

OVERVIEW OF MAJOR LEGAL AND PUBLIC POLICY CONSTRAINTS

JEA[®]

POTENTIAL BUSINESS EXPANSION OPPORTUNITIES VIA INNOVATION AND TECHNOLOGY

Family	Description	Example services
 <p>Building efficiency and automation</p>	<p>Use of energy-efficient and smart appliances, modern heating and cooling equipment, and IT solutions to reduce building (B2C and B2B) consumption</p>	<ul style="list-style-type: none"> ▪ Relighting/LEDs ▪ Insulation ▪ HVAC ▪ Smart heating ▪ Smart office automation ▪ Smart home automation ▪ EPC
 <p>Equipment efficiency</p>	<p>Use of energy-efficient industrial equipment, modern heating and cooling equipment as well as IT solutions to reduce consumption</p>	<ul style="list-style-type: none"> ▪ Industrial applications ▪ Electric motors ▪ HT and LT cabins ▪ Leakages management
 <p>Distributed generation</p>	<p>Use of distributed generation technologies (solar PV, combined heat & power systems, waste heat recovery plants) to reduce grid demand</p>	<ul style="list-style-type: none"> ▪ Solar PV ▪ Mini-CHP ▪ Mini-wind ▪ Micro-CHP (for apartments)
 <p>Flexibility and storage</p>	<p>Shift of energy demand to optimize profile thereby lowering total cost of consumption or need for installed capacity at system level</p>	<ul style="list-style-type: none"> ▪ Virtual power plants ▪ Storage ▪ Smart metering ▪ Demand side aggregation
 <p>Electric vehicles / electrification</p>	<p>Development of electric vehicle re-charging infrastructure and related services and supporting electrification of facilities, equipment beyond the vehicle</p>	<ul style="list-style-type: none"> ▪ Charging infrastructure ▪ Power supply services ▪ Fleet management ▪ EV fleet leasing ▪ Port conversion ▪ Electric water heater program ▪ Industrial equipment
 <p>Value added services</p>	<p>Supply of a variety of services for buildings and final customers to provide maintenance services, insurance services, consultancy and audit</p>	<ul style="list-style-type: none"> ▪ Home services ▪ Equipment maintenance ▪ Insurance ▪ Audit/consultancy

1 Energy performance contracting

2 Heating, Ventilation and Air Conditioning

JEA IS LIMITED TO HOW IT CAN DO BUSINESS TODAY

Opportunity

Can JEA do this Today?

Sell more electric and water services



Cut costs and workforce



Increase customer rates



Investment in R&D and IP for an ROI



Sell alternative new product lines or offerings



Sell equity and retire debt



Acquire new businesses & customers



Reduce investment in capex



Reduce dividend / city contribution



Sell assets



Create partnerships / Joint ventures



ACCESS DENIED

VIABILITY OF INITIATIVES WITH CONSTRAINTS

PROHIBITED OR NOT VIABLE
SIGNIFICANT CONSTRAINTS
LIKELY PERMISSIBLE

CONTEMPLATED INITIATIVE	EXAMPLE	FLORIDA CONSTITUTION	FPSC	IP	City Charter	Bond Resolution	Policy Considerations	JEA Business Structure	IMPACT OF CONSTRAINTS
CHANGE RATE STRUCTURE	Preferential rate structure								
	Flat rates								
	Critical peak pricing								
	Rate decoupling								
RAISE RATES	Raising water and sewer rates by 50%								
	Raising electric rates by 71%								
SELL CUSTOMIZED ELECTRICITY, WATER, AND SEWER	Increase premium services (renewable-sourced electricity, custom power, premium resiliency)								
	Increase chilled water sales								
	Increase reclaimed water sales								
SELL MORE NATURAL GAS	Local Distribution Company (retail)								
	Expand wholesale sales								
	LNG								
EXPAND ELECTRICITY, WATER, SEWER, AND NATURAL GAS SERVICE TO MORE CUSTOMERS IN ADJACENT COUNTIES									
	Territorial agreements								
EXPAND ELECTRICITY, WATER, SEWER, AND NATURAL GAS SERVICE TO CUSTOMERS IN NON-ADJACENT COUNTIES									
	Develop an electric utility system in a non-adjacent county								
SELL OR LEASE NEW ELECTRIC, WATER, OR SEWER-RELATED PRODUCTS AND SERVICES									
	Warranty and protection services (electric, HVAC, surge protection)								
	Electrification (provision/maintenance of EV charging infrastructure)								
	Energy Services Company (DER (distributed) generation, energy storage, demand response, backup generation, microgrids)								
SELL NEW OTHER SERVICES	Telecom								
	On and off-road electric vehicles sales and financing								
CUT OPERATING EXPENSES	Customer communication								
	Employee training								
	Security								
	Tree trimming								

CONTEMPLATED INITIATIVE	EXAMPLE	FLORIDA CONSTITUTION	FPSC	IP	City Charter	Bond Resolution	Policy Considerations	JEA Business Structure	IMPACT OF CONSTRAINTS
CUT WORKFORCE	Targeted outsourcing								
	Across the utility layoffs								
REDUCE CITY CONTRIBUTION									
	Eliminate annual assessment								
SELL ASSETS (10% OR LESS)	Sell underperforming assets								
	Sell surplus or antiquated equipment								
SELL ASSETS (MORE THAN 10%)									
	Sell underperforming assets (more than 10% of total assets)								
ACQUIRE, GROW, & OPERATE NEW ELECTRIC UTILITY BUSINESSES THROUGHOUT THE U.S.									
	Buy and operate 100% of a municipal utility in south Florida								
ACQUIRE, GROW, & OPERATE NEW NON-UTILITY TYPE BUSINESSES THROUGHOUT THE U.S.									
	Buy or start water and energy financing platform								
	Buy a sensor co.								
	Buy 100% of a software or A.I. company								
JOINT OWNERSHIP/VENTURE WITH ELECTRICAL ENERGY GENERATING OR TRANSMISSION FACILITY									
	Buy less than 100% of an electric generating or transmission facility								
JOINT OWNERSHIP/VENTURE WITH NON-UTILITY									
	Buy less than 100% of a landscaping co.								
CONTRACT WITH OTHER UTILITIES FOR UTILITY SERVICES									
	Power purchase agreement								
SELL A PORTION OF EQUITY TO FUND GROWTH OR DELEVERAGE									
RESEARCH & DEVELOPMENT FOR MONETIZATION	Advanced data analytics solutions								
	Real-time operations software								
MAKE INVESTMENTS PURPOSED TO ACCELERATE AND GROW UTILITY TECHNOLOGIES, SERVICES, AND/OR PLATFORMS									

* NOTE: Constraints considered are the Florida Constitution, the Florida Public Service Commission jurisdiction, intellectual property (IP) considerations, the City of Jacksonville Charter, JEA's Bond Resolutions, JEA's business structure, and policy considerations. The cumulative impact analysis assumes current law, is based on general and not specific initiative terms, and is subject to confirmation and change by legal counsel. It is not possible to analyze the universe of policies, laws, and regulations that may impact the development, adoption, funding, and implementation of a proposal at this point in the discussion. Any specific initiative will require extensive and detailed legal analysis and counsel.

FOUR MAJOR BUCKETS OF LEGAL/PUBLIC POLICY BARRIERS



PUBLIC POLICY



PUBLIC RECORDS



FLORIDA CONSTITUTION



CITY CHARTER



PUBLIC POLICY

WHAT IS PUBLIC POLICY?

Public policy is the principled guide to action taken by government with regard to a class of issues, in a manner consistent with law and institutional customs

DO “WE” WANT GOVERNMENT COMPETING AGAINST THE PRIVATE SECTOR?

How much will the private sector push back? How will lobbyists defend their territories? Will elected officials make choices that are not aligned with their local businesses?



FLORIDA CONSTITUTION

CONSTRAINTS

ARTICLE VIII, Sec. 2(b)

Municipalities shall have governmental, corporate and proprietary powers to enable them to conduct municipal government, perform municipal functions and render municipal services, and may exercise any power for municipal purposes except as otherwise provided by law.

ARTICLE VII, (Sec. 10)

Neither the state nor any county, school district, municipality, special district, or agency of any of them, shall become a joint owner with, or stockholder of, or give, lend or use its taxing power or credit to aid any corporation, association, partnership or person

AMENDMENT PROCESS

ARTICLE XI, (3)

The power to propose the revision or amendment of any portion or portions of this constitution by initiative is reserved to the people, provided that, any such revision or amendment, except for those limiting the power of government to raise revenue, shall embrace but one subject and matter directly connected therewith.

ARTICLE XI, Sec. 1

A proposed amendment to or revision of this constitution, or any part of it, shall be submitted to the electors at the next general election held more than ninety days after the joint resolution or report of revision commission, constitutional convention or taxation and budget reform commission.



FLORIDA CONSTITUTIONAL AMENDMENT



Estimated Time to Achieve: 3–5 years



Estimated Cost to Pursue: \$10–12M



Probability of Achieving: <5%



PUBLIC RECORDS

WHAT IS A PUBLIC RECORD?

“Public records” means all documents, papers, letters, maps, books, tapes, photographs, films, sound recordings, data processing software, or other material, regardless of the physical form, characteristics, or means of transmission, made or received pursuant to law or ordinance or in connection with the transaction of official business by any agency.
119.011(12), Florida Statutes

PUBLIC RECORDS PROVIDE COMPETITORS AN UNFAIR ADVANTAGE

JEA competitors have access to information because JEA is a governmental entity. Public Records laws extend to certain JEA partners.



PUBLIC RECORDS CHANGE



Estimated Time to Achieve: 2 years



Estimated Cost to Pursue: \$250k



Probability of Achieving: <20%



CITY CHARTER

JEA AS DEFINED WITHIN THE JAX CITY CHARTER

JEA is created for the express purpose of acquiring, constructing, operating, financing and otherwise having plenary authority with respect to electric, water, sewer, natural gas and such other utility systems as may be under its control now or in the future.

GEOGRAPHICAL GROWTH IS NOT ALLOWED

JEA is limited to providing electricity to customers in Duval and adjacent counties. JEA is unable to enjoy greater economies of scale due to geographic constraint.



CITY CHARTER CHANGE



Estimated Time to Achieve: 4–6 months



Estimated Cost to Pursue: \$250k



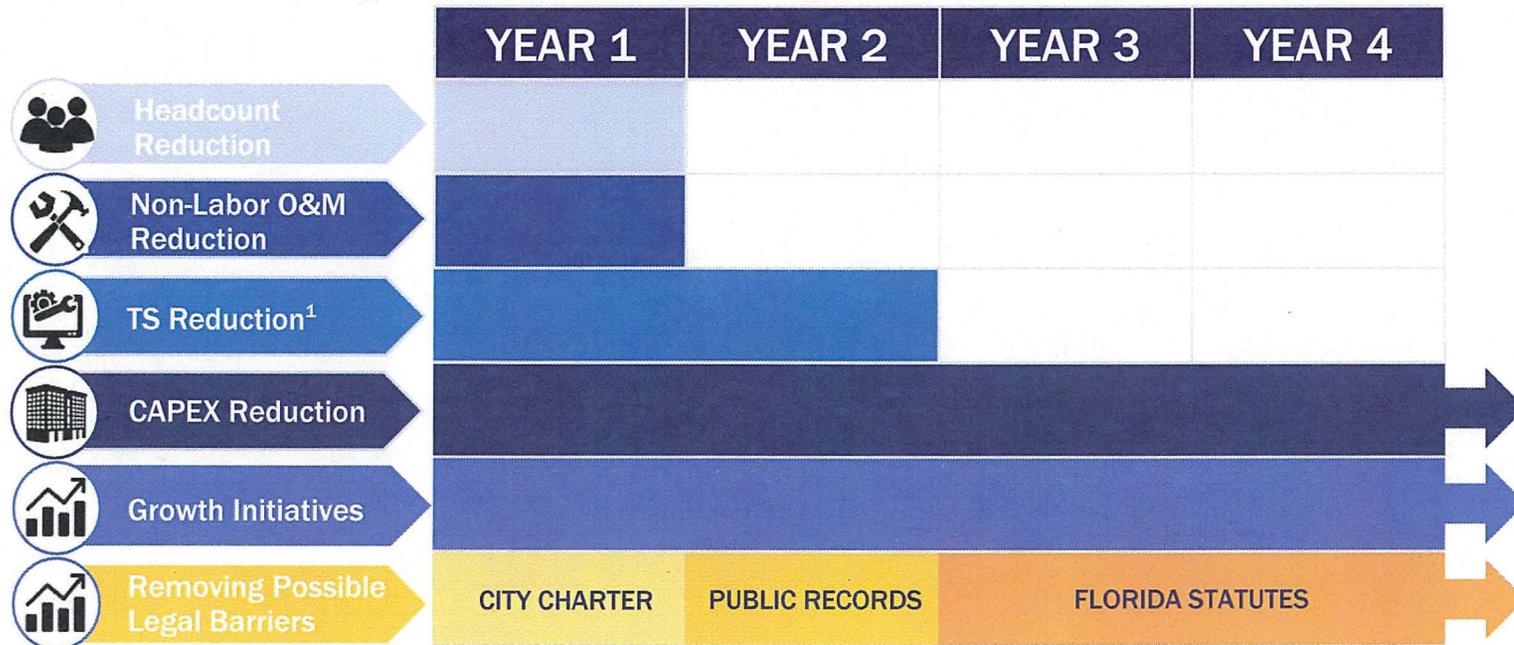
Probability of Achieving: 50%

SUMMARY OF TIME, COST AND PROBABILITY OF SUCCESS

OVERARCHING PUBLIC POLICY QUESTION:
Should government compete against the private sector?

	 TIME	 COST	 PROBABILITY
FLORIDA CONSTITUTION	3-5 years	\$10-12M	<5%
PUBLIC RECORDS	2 years	\$250k	<20%
CITY CHARTER	4-6 months	\$250k	50%

SCENARIO 2b: TRADITIONAL UTILITY RESPONSE WITH REMOVING SOME LEGAL BARRIERS INITIATIVE IMPLEMENTATION SCHEDULE



¹TS Reduction extends into year 2 to ensure all technology initiatives currently being implemented are supported