
 3 about the future and the challenges that are faced
 4 and ...
 5 MR. GARRETT: Mr. Brost, we really appreciate
 6 your time. And thank you for --
 7 THE WITNESS: Thank you, Chris. Appreciate
 8 it.
 9 MR. GARRETT: -- for coming today.
 10 THE WITNESS: Thank y'all.
 11 (Sworn statement concluded at 12:48 p.m.)
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1 CERTIFICATE OF REPORTER
 2
 3
 4 STATE OF FLORIDA
 5 COUNTY OF DUVAL
 6
 7
 8 I, HEATHER M. THOMAS, Court Reporter and
 9 Notary Public, State of Florida, was authorized to
 10 and did stenographically report the foregoing
 11 proceedings; and that the transcript, pages 4
 12 through 107, is a true and accurate record of my
 13 stenographic notes.
 14 I further certify that I am not a
 15 relative, or employee, or attorney, or counsel of
 16 any of the parties' attorney or counsel connected
 17 with the action, nor am I financially interested in
 18 this action.
 19
 20 DATED this 2nd day of March, 2020.
 21
 22 
 23 HEATHER M. THOMAS
 24 COURT REPORTER
 25

1 CERTIFICATE OF OATH
 2 STATE OF FLORIDA)
 3 COUNTY OF DUVAL)
 4 I, the undersigned authority, certify that
 5 MICHAEL BROST personally appeared before me and was duly
 6 sworn.
 7
 8 WITNESS my hand and official seal this 2nd day
 9 of March, 2020.
 10
 11 
 12 Heather M. Thomas,
 13 Court Reporter
 14 Notary Public - State of Florida
 15 My Commission No. GG 281865
 16 My Commission Expires 2/1/2023
 17
 18
 19
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 21
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 25



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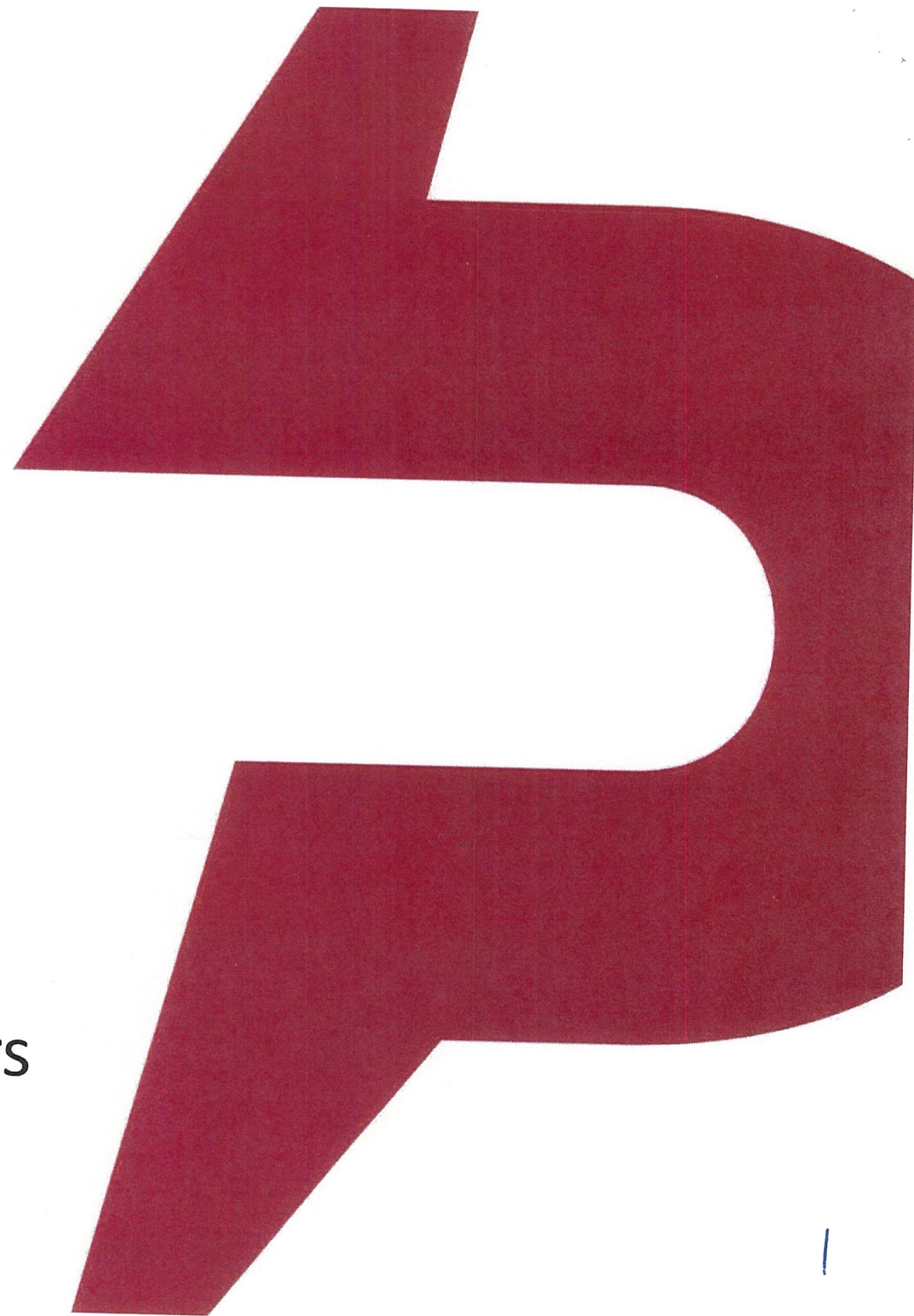
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Exhibit 1



Update on JEA

FMIPA Board of Directors
September 19, 2019



FMMPA Position on Local Control

Every Municipal Has Right to Manage Its Affairs

- FMMPA acknowledges every municipal utility has the right to locally manage its own affairs
- FMMPA's members desire to:
 - Stay informed on reasons a municipal utility would wish to re-evaluate the business, and
 - Understand similarities and differences in the perspectives of the municipals evaluating the possible exit from the business
- FMMPA's analysis and information presented to inform its members on JEA's Strategic Analysis

FMPA Board Position on Public Power

Municipals Will Defend the Business Model

- As low-cost, reliable and community-valued utilities, municipals are concerned about statements regarding the municipal business model
- JEA says the municipal model is too limited and cannot compete

“The problem is not being community owned; The problem is being government with government restraints in a competitive market.”

JEA presentation
July 23, 2019

“By the mid-2020s, we expect customers to be able to self-serve with a battery and solar system at a cheaper cost than JEA can provide.”¹

Ryan Wannemacher
CFO of JEA

- FMPA believes all Florida municipal electrics have the resource options available to compete and add value for their customers

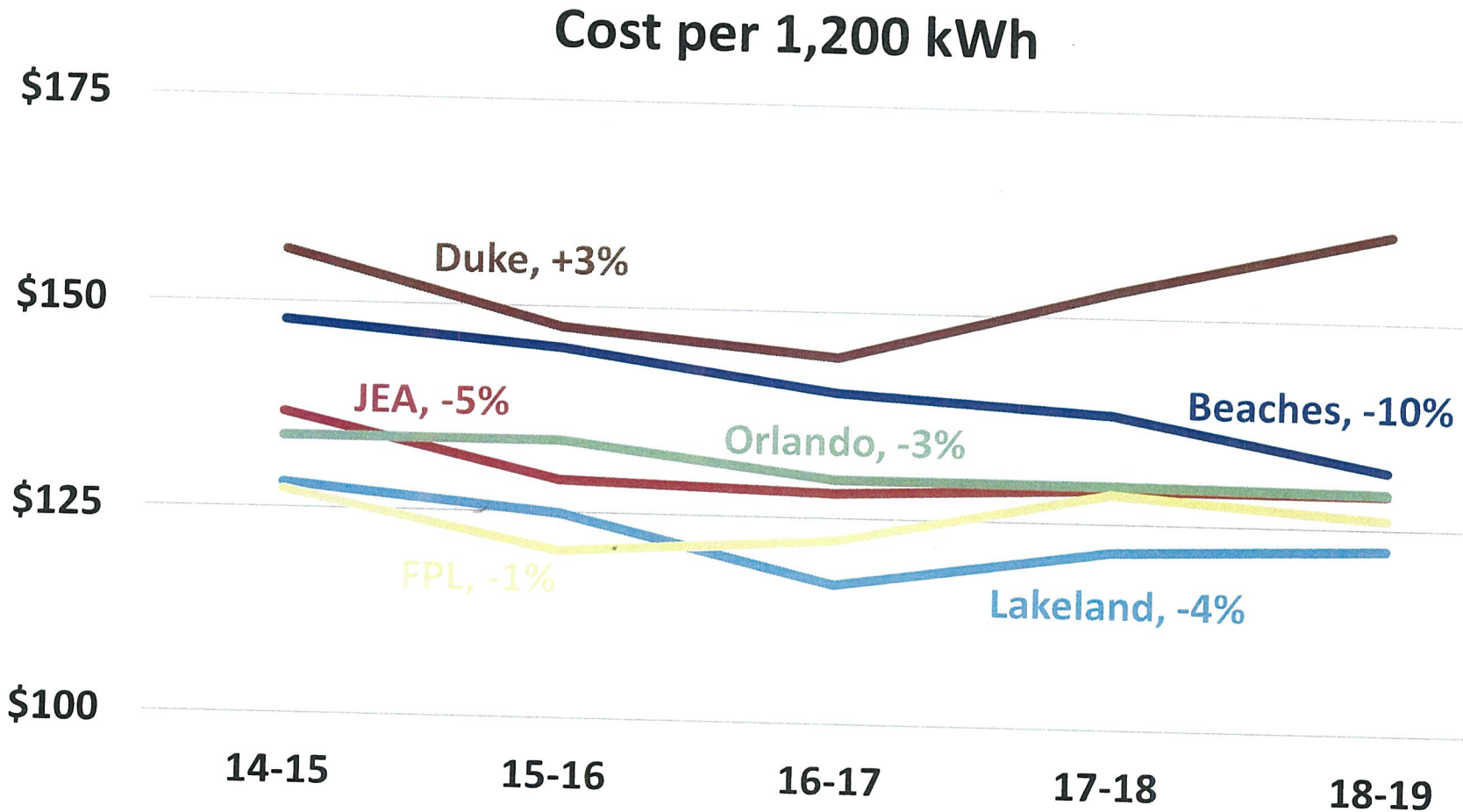
Review of Data Analysis from August

JEA's Rates, Reliability & Growth Similar to Others

- JEA a well-managed utility and in a similar position to that of other large municipal utilities in Florida
- JEA's electric rates very competitive and declining, like many other municipal utilities in Florida
- JEA's electric reliability among the best in the state
- JEA's load growth of 1.3% per year from 2013-2018 similar to FMPA's ARP, Lakeland and OUC
- JEA's projected load growth in its Ten-Year Site Plan (TYSP) of ~0.5% per year is lower than the historic growth rate but in line with TYSP projections of other IOUs and municipals in Florida

JEA Residential Rates Comparison

*JEA Rates Competitive and Declining**



*Based on June-July period in each set of years shown.

JEA Reliability Competitive

JEA Highly Reliable

2018 Distribution Reliability Indices

Best Performance Highlighted in Green, Second Best in Yellow

Utility	Length ¹	Duration ²	Repair Time ³	Frequency ⁴
KUA	80	43	51	0.85
Beaches	99	44	54	0.80
OUC	74	53	73	0.73
JEA	107	58	46	1.25
Lakeland	120	63	101	0.62
FPL	199	53	60	0.89
Duke	147	99	97	1.01

¹ L-Bar = Average length of a service interruption.

² SAIDI = Average duration of interruptions for the average customer.

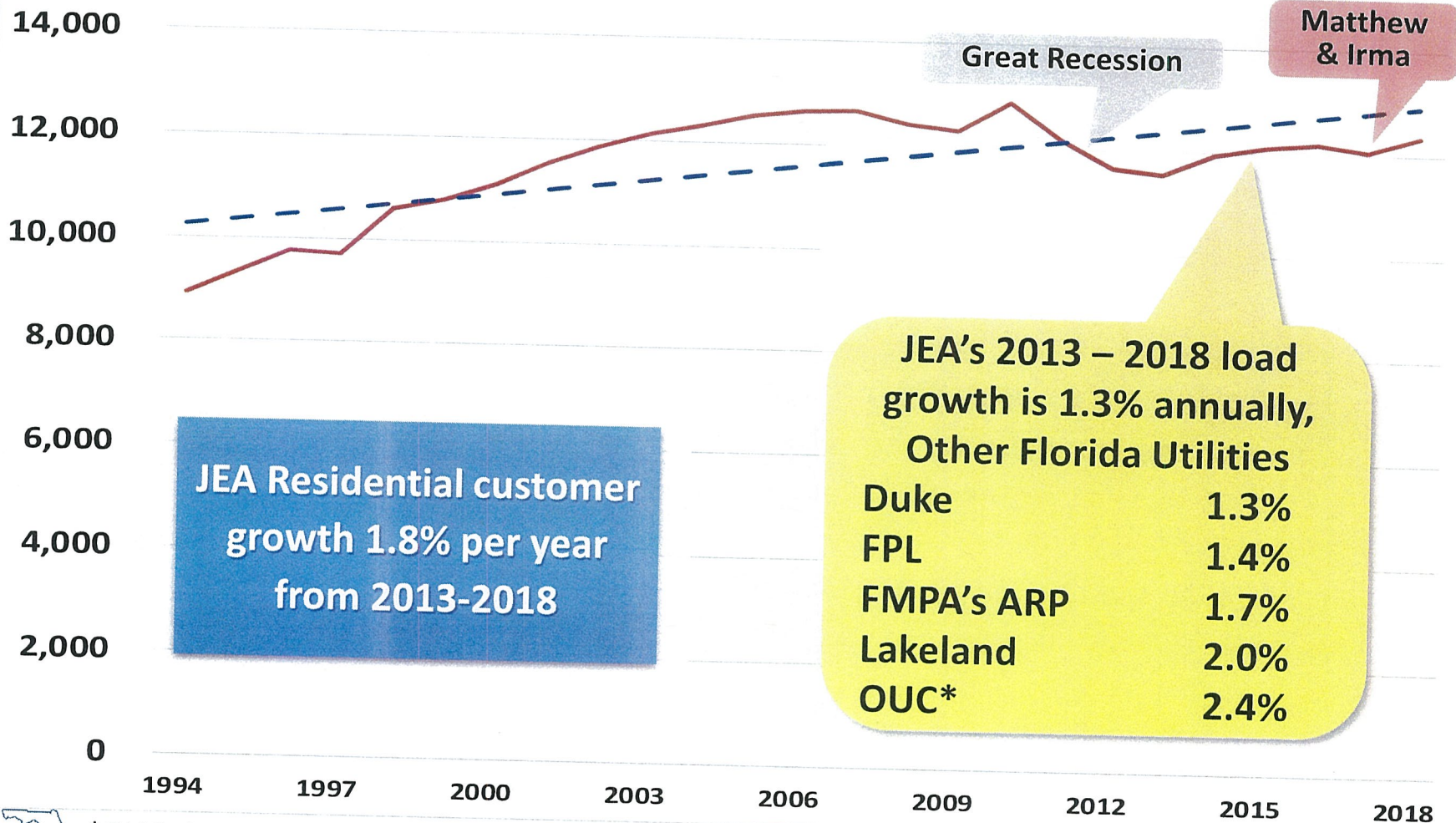
³ CAIDI = Average repair time experienced by the average customer who experienced an outage.

⁴ SAIFI = Average frequency of interruptions for the average customer.

JEA's Sales to Native Territory Customers

Sales Pattern Similar to Other FL Utilities

Sales in GWh



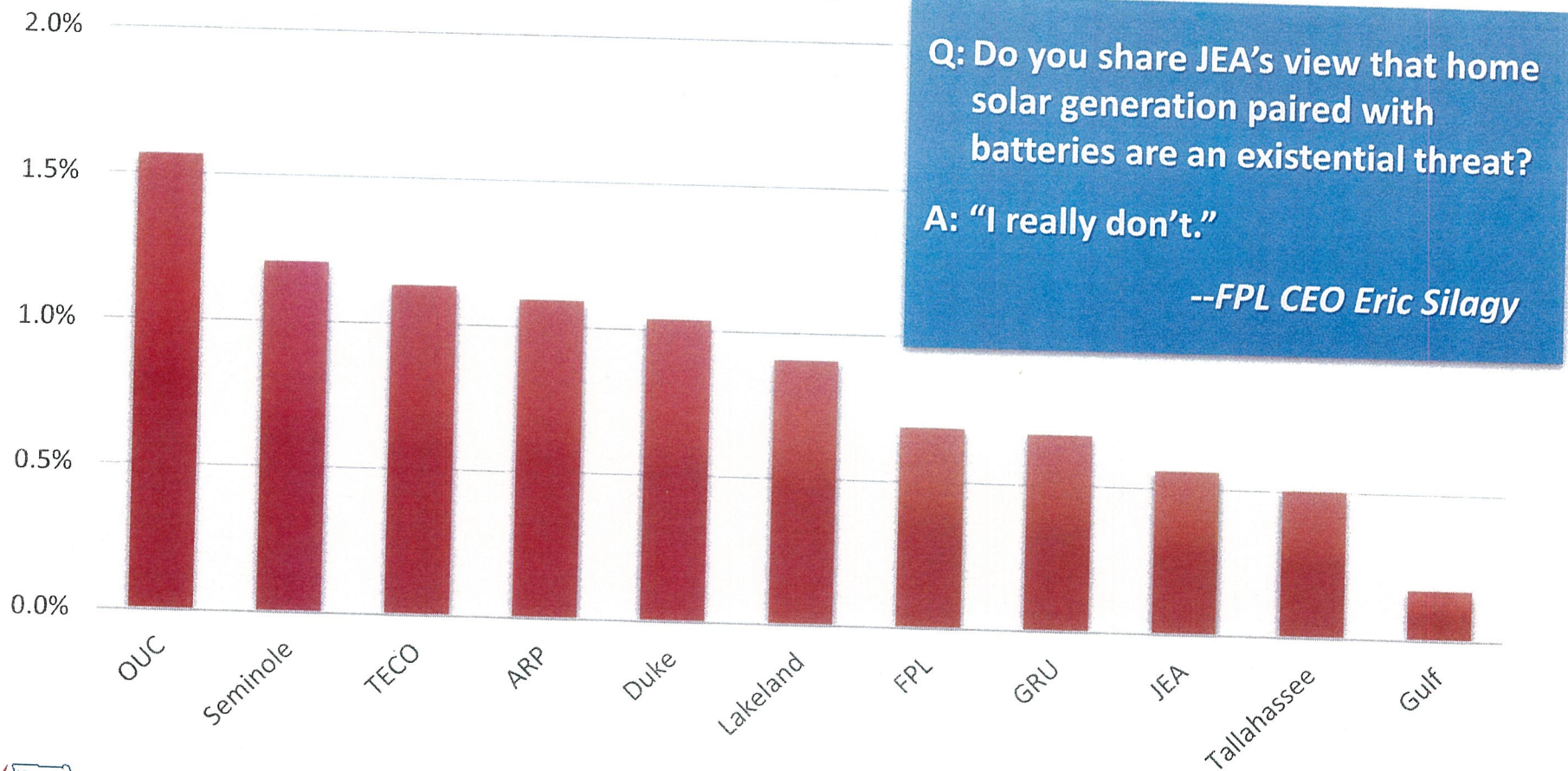
*OUC shows stronger load growth due to serving fast growing Lake Nona and St. Cloud areas.

All Other FL Utilities Projecting Growth

JEA's TYSP Projects Growth in Line Last 5 Years

Projected Growth Rate in Sales to Ultimate Customers

Source: 2019 Ten-Year Site Plans (2019-2028)



JEA's Business as Usual Assumptions Pessimistic

Florida IOU and Muni Models More Optimistic

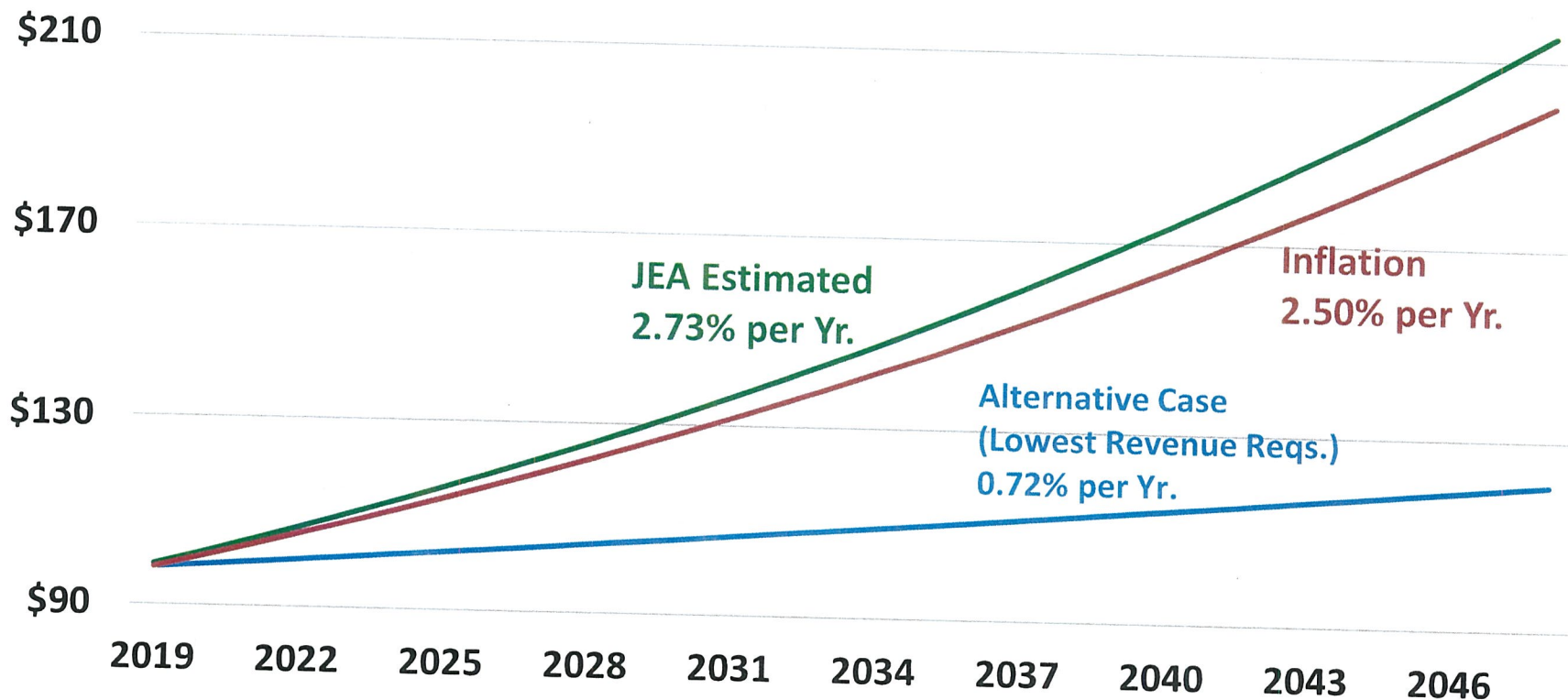
- JEA's Business As Usual (BAU) model presented to its Board uses more pessimistic assumptions than other IOUs and municipals in Florida
- An approximation of JEA's BAU model leads to rate increase of ~2.7% per year for 10 years while holding city transfers relatively constant
- Applying assumptions consistent with other IOUs (TYSP) and FMPA's Strategic Plan assumptions lead to rate increases of ~0.7% per year for 10 years with consistent city transfers
- These different assumptions lead to an extra ~\$1.25B value for JEA's electric utility over 30-year period
- All Florida utilities sensitive to these same business assumptions

Even JEA BAU Rate Increases Not Unreasonable

All Florida Utilities Have Similar Impacts with JEA BAU Assumptions

Estimated Average Revenue Comparison

Dollars per MWh, Nominal Dollars

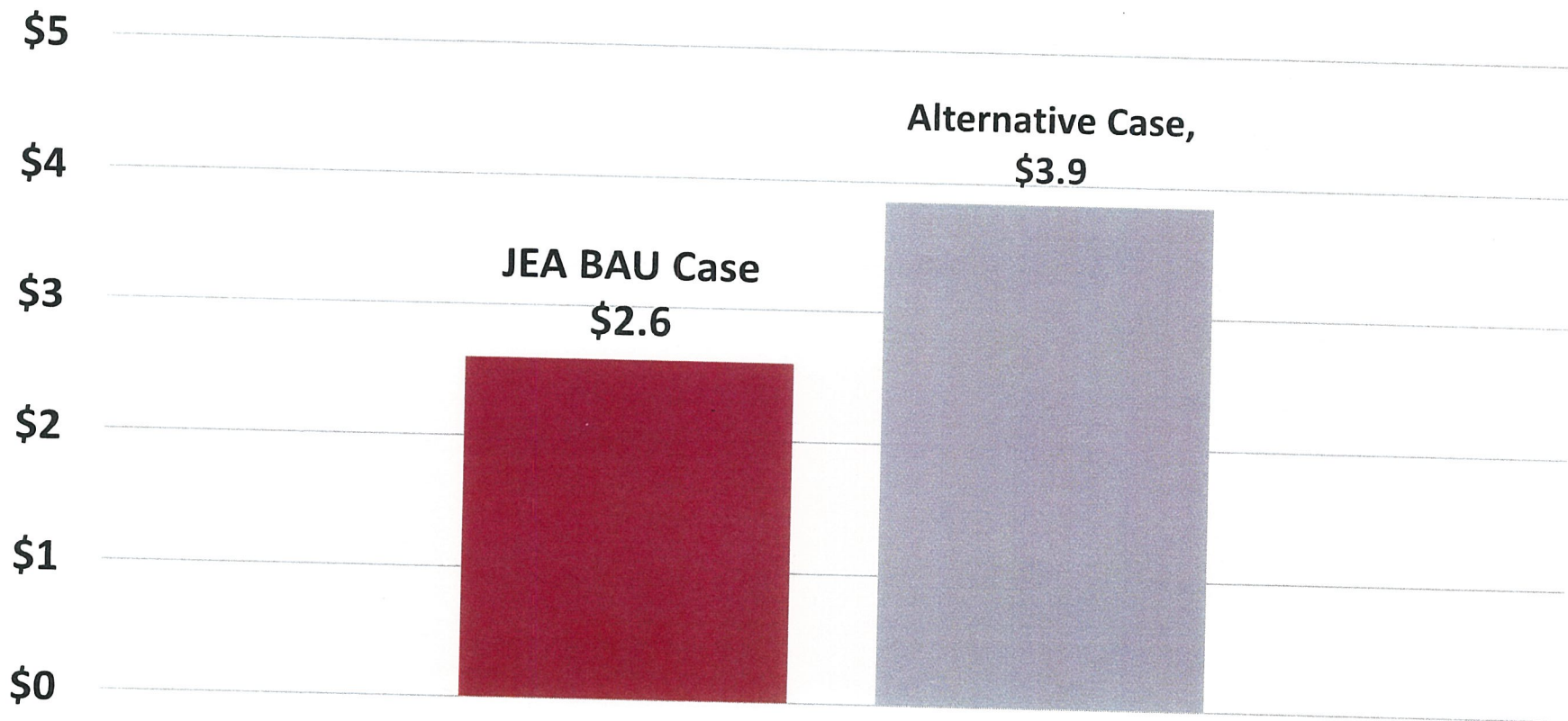


NPV of Value Delivery Significant

JEA BAU Does Not Consider Upside*

Est. NPV of Value Delivery (incl. Lower Rates in Alt. Case)

In Billions of Dollars, 30-Year Study Period

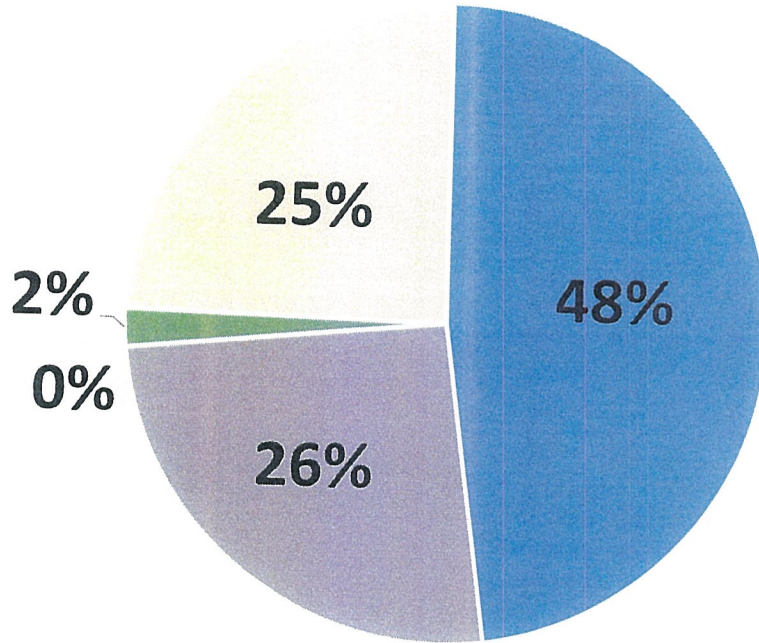


*Estimate only. Reflects high-level estimate of JEA BAU case.

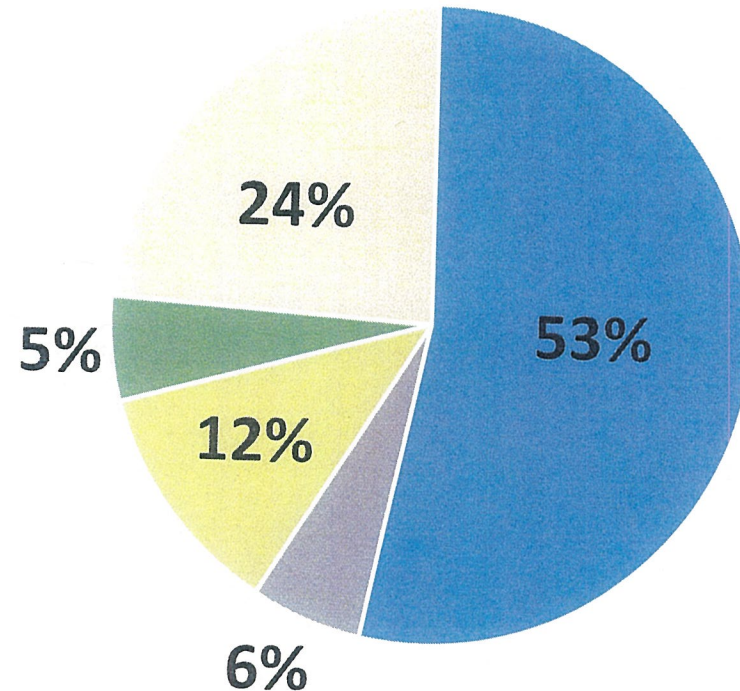
Modeling Includes 12% Vogtle Addition

JEA to Increase Nuclear, Gas and Solar; Decrease Coal

2019 Energy Mix*



2030 Energy Mix*



■ Gas ■ Coal ■ Nuc ■ Renewable ■ Economy Purchases

■ Gas ■ Coal ■ Nuc ■ Renewable ■ Economy Purchases



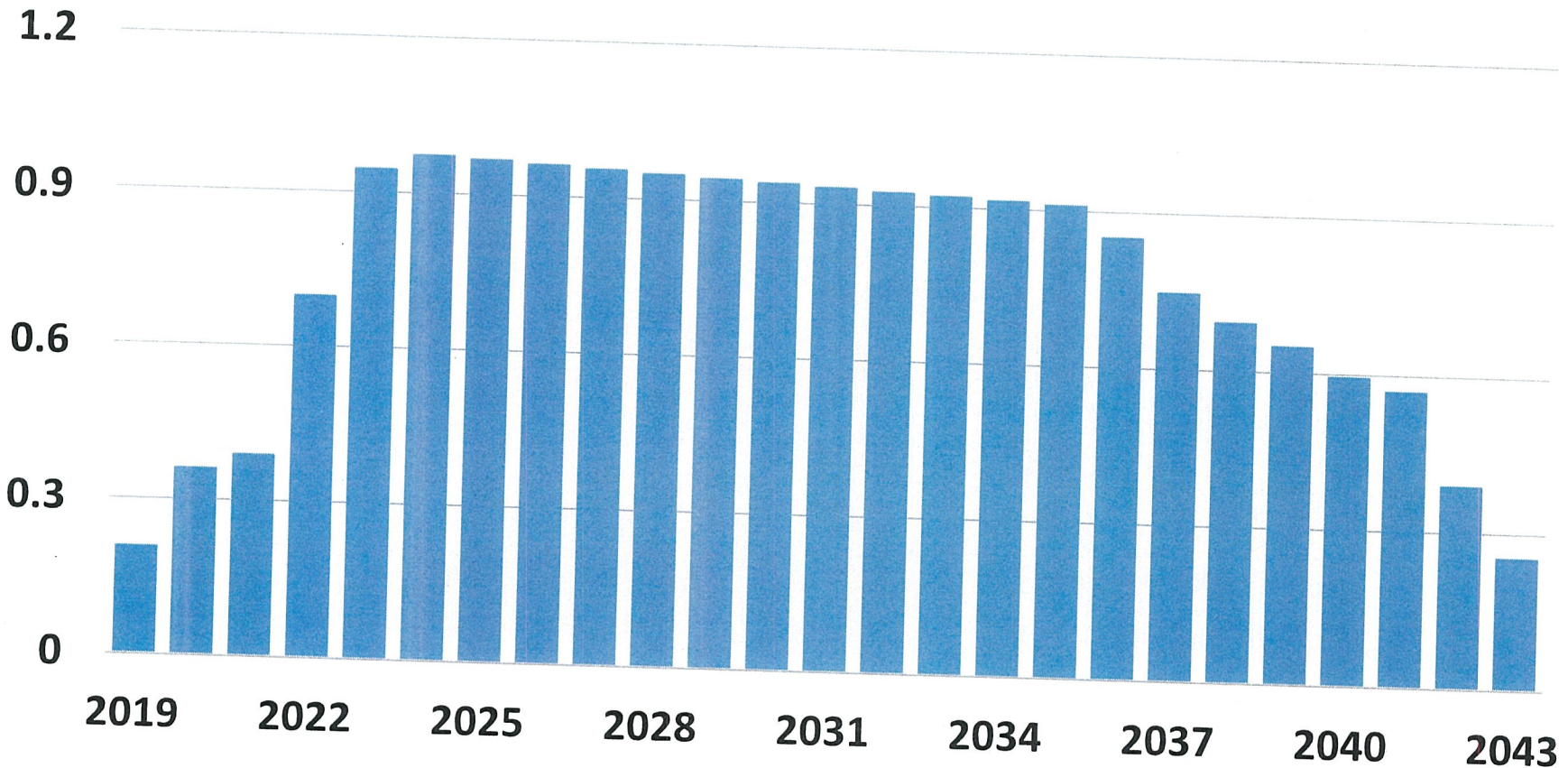
*Based on Alternative Case dispatch. JEA's most recent Annual Disclosure Report projects ~20% economy purchases for 2019.

Vogle Increases Costs ~1 Cent/kWh

Customer Impact on Bill ~9%, Manageable

Estimated Cost Impact of Vogle PPA (Alternative Case)

Cents per kWh of JEA Sales, Nominal Dollars



Alternative Case Revised Assumptions

Each Has Basis to Realize Benefits

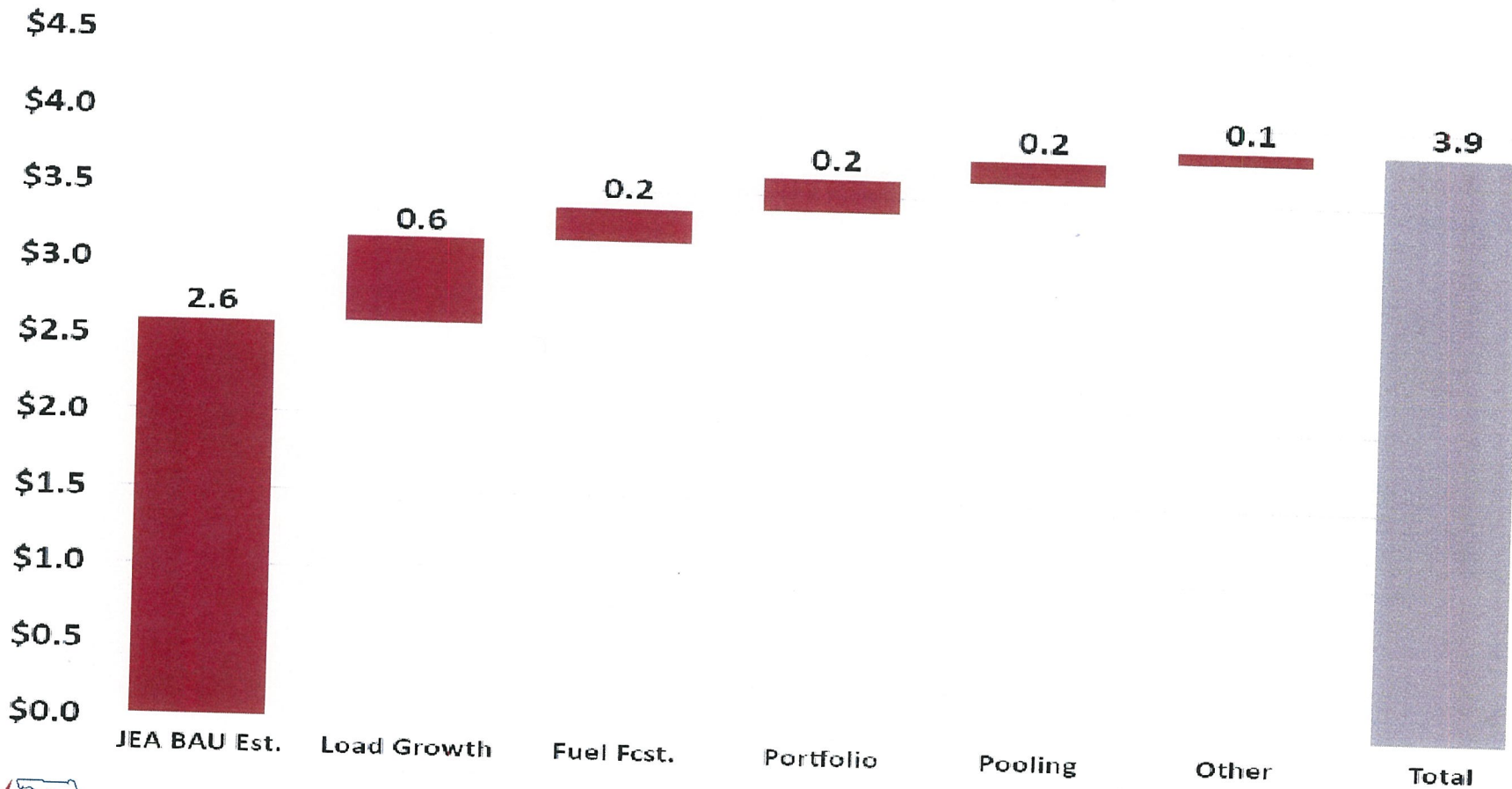
Adjustment	Basis to Realize
<p>TYSP Load Growth</p> <ul style="list-style-type: none"> JEA BAU: ~1% Decline Alternative: ~0.5% Growth 	<ul style="list-style-type: none"> Rates restructured to match costs Solar subscriptions offered EE impacts more gradual Strong population/meter growth
<p>Resource Portfolio</p> <ul style="list-style-type: none"> Retire Northside Coal Replace with Least Cost MWs 	<ul style="list-style-type: none"> Certain JEA resources are out of the money/inefficient Excess market capacity can replace resources, as needed
<p>Economy Energy Pooling</p> <ul style="list-style-type: none"> JEA BAU: Sole Balancing Authority Alternative: More coordinated exchanges with municipals 	<ul style="list-style-type: none"> JEA can buy more economy energy if pooled with others
<p>Escalations for Fuel, O&M and R&R</p> <ul style="list-style-type: none"> JEA BAU: ~3 - 5% annually Alternative: ~2.5% annually 	<ul style="list-style-type: none"> Escalations follow logical path relative to growth and consistent with longer term markets

Negative Load Growth Major Swing Factor

Management of Power Supply and Fuels Also Significant Factors

Estimated Impact of Key Assumptions

Billions of Dollars



JEA Employees Valuable for Jacksonville

~1,200 Local Employees Means \$58M in Benefits

- JEA provides employment to 1,553 electric employees (based on FY '18 budget); estimate ~1,200 jobs retained net of plant efficiencies for long-term
- After estimated taxes and deferrals for savings, a portion of that pay stays in local economy
- Some amount spent on goods and services outside local economy
- Estimated net impact on local economy ~\$58M
- Assumes Northside coal plant efficiencies

JEA a Well Run and Valuable Utility

All Municipals Have Tools Available to Manage Noted Risks

- JEA well run and valuable utility with a growing load, competitive rates, great customer service and high reliability
- JEA similar to other Florida IOUs and municipals on key metrics
- JEA BAU case notably more pessimistic than the view of other Florida IOUs and municipals
- Assumption differences lead to rate increase delta of 2 percentage points per year or \$1.25 B in value over 30 years
- All Florida electrics subject to impacts from load loss, fuel prices and general cost escalations
- Municipals have rate and service options available to them to minimize potential load loss and/or cost shifts to serve all customers
- Municipals can proactively manage changing business environment to stay competitive and add value to the communities they serve

Exhibit 2

ELECTRIC (\$000)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Base Rate Revenues	484,855,078	492,391,535	554,137,065	607,511,812	707,283,788	721,476,226	694,934,692	698,128,019	716,972,512	732,972,476	741,395,827	742,271,048	763,676,880	
Sales (Territorial MWH)	13,440,900	13,230,826	13,232,661	12,675,736	13,180,073	12,870,116	11,973,074	11,929,612	12,171,989	12,434,208	12,561,251	12,050,135	12,364,340	
Yield	\$36.07	\$37.22	\$41.88	\$47.93	\$53.66	\$56.06	\$58.04	\$58.52	\$58.90	\$58.95	\$59.02	\$61.60	\$61.76	71%

(A)

Exhibit 3

JEA ELECTRIC RATE HISTORY

Residential @ 1250 kWh		Oct-08	Oct-09	Oct-10	Jan-12	Jul-12	Oct-15	Feb-16	Dec-16	% change from 2008 to 2016	
Residential		\$143.76	\$136.70	\$148.75	\$148.75	\$143.58	\$143.58	\$135.01	\$134.25	-7.1%	
Residential w/ Taxes and Fees		\$160.81	\$153.97	\$167.16	\$167.53	\$162.04	\$162.04	\$152.94	\$152.58	-5.4%	
Electric Charges per MWh											
Residential		\$116.11	\$110.46	\$120.10	\$120.10	\$115.96	\$115.96	\$109.11	\$108.50	-7.0%	
General Service (Rate 20)	X < 50 kW	\$109.65	\$103.66	\$113.17	\$113.17	\$109.03	\$109.03	\$102.18	\$101.29	-8.3%	
General Service Demand (Rate 30)	5 kW ≤ X ≤ 699 kW	\$95.22	\$89.38	\$98.30	\$98.19	\$94.05	\$94.05	\$87.20	\$82.95	-14.8%	
General Service Large Demand (Rate 40)	X ≥ 1,000 kW	\$91.96	\$86.48	\$95.48	\$95.03	\$90.89	\$89.52	\$82.67	\$78.42	-17.3%	
Interruptible (Rate 51)		\$74.23	\$66.96	\$75.14	\$74.44	\$70.30	\$70.30	\$63.45	\$62.41	-18.9%	
FPU/ Wholesale		\$89.95	\$83.82	\$92.26	\$89.57	\$85.43	\$85.43	\$78.58	\$74.33	-21.0%	
Electric Charges	# of Customers	Load Factor	kW	kWh							
Residential	400,000		1,000	\$116.11	\$110.46	\$120.10	\$120.10	\$115.96	\$115.96	\$109.11	\$108.50
General Service (Rate 20)	40,000		2,500	\$274.13	\$259.15	\$282.93	\$282.93	\$272.58	\$272.58	\$255.45	\$253.23
General Service Demand (Rate 30)	4,000	73%	300	\$15,234.60	\$14,301.40	\$15,728.20	\$15,710.60	\$15,048.20	\$15,048.20	\$13,952.20	\$13,272.20
General Service Large Demand (Rate 40)	400	73%	1,500	\$73,565.00	\$69,181.00	\$76,382.00	\$76,022.00	\$72,710.00	\$71,614.00	\$66,134.00	\$62,734.00
Interruptible (Rate 51)	40	73%	7,500	\$296,910.00	\$267,840.00	\$300,555.00	\$297,755.00	\$281,195.00	\$281,195.00	\$253,795.00	\$249,635.00
FPU/ Wholesale	1	60%	79,382	\$3,119,087.39	\$2,906,480.16	\$3,199,339.34	\$3,106,057.89	\$2,962,494.60	\$2,962,494.60	\$2,724,956.33	\$2,577,578.56
Rates MWh		Oct-08	Oct-09	Oct-10	Jan-12	Jul-12	Oct-15	Feb-16	Dec-16		
Variable Fuel Rate		\$51.27	\$41.26	\$47.74	\$47.74	\$43.60	\$43.60	\$36.75	\$32.50		
Fuel Recovery Charge		\$2.90	\$2.90	\$2.90	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Fuel Stabilization Charge		\$0.97	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Total Fuel Charge		\$55.14	\$44.16	\$50.64	\$47.74	\$43.60	\$43.60	\$36.75	\$32.50		
Environmental Charge		\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62		
Residential											
Customer Charge		\$5.50	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50		
Energy Charge		\$54.85	\$60.18	\$63.34	\$66.24	\$66.24	\$66.24	\$66.24	\$69.88		
General Service (Rate 20)											
Customer Charge		\$8.05	\$8.80	\$9.25	\$9.25	\$9.25	\$9.25	\$9.25	\$9.25		
Energy Charge		\$50.67	\$55.36	\$58.21	\$61.11	\$61.11	\$61.11	\$61.11	\$64.47		
General Service Demand (Rate 30)											
Customer Charge		\$70.00	\$80.00	\$85.00	\$85.00	\$85.00	\$85.00	\$85.00	\$85.00		
Demand Charge		\$7.05	\$7.97	\$8.40	\$8.40	\$8.40	\$8.40	\$8.40	\$8.40		
Energy Charge		\$25.80	\$29.16	\$30.76	\$33.55	\$33.55	\$33.55	\$33.55	\$33.55		
General Service Large Demand (Rate 40)											
Customer Charge		\$275.00	\$315.00	\$335.00	\$335.00	\$335.00	\$335.00	\$335.00	\$335.00		
Demand Charge		\$9.99	\$11.47	\$12.16	\$12.16	\$12.16	\$12.16	\$12.16	\$12.16		
Energy Charge		\$19.29	\$22.14	\$23.48	\$25.93	\$25.93	\$24.56	\$24.56	\$24.56		

3

Primary Dmd Discount	(\$0.57)	(\$0.61)	(\$0.63)	(\$0.63)	(\$0.63)	(\$0.63)	(\$0.63)	(\$0.63)
Primary kWh Discount	(\$1.10)	(\$1.20)	(\$1.30)	(\$1.30)	(\$1.30)	(\$1.30)	(\$1.30)	(\$1.30)

Interruptible Option B (Rate 51)

Customer Charge	\$600.00	\$715.00	\$770.00	\$770.00	\$770.00	\$770.00	\$770.00	\$770.00
Demand Charge	\$5.15	\$6.12	\$6.58	\$6.58	\$6.58	\$6.58	\$6.58	\$6.58
Energy Charge	\$10.83	\$12.87	\$13.83	\$16.03	\$16.03	\$16.03	\$16.03	\$19.24
Primary Dmd Discount	(\$0.57)	(\$0.61)	(\$0.63)	(\$0.63)	(\$0.63)	(\$0.63)	(\$0.63)	(\$0.63)
Primary kWh Discount	(\$1.10)	(\$1.20)	(\$1.30)	(\$1.30)	(\$1.30)	(\$1.30)	(\$1.30)	(\$1.30)

FPU

Customer Charge								
Demand Charge	\$8.91	\$10.67	\$11.38	\$11.38	\$11.38	\$11.38	\$11.38	\$11.38
Energy Charge	\$13.79	\$14.61	\$14.95	\$15.16	\$15.16	\$15.16	\$15.16	\$15.16
FPU Fuel	\$55.14	\$44.16	\$50.64	\$47.74	\$43.60	\$43.60	\$36.75	\$32.50
FPU Environmental	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62