

IN RE: CAREN ANDERS-TERMINATION OF EMPLOYMENT AGREEMENT WITH JEA

SWORN STATEMENT OF CAREN ANDERS

DATE TAKEN: Wednesday, July 8, 2020
TIME: 1:10 p.m. - 2:18 p.m.
PLACE: 21 West Church Street Jacksonville, Florida

REPORTED BY: Heather M. Thomas, Court Reporter

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1 CAREN ANDERS,
2 having been produced and first duly sworn as a witness,
3 testified as follows:
4 THE WITNESS: I do.
5 BY MR. WEDEKIND:
6 Q Would you please state your name and address
7 for the record?
8 A Caren Anders, 26201 Marsh Landing Parkway,
9 Ponte Vedra Beach, Florida, 32082.
10 Q Ms. Anders, I know that you've been
11 interviewed before, but I want to talk to you for a
12 minute about some general ground rules about today's
13 interview.
14 We have a court reporter here. She's going to
15 be taking down everything that we both say, and so I
16 would ask that because we're wearing masks today that
17 you please try to speak loudly and speak slowly. That
18 way she'll be able to record everything that you and I
19 say.
20 I would also ask for the same reasons that you
21 make sure that you can hear and understand the questions
22 that I ask. If you don't -- can't do either of those,
23 please ask me to either repeat or restate my question so
24 that it is understandable, and I'm happy to do that.
25 This is not a deposition. It looks like one,

1 but it's not one. There's no litigation that's pending
2 here. We're not operating under the Rules of Civil
3 Procedure. And so while you're -- you have a witness
4 here today who's your counsel, he doesn't have the
5 opportunity to object to the form of the questions that
6 I might ask like he typically would in a deposition.

7 But I would ask that -- both you and he -- if
8 there's anything that I ask that needs some form of
9 clarification because I'm not asking it the right way,
10 please just let me know or just speak up on the record,
11 and that way we have a clean record.

12 You understand that you are currently on paid
13 administrative leave by JEA; correct?

14 A Correct.

15 Q And this interview is being conducted as part
16 of an investigation to determine whether grounds exist
17 to terminate your employment for cause; correct?

18 A Correct.

19 Q And you have been provided a form that
20 identifies your Garrity rights; correct?

21 A Yes.

22 Q Did you sign that form?

23 A I did.

24 Q And you returned it to JEA?

25 A I did.

1 Q Okay. Mr. McElroy also signed the form and
2 has provided it to me. I am the investigator under the
3 form. I will also sign it and date it with today's
4 date, and that way the form is clear that this interview
5 is being conducted pursuant to disciplinary action if
6 you refuse to cooperate, which then means that you are
7 protected under Garrity from criminal prosecution for
8 anything that you say today.

9 Do you understand that?

10 A Yes.

11 Q Okay. As part of this interview, you have two
12 duties with respect to your answers: the duty to answer
13 completely and the duty to answer honestly. I don't
14 think I need to talk about what it means to be honest,
15 but I do just want to briefly touch on my expectation
16 for a complete answer.

17 That -- what I mean by providing a complete
18 answer is that if there's any information that could be
19 relevant to the issues that I'm talking about, I ask
20 that you provide it, even if it is not specifically
21 responsive to a question that I've asked.

22 So typically in a deposition you would have a
23 witness and you would tell your witness who's being
24 deposed, don't volunteer information. Because this
25 isn't a deposition, that rule doesn't apply to you. So

1 I'm asking you to volunteer any information that you
2 think might be helpful to us.

3 Can you do that?

4 A Yes.

5 Q One last thing I want to talk about. So far
6 you've been doing a great job of this. Please help our
7 court reporter by waiting until I finish my question
8 before you begin your answer. I will do the same thing
9 and wait until you've completed your answer before I ask
10 you the next question. That way we're not talking over
11 one another, and our court reporter has an easier time
12 in taking down what we're saying today.

13 Can you do that?

14 A Yes.

15 Q All right. Can you please provide me with the
16 cell phone numbers that you have used in the last two
17 years.

18 A (919) 632-3392.

19 Q And that is your personal cell phone; correct?

20 A That's correct.

21 Q Did you ever use your personal cell phone to
22 communicate regarding work-related issues?

23 A Yes.

24 Q Whether by either using the phone itself or
25 texting or emailing on the phone?

1 A Yes.

2 Q Did you use it to text?

3 A Yes.

4 Q Did you use the GroupMe app?

5 A Yes.

6 Q Did you use any other apps to communicate with
7 other members of the SLT?

8 A Text, email, and GroupMe.

9 Q Okay. What are the email addresses that
10 you've used during the last two years?

11 A Caren.Anders@gmail.com or danders11@aol.com or
12 my JEA one, andecv@jea.com.

13 Q Did you only ever have one JEA email address?

14 A Yes. In the last two years I also had a Duke
15 Energy email, but I don't think that's relevant to this.

16 Q I agree.

17 All right. What did you do to prepare for
18 today's interview?

19 A I read my deposition or whatever you want to
20 call the December proceeding.

21 Q Anything else?

22 A I read my contract.

23 Q Your employment agreement?

24 A Yes.

25 Q Did you speak with anybody other than your

1 attorney?

2 A I have spoken to my peers, but we have not

3 spoken about what was discussed in these meetings.

4 Q So in other words, you communicated with other

5 members of the SLT regarding the logistics of attending

6 the interview, but not the substance of the interviews

7 themselves?

8 A Yes. Like I know when they were coming to

9 one. I did call Shawn Eads after his interview, and he

10 told me that he couldn't talk about the contents of the

11 interview, which I didn't realize this was being

12 conducted under privacy or whatever you want to call

13 that. So we didn't talk about it.

14 Q Once the interview process is completed and a

15 decision is ultimately made by JEA, then this transcript

16 and other documents related to the interview will be

17 public records, just like they were during the last

18 interview.

19 A Okay. Can I get a copy of the transcript?

20 Q Yes. As part of this, you will be provided

21 with a copy of the transcript, and you'll be given the

22 opportunity to review it and correct any issues that

23 you've got with the transcript and with the way that

24 it's been written.

25 A Okay. Thank you.

1 Q Any errors in the transcription, not changing

2 "the light was green" to "the light was red" changes.

3 When was the last time that you spoke with

4 Aaron Zahn?

5 A Before he was terminated.

6 Q How about Melissa Dykes?

7 A Last week.

8 Q What did you and Ms. Dykes talk about?

9 A Nothing about work. We talked about personal

10 things.

11 Q Okay. Ryan Wannemacher?

12 A Since he left. Not since before he left.

13 Q Herschel Vinyard?

14 A Since before he left.

15 Q Lynne Rhode?

16 A I think that's also since before she left.

17 Q Before we get into the meat of the questions

18 that I have to ask, I wanted to give you the opportunity

19 to say anything that you wanted to say on the record.

20 I'll give you the opportunity to do so at the end as

21 well. But I just wanted to open this up and give you a

22 chance to say anything that's on your mind that you

23 wanted to be recorded on the record.

24 A I don't know if you've seen it, but I sent

25 Paul and the board of directors a statement, and I think

1 it said what -- it told my side of the story, which I

2 didn't feel I'd had an opportunity to say.

3 Q Was there anything else that you wanted to add

4 to the statement that you provided?

5 A No.

6 Q When you went back and read your interview

7 transcript, were there any changes or additions that you

8 would like to make to the testimony that you previously

9 provided?

10 A No.

11 Q Is there any information that you have learned

12 since your interview that would have changed the answers

13 that you provided at the time that you provided them?

14 A I have read things in the papers and on

15 Twitter. I don't assume that what I read on Twitter or

16 the papers is correct, so my answer would be no. If

17 some of them were true, it might change how I look at

18 some of the things that Aaron did, but I don't know if

19 they're true or false.

20 Q What specifically, if you found out that

21 things were true, would taint how you see Mr. Zahn?

22 A I had read that he had received numerous

23 advice that the long-term incentive program was not

24 recommended. I never heard that in any of our

25 discussions, and I don't know that he presented it

1 wrong, but it's just a piece of that that I didn't have.

2 Q So if you had known that the Nixon Peabody

3 firm was retained for the specific reason to opine on

4 the legality of the PUP and they prepared a memorandum

5 of law that said that the PUP was not legal under

6 Florida law, then that would taint how you view Mr. Zahn

7 and other members of the SLT who may have known about

8 the existence and substance of that memorandum?

9 A Yes.

10 (Discussion off the record.)

11 (Exhibit Number 1 was marked for

12 identification.)

13 BY MR. WEDEKIND:

14 Q Thank you for providing me with your

15 statement. I've marked it as Exhibit 1 to this

16 interview.

17 I want to ask you just a couple of questions

18 about some of the statements made in here. In the

19 fourth paragraph, you talk about the ITN process and how

20 you were requested to be a bid evaluator; right? Do you

21 remember that?

22 A Yes.

23 Q And you raised an issue identifying yourself

24 as having a conflict of interest?

25 A Yes.

1 Q What conflict of interest did you have?
 2 A I worked for two large utilities prior, most
 3 recently Duke Energy and before that Exelon, and I knew
 4 both of them had the potential to be bidders. And, in
 5 fact, I didn't know it at the time, but both of them
 6 were bidders; Exelon through a subsidiary and Duke
 7 directly. So the conflict would have been real.

8 Q Okay. So the conflict of interest didn't
 9 relate to the potential benefit you might have received
 10 from the PUP; it related to your prior employment by
 11 some potential bidders?

12 A That's correct.

13 Q Okay. As part of the process in which you
 14 identified this conflict of interest to Ms. Dykes, who
 15 was who you were reporting to, your statement says that
 16 Ms. Dykes told you that while others would need to
 17 concentrate on the ITN, your focus was to run the energy
 18 business.

19 What did she mean by that?

20 A That regardless of what JEA's -- going on, the
 21 electricity needed to keep flowing and the lights needed
 22 to be on, and my job, as it was normally, was to run
 23 that business. And she and other members of the SLT
 24 would not have the normal oversight that they might have
 25 during this period because they were otherwise occupied.

1 So Deryle and I took over some of the meetings
 2 that she would normally have run, and we kept the
 3 business going while others were focused as well on the
 4 ITN.

5 Q Who were the others that she was referring to?

6 A Well, she -- I know she was referring to
 7 herself and Aaron, and I could assume who some of the
 8 others are, but I don't -- I don't know. I assume it
 9 was certainly the people who reported to Aaron, which
 10 would have included Herschel and -- I'm missing
 11 somebody.

12 Q Ryan?

13 A Ryan. Thank you.

14 Q So those four would be principally involved in
 15 the ITN process while you and Mr. Calhoun, who I imagine
 16 to be your contemporary on the water side of the
 17 business, would be essentially left running your two
 18 sides of the house?

19 A That's correct.

20 Q Okay.

21 A And that included coordinating meetings with
 22 our peers -- our other peers who, you know, were meeting
 23 too for business decisions.

24 Q I know that Ms. Dykes had a substantial number
 25 of reports. Did any of -- as a result of this informal

1 reorganization, did any of her former reports start
 2 reporting directly to either you or Mr. Calhoun?

3 A No.

4 Q The next paragraph in your statement, it talks
 5 about your concerns with some of the long-term strategic
 6 planning that McKinsey was doing. Specifically it
 7 focused on Scenario 2, which I believe has also been
 8 referred to as Status Quo 2; right?

9 A That's correct.

10 Q Okay. What concerns did you have about that
 11 particular scenario?

12 A That scenario was a worst-case scenario. It
 13 included a lot of employee layoffs, and it assumed a
 14 feature that had not yet arrived. And my concern was
 15 that we would implement Scenario 2 prematurely, which I
 16 definitely did not believe was the right thing to do.
 17 There was lots of risks to it. Certainly would have
 18 impacted a lot of employees. So I wanted to make known
 19 that I did not think that was something that should be
 20 done now.

21 Q I have heard Scenario 2 referred to as the
 22 death spiral scenario and the doom and gloom scenario.
 23 Have you heard it referred to as those things?

24 A Primarily in the papers. We never referred to
 25 it internally as that -- by that name.

1 Q Steve McInall testified earlier that he
 2 thought that Scenario 2's harshness was intentionally
 3 designed to drive the board to consider Scenario 3. Do
 4 you agree with that?

5 A It may have been used that way, but I don't
 6 think that's where it's designed. In my experience,
 7 when you do scenario planning, you should always do a
 8 best case and a worst case, and normally you end up
 9 somewhere in between.

10 So it did not strike me as a case that was put
 11 together for that reason. I do think that in the end it
 12 was perhaps used to do that, but I don't -- so I can't
 13 say what the intentions are, but it did not strike me as
 14 unusual to do a worst-case scenario.

15 Q Did you consider Scenario 2 to be a realistic
 16 scenario?

17 A I think the scenario is realistic. The time
 18 frame is what is questionable to me. So they had a time
 19 frame associated with it of about eight years, if I
 20 recall correctly, and that -- they could be right, but I
 21 wanted -- I don't think it will happen that quickly.

22 But it just -- I think I testified to this
 23 before. It just takes one new technology to make that
 24 right. You know, there's other inventions I would have
 25 said wouldn't happen so quickly and they have.

1 So it didn't strike me as an impossibility.
 2 It was just more aggressive than I would have been --
 3 than I was personally comfortable with, but ...
 4 Q I've heard the word Draconian used. Would you
 5 agree with the use of that word?
 6 A No.
 7 Q Why not?
 8 A Because I do think that is -- if utilities do
 9 nothing, that is the future. And I do believe that.
 10 It's just a matter of how you handle it and how quickly
 11 it happens, and hopefully no utilities do nothing,
 12 but ...
 13 Q Did you consider the "do nothing" approach to
 14 be a realistic approach?
 15 A Absolutely not.
 16 Q Why not?
 17 A Because I believe that the industry and
 18 business is changing, and it would get to a point where
 19 you'd have loss of revenue and loss of customers. We're
 20 already flat. It wouldn't take a lot for it to be
 21 negative. And that's -- to me, that's a doom and gloom
 22 scenario versus -- I think doing nothing is worse than
 23 being more aggressive.
 24 But again, I wouldn't go to either extreme. I
 25 think the right thing to do is to go somewhere in

1 between and then see how the environment changes and
 2 keep reacting.
 3 Q You started at JEA in January of 2019?
 4 A That's correct.
 5 Q And at that point the long-term strategic
 6 planning with McKinsey is already underway?
 7 A I'm not sure I knew that at the time.
 8 Q It wasn't part of your recruitment and
 9 onboarding?
 10 A No.
 11 Q As I understand your testimony, there was no
 12 discussion with you about the possibility that JEA might
 13 put itself up for sale?
 14 A I did ask that question in my interview,
 15 because I knew it had been put up for sale previously
 16 and -- or there were discussions about it, you know.
 17 And Melissa told me that she couldn't make any
 18 guarantees that it wouldn't happen again.
 19 But -- so I came in knowing that it was a
 20 possibility that at some point in my future, it could
 21 happen again. It happened much more quickly than I was
 22 expecting, but in retrospect, looking at Aaron's
 23 qualifications, it shouldn't have surprised me.
 24 Q What do you mean by that?
 25 A Aaron did not have experience to run a utility

1 company. He had experience that lent itself to selling
 2 a utility company. So I think if you -- normally CEOs
 3 reflect what the board, and in this case, perhaps the
 4 city, is looking for the direction to go.
 5 And, you know, in my career it started out
 6 with utilities were building things, so the CEOs tended
 7 to be engineers. And then it got to a heavy regulatory
 8 period, and CEOs tended to be attorneys. And then it
 9 got to where financially things were getting tighter,
 10 and they tended to be CFOs or financial people.
 11 So when you see someone with an Aaron
 12 background, his background is more in tune with selling
 13 a company than running a company. I didn't put that
 14 together at the time. I didn't do that much research,
 15 honestly, but in retrospect, though I was surprised we
 16 got there so quickly, I shouldn't have been.
 17 Does that make sense?
 18 Q It does. Thank you.
 19 Do you consider Aaron Zahn to have been a good
 20 leader for JEA?
 21 A Well, in retrospect, no.
 22 Q Why not?
 23 A Well, because here I am unemployed, so -- for
 24 doing nothing wrong. I liked Aaron. I think he had --
 25 I think he had a lot of good attributes. But perhaps he

1 was too confident or arrogant of what he was trying to
 2 do, and he obviously didn't have the political backing
 3 that he made it sound like he had to do what he was
 4 going to do, and it totally backfired.
 5 Q What did he say about the political backing
 6 that he had to do what he wanted to do?
 7 A Well, he always said that he was, you know,
 8 very close with the Mayor and that that's something that
 9 you would want the CEO of JEA to have that kind of
 10 relationship with the Mayor. So I would have assumed
 11 that if we were being put up for sale that the City
 12 Council and the Mayor would have been on board.
 13 Q Your position was as the vice president and
 14 general manager of the energy business?
 15 A Yes.
 16 Q Do you think that Mr. Zahn understood the
 17 energy business of JEA?
 18 A I think he was learning it. He asked lots of
 19 questions. I don't -- he certainly had a long way to
 20 go. I think he understood the water business better
 21 than he understood the energy business.
 22 Q Why do you say that?
 23 A I think he had some interest in water
 24 companies or companies related to water, and he would
 25 talk a lot more about that. I don't believe he'd ever

1 been to a power plant before. You know, we would give
2 him a tour, and he'd ask a lot of questions. I don't
3 think he had that knowledge.

4 Q So based on the questions that he was asking,
5 you inferred that he didn't have the knowledge base that
6 you might expect for a \$10 billion municipal utility?

7 A I'd agree to the first part, that he didn't
8 have the knowledge base. I'm a believer that if you
9 don't have the knowledge in something, then you need
10 someone who does, and I think that's why he created the
11 COO position so that Melissa did have that knowledge,
12 and he hired -- you know, Melissa hired me and I had
13 that knowledge.

14 So whether Aaron needed it or not -- I don't
15 know that Aaron needed it. He needed to be willing to
16 learn it.

17 Q Unless his goal was just to sell the company?

18 A In which case he didn't need to learn it, yes.
19 And I now think that was his goal. I don't know that
20 for a fact, but it certainly seems that way.

21 Q Did you attend the off-site meetings at
22 Ponte Vedra in 2019?

23 A I believe I missed one of them, but I attended
24 two or three of them, yes.

25 Q I have seen somewhere that you expressed

1 frustration at one of those meetings that JEA was being
2 sold; that you didn't come -- you didn't accept the job
3 in order for JEA just to be sold.

4 Do you remember making statements like that or
5 to that effect?

6 A At a meeting? No. I don't remember making
7 that at a meeting. I may have said that to my peers.
8 But, again, I knew that there was a possibility. And
9 the retention agreements that were put in place and
10 given to all employees made me comfortable that should
11 it be sold, I'd either have a job for three years or I'd
12 get, you know, an appropriate payout.

13 Q When you talk about the retention agreements,
14 you said it in the plural. Was it just one -- for you,
15 just one retention agreement?

16 A Yes.

17 Q Okay.

18 A I believe every employee had one.

19 Q And then you also signed an actual employment
20 agreement?

21 A Yes.

22 Q Following the July 23rd, 2019, board meeting?

23 A Yes.

24 Q And I believe I understand your prior
25 testimony to have been that you didn't request this

1 agreement. You didn't negotiate it with anybody. It
2 was simply handed to you after the meeting; you were
3 asked to sign it and you did?

4 A That's correct.

5 Q You come to JEA -- or came to JEA from a long
6 background working within the IOU sector; correct?

7 A That's correct.

8 Q Okay.

9 MR. BASFORD: I'm sorry. What kind of sector?

10 MR. WEDEKIND: The IOU.

11 THE WITNESS: Investor-owned utility.

12 MR. WEDEKIND: Private utilities, not munis.

13 MR. BASFORD: Thank you.

14 BY MR. WEDEKIND:

15 Q And many of the answers that you provided in
16 the previous interview were that things that were going
17 on at JEA were not a surprise to you; that you were used
18 to them because of your experience at an IOU.

19 For example, the performance unit plan, when
20 it was discussed, you had familiarity because of your
21 participation in a similar plan in your prior work
22 experience. Is that fair to say?

23 A That's correct.

24 Q Okay. Did it seem to you that JEA was
25 starting to be run like an investor-owned utility and

1 not a municipal utility under Mr. Zahn's leadership?

2 A I didn't have anything to compare it to. I've
3 never worked for a muni, so I couldn't say whether it
4 was being run differently or not. But Aaron was
5 introducing things that I was familiar with in the
6 private world.

7 Q And you've had PUP units before; correct?

8 A They're not called PUP units. They're
9 long-term incentives.

10 Q Okay. So whatever you call them -- call them
11 long-term incentive units? What's the word?

12 A Shares.

13 Q Shares.

14 A It's actually stock units.

15 Q Did any of those stock units that you held at
16 the time ever appreciate by hundreds of percent?

17 A They all had a range between zero and
18 200 percent, so they never would pay out more than
19 200 percent. I've had them pay out zero. I've never
20 had them pay out 200 percent.

21 Q But they were all capped?

22 A Always capped.

23 Q At a percentage level, and that's a percentage
24 of initial value?

25 A Well, you're given so many shares. And so

1 it's a -- you can get up to a 200 percent -- you know,
2 double the amount of shares or zero, depending on the
3 company performance.

4 Q I'm sorry to interrupt.

5 It's based on the number of shares that you
6 initially received?

7 A Yes.

8 Q Okay.

9 A Because the stock price changes over time, so
10 it wasn't based on the dollar value. It never -- when
11 it paid out, it paid out at whatever the current stock
12 price was on the date that it vested.

13 Q Okay. So you have participated in stock unit
14 plans, which are slightly different than performance
15 unit plans, or do you know?

16 A Well, I mean, I've read a lot about it, but I
17 never saw the performance unit plans. So in the end, I
18 can't say what it was, because I never -- I heard about
19 it. He talked about it. I knew it cost \$10. But I
20 never saw anything. So when you -- but what was
21 definitely different was having to pay for them. I've
22 never had to pay \$10 for a share. They're normally
23 given to you.

24 Q They're gifted or given to you, and they vest
25 over a period of time?

1 A Yes. They're part of your total compensation,
2 and the higher you are in the company, the more at risk
3 your compensation is, depending on the company results.
4 And both the short-term and long-term incentive is the
5 at-risk part, and then your salary is the base part.

6 Q When did you first find out that the
7 performance units in the event of a sale could have been
8 worth millions of dollars?

9 A I don't know if I found that -- yeah, I read
10 it in the paper, but we were never told that.

11 Q Right. So the first time that you would have
12 had any inclination of that was when you read about that
13 in the papers?

14 A Yes.

15 Q And so you were actually recruited to JEA
16 after you accepted a buyout with Duke; is that right?

17 A That's correct.

18 Q Okay.

19 A I was hired after I accepted it. I was
20 recruited before, yes. I knew it was coming, I should
21 say.

22 Q Okay. And you've already talked about your
23 interviewing and onboarding process, so I don't think
24 that we need to get into that.

25 But just to be clear, nobody ever talked to

1 you about the potential for a long-term incentive plan
2 as part of your recruitment and onboarding?

3 A That's correct.

4 Q You testified earlier that the -- once your
5 retention agreement was in place that you -- your
6 frustration about the potential of being sold was
7 mollified?

8 A Yes.

9 Q Okay. So really it was that that -- the
10 retention agreement that happened in July of 2019, that
11 kind of resolved that frustration that you had had?

12 A Yes.

13 Q Because it provided you with some security
14 over at least a three-year period of time if the company
15 were actually sold?

16 A Well, if I was unemployed as a result of the
17 company being sold.

18 Q Right.

19 A Otherwise, I'm not -- well, I guess it did
20 provide a year retention, so yes. It's hard when you
21 work -- when you're asked to work on a sale,
22 particularly when you're senior leadership, you know
23 that your job is particularly at risk. And every time
24 new leadership comes in, your job is at risk, which is
25 one of the reasons I'm sitting here right now. So to be

1 asked to work on that without having some kind of
2 protection is difficult.

3 Q What role did you play in the push towards
4 privatization?

5 A I ran the electric business.

6 Q Right. But you're focused on the operation of
7 the existing business?

8 A Yes.

9 Q While others, as Ms. Dykes has told you, would
10 be focused on privatization?

11 A Right. Now, I did do the strategic work, I
12 mean, which was kind of leading up to that, and I
13 attended presentations, the ones in Atlanta that we had
14 to give to the bidders. And I answered questions that
15 came through -- or really my team answered most of the
16 questions. I didn't personally answer most of them.
17 But my primary focus was on running the business.

18 Q And the run-up to the ITN approval, I'm
19 assuming that -- did you attend or at least watch the
20 board meetings?

21 A Yes.

22 Q And as part of the presentations that were
23 being made around the long-term strategic planning, did
24 you ever hear or fail to hear anything that you
25 considered to be misleading presented by management to

1 the board?

2 A Did I ever hear anything that I considered

3 misleading? No.

4 Q Was there ever an absence of information that

5 you thought should have been provided, the absence of

6 which resulted in misleading statements to the board?

7 A Relative to the ITN?

8 Q Yes.

9 A I don't think so. I hadn't seen any of the

10 bids, and I hadn't seen -- it was -- it's hard to

11 comment on things that -- or have beliefs about

12 something that you haven't been involved with.

13 Q The work that you did was all in connection

14 with Scenario 2; is that right?

15 A No. I did all the scenarios.

16 Q Okay. So what work did you do in connection

17 with Scenario 2?

18 A Scenario 2, which was the worst case one, was

19 if you had to cut by 25 percent, what would you do. So

20 I literally identified position by position where I

21 would cut, and then I clearly identified what the risks

22 were associated with those cuts.

23 Q The numbers that were given -- were the

24 numbers given to you by McKinsey? So would McKinsey

25 come to you and say, hey, I need you to cut X percent of

1 your employees?

2 A I don't remember if it was McKinsey or Julio

3 or Aaron, honestly, but it was a -- yes, you have to cut

4 whatever percent. I think -- I think I did 25 percent.

5 Q Throughout the entire energy business?

6 A Yes. Not -- let me -- some positions got

7 impacted more than others. It wasn't a straight

8 everybody 25 percent, but in the end my numbers were

9 25 percent less.

10 Q And that's a head count number?

11 A A head count number.

12 Q What was the work that you performed on

13 Scenario 3?

14 A Tell me what Scenario 3 -- which one?

15 Q Nontraditional response, so the ITN or the IPO

16 or co-op.

17 A I didn't do anything on the IPO or the co-op,

18 and I think I've described to you what I did on the ITN.

19 I didn't have much to do with -- we did the Scenario 1,

20 Scenario 2, and then I guess I really wasn't involved

21 with what got presented after that.

22 Q Did anybody from Morgan Stanley or J.P. Morgan

23 ever talk to you about potentially structuring JEA as a

24 co-op?

25 A No.

1 Q If they did, what would you have told them?

2 A I don't have any -- I've never worked in a

3 co-op. I don't know that I would have been much help to

4 them.

5 Q How about the IPO? Did either of the

6 investment banks ever talk to you about the IPO

7 alternative?

8 A No. I didn't talk to the investment bankers.

9 Q At all?

10 A Huh-uh. Well, I shouldn't say that. There

11 was one -- I don't know who I was talking to. I think

12 it was a legal firm, around -- the only other thing I

13 was involved with was Plant Vogtle and how to handle

14 transmission for that, but I don't -- I don't think it

15 was the investment bankers. I think it was attorneys

16 that I was speaking with, but I'm not positive.

17 Q Okay. And then you also participated in the

18 presentations to the bidders in Atlanta?

19 A Yes.

20 Q As part of your presentation to the bidders --

21 first of all, did you prepare your own presentation?

22 A I contributed the energy slides to a

23 presentation. It may have been tweaked, but -- or I may

24 have been given a draft. I think I was given a draft

25 and then I made comments on it. But yes, I had input

1 into what I was presenting.

2 Q Who was also working on the draft of your

3 presentation with you?

4 A I think it was being coordinated by someone in

5 finance, but I truly don't remember who.

6 Q And then I understood you to say that you also

7 participated in responding to questions that had been

8 asked by some of the bidders?

9 A Every time the bidders came back with

10 questions, we would divvy them up or they would get

11 divvied up; this is an energy question, this is a water,

12 this is a finance.

13 And if they were energy, they would come to

14 me. I had someone in my group who coordinated that for

15 me, and she would go through and get -- teach my direct

16 reports to get the right answer and then, you know, feed

17 it back into the -- there was a website that we fed the

18 answers back to.

19 MR. NUNN: Could we go back for a moment to

20 Scenario 1, the status quo scenario? What was your

21 participation in the formulation of that scenario?

22 THE WITNESS: I honestly don't remember status

23 quo as much as I remember the 1, as I remember 2.

24 But we did -- we looked at several different

25 things. We looked at what different businesses

1 could we get into. That was part of the McKinsey
2 strategy work. So, you know, whether we got into
3 electric vehicles or home solar systems or that
4 type of thing. So I had input into that.

5 And then I had input into -- well, I talked
6 about 2. Scenario 2 was just the plan to cut
7 people, cut numbers. So that would have been --
8 the primary thing was what future -- the only other
9 thing I really participated in was what future
10 businesses we could look at and whether or not --
11 and then later, those at the Ponte Vedra meeting,
12 those -- that scenario -- Aaron had I guess Lynne
13 and Herschel look at that, and they looked at what
14 we could do based on public record, Sunshine Law,
15 and what we could do based on being a -- the
16 charter and whether it was a viable alternative or
17 not.

18 MR. NUNN: You remember that the status quo
19 scenario that McKinsey prepared included some
20 specific assumptions around energy efficiency and
21 the impact on load on rooftop solar adoption and
22 in -- related to that grid parity?

23 THE WITNESS: I do recall that. Steve McInall
24 would have probably given more comment on those, on
25 those assumptions.

1 MR. NUNN: But you have seen those assumptions
2 at some point?

3 THE WITNESS: I did.

4 MR. NUNN: Did you have any reaction to them,
5 based on your experience?

6 THE WITNESS: Well, that gets back to -- like
7 I think eight years for solar power, yeah. I think
8 that was the number. I think that's aggressive.
9 But it could be right. It's not -- it didn't
10 strike me as that would never happen. I just --
11 without the technology now that supports that, I
12 thought it was aggressive.

13 MR. NUNN: So don't let me put words in your
14 mouth. Would you -- was it your view that that
15 scenario was the most likely scenario or was more
16 of -- more of leaning towards a worst-case
17 scenario?

18 THE WITNESS: I don't think eight years is
19 most likely. I think it's leaning more towards a
20 worst-case scenario. But, again, it's not out of
21 the realm. It's the future, and it could be right.
22 I mean, certainly there's other things that have
23 happened in a very short time frame, so I don't
24 underestimate technology advances. It could
25 happen.

1 BY MR. WEDEKIND:

2 Q You mentioned the constraints presentation
3 that was made by Mr. Vinyard and Ms. Rhode. Do you have
4 any disagreements about any of the opinions they
5 presented as part of their constraints?

6 A I'm not an attorney, so I can't give any kind
7 of opinion on whether what they said is right or wrong.
8 I do feel a little bit led to water after that, because
9 it went very quickly from we could do these businesses
10 to suddenly these businesses weren't viable. That was
11 the first time where it was clear to me that Aaron
12 wanted to sell the company.

13 Q So when you saw the constraints presentation
14 by Mr. Vinyard and Ms. Rhode, that was the first time
15 that you realized that JEA was driving towards a sale?

16 A I don't know if it's the first time I thought
17 about it, but that was the day he was very definitive on
18 that's what he was planning to do, and so there was no
19 longer a question that that was our new direction after
20 that meeting.

21 Q What do you mean when you said that you were
22 led to water?

23 A Because up until then, I thought we were doing
24 scenario planning, which is you look at the best case,
25 you look at the worst case, you go in between.

1 This is just an opinion, but on that day I
2 felt that Aaron had a plan all along and that I'd been
3 led there. You know, that was when it became clear to
4 me that his plan was never really to look at the best
5 case and the worst. It was always -- I thought that he
6 had preplanned all this and that in his head, he knew
7 that we would get there. I don't know that that's
8 factual. That was just how I felt that day.

9 Q That was your reaction to --

10 A That was my reaction to that meeting.

11 Q You felt like you had been manipulated or
12 duped?

13 A Manipulated, I'd say.

14 MR. NUNN: Did you ever have conversations
15 with other members of the SLT about that?

16 THE WITNESS: I'm sure I did. I can't
17 specifically remember them. I think some people
18 felt like I did and some people, having more
19 experience with JEA and whatever, knew that that's
20 where he was leading us to begin with, so ...

21 BY MR. WEDEKIND:

22 Q Who do you think knew early on that that's
23 where Mr. Zahn was trying to lead the company?

24 A Well, I think Ted Hobson, certainly, with his
25 long-term experience had -- it was clearer to him that

1 that's what was happening.
 2 Q Anybody else?
 3 A I just don't remember who said what. We would
 4 talk in the morning -- like we would come in in the
 5 morning, the early group, Steve and Deryle and Ted and,
 6 you know, myself and Shawn. We were the early people,
 7 and we would have conversations. But I truly don't
 8 remember who said what.
 9 Q That was Shawn Eads?
 10 A Yes.
 11 Q What was his role with respect to the ITN?
 12 A Shawn had the technology group, so he had --
 13 certainly did the same thing that I did for energy for
 14 technology relative to the scenarios. And then when
 15 Julio left, he actually took over coordination of
 16 McKinsey.
 17 And then at the end, he also -- a lot of the
 18 public records obviously involved technology pulls, so I
 19 know he was very busy with trying to get all of that
 20 information pulled.
 21 Q As part of the scenario planning, you were
 22 asked to look at other potential business opportunities
 23 for the utility; right?
 24 A Yes.
 25 Q When were you asked to start looking at that?

1 A It would have been before the Ponte Vedra
 2 meeting, so in the spring sometime.
 3 Q Can you narrow it down any further than that?
 4 A I can't. I mean, it culminated in the
 5 first -- well, the Ponte Vedra meeting where they had
 6 all of them listed and then went over why we couldn't do
 7 them as a municipal utility. So, as I said, it was
 8 before -- it was in the scenarios before that.
 9 Q How long between the time that you had looked
 10 at those business opportunities and the time that
 11 Mr. Vinyard determined that you couldn't legally do any
 12 of them?
 13 A Well, I don't know if it was Herschel or Lynne
 14 had determined it, but together they presented.
 15 The McKinsey work was evolving, so it
 16 wasn't -- you know, it wasn't we -- they kept showing
 17 drafts and we would comment on them, and sometimes --
 18 like I did have a lot of comments into -- you know,
 19 they'd want me to outsource something, and I'd say,
 20 well, this makes sense or that doesn't make sense.
 21 So I'd say that happened over the
 22 March-April-May time frame, and I think it became --
 23 shortly after we got to -- I don't know if it was final
 24 or a final -- you know, a final draft is when we had
 25 that Ponte Vedra meeting, so ...

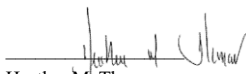

1 Q I'm sure you've seen the frog presentation?
 2 A I have.
 3 Q When was the first time that you remember
 4 seeing that frog presentation?
 5 A Shortly before we begin the employee meetings.
 6 I don't know the time frame. I'm sorry.
 7 Q What employee meetings?
 8 A We went to each site and we gave that -- well,
 9 Aaron gave the presentation one time. He got sick, and
 10 so I ended up finishing the presentation for him, but --
 11 and then he would hand out the coins. So we -- in
 12 energy we probably did six or seven of them at the
 13 different sites.
 14 Q What coins would Mr. Zahn hand out?
 15 A The challenge coins.
 16 Q What are --
 17 A Do you know what they are?
 18 Q What are the challenge coins?
 19 A The challenge coin was a coin that had like
 20 the skyline of JEA on one side and the kiss of life on
 21 the other side. It had JEA values. And he would hand
 22 them out for challenge to employees on whether they were
 23 onboard with the strategy.
 24 Q Okay. So --
 25 A It wasn't -- there's a military analogy to

1 what a challenge coin is.
 2 Q So employees that were on board with the --
 3 with what strategy?
 4 A With the fact that we had to do something
 5 different and that, you know, we would all need to be
 6 together to do something different.
 7 Q And accepting a coin signified the employee's
 8 loyalty to Mr. Zahn?
 9 A I don't know about loyalty to Mr. Zahn. I'd
 10 say the loyalty to the mission of making sure JEA
 11 survived in a changing environment. There weren't a lot
 12 of employees who were loyal to Aaron.
 13 Q Was this an attempt by Mr. Zahn to create
 14 buy-in to -- amongst the rank and file to accept their
 15 fate as a company for sale?
 16 A You'd have to ask Aaron that.
 17 (Discussion off the record.)
 18 (Recess taken from 2:10 p.m. to 2:14 p.m.)
 19 BY MR. WEDEKIND:
 20 Q All right. We talked about when you were
 21 asked to evaluate other potential business opportunities
 22 for JEA. Can you tell me about when that was?
 23 A That was in the spring time frame before the
 24 Ponte Vedra meeting.
 25 Q Okay. And then when you completed your work,

1 what was the deliverable?
 2 A The deliverable at the time, I believe, was
 3 just the idea, and then I thought they would be assigned
 4 to different people, you know, to see -- to pursue them.
 5 But then when the ITN happened, that work stopped, and
 6 it wasn't until the ITN came to a close that we talked
 7 about them again.
 8 Q Who were the ideas delivered to?
 9 A They were delivered in a report.
 10 Q To whom?
 11 A All of senior leadership. Like we all
 12 contributed to it, and it ended up McKinsey gave us a
 13 final report.
 14 Q So McKinsey took in all of the different
 15 business opportunities, created a report, and then
 16 provided it back to the SLT?
 17 A Yes.
 18 Q Do you know about when that was?
 19 A I don't, but they should be -- there should be
 20 records. They're dated.
 21 Q And it would have been provided via an email
 22 to you?
 23 A Yes.
 24 Q From whom?
 25 A I'm going to guess probably Shawn, because he

1 was the coordinator for McKinsey. But I don't know that
 2 for a fact.
 3 Q You talked about these challenge coin
 4 meetings. You went on a road trip to, you said, I
 5 think, five or six sites.
 6 A Uh-huh.
 7 Q Can you identify the locations that you went
 8 to to have these meetings?
 9 A We had them at the service centers; we had
 10 them at Northside generating station; two -- I think two
 11 at Westside; one at Southside; one at the generating
 12 units. I don't recall if we went to Brandy Branch or
 13 not. 2, 3, 4 -- there was one downtown. I think it was
 14 at the library for the office people, which for me would
 15 be engineering.
 16 And they were combined. They weren't always
 17 just my group. Sometimes there were other -- you know,
 18 other people in them as well.
 19 Q Can you give me a ballpark of the dates when
 20 these meetings happened?
 21 A I can't.
 22 Q Other than springtime?
 23 A Is the frog presentation dated? It would have
 24 been shortly -- I mean, literally we found the frog -- I
 25 think within a week of seeing the frog presentation, it

1 was presented. So whatever the date is on that, we
 2 started those road trips very shortly after that.
 3 Q At the beginning of the interview, I let you
 4 know that I was going to provide you an opportunity to
 5 put anything else on the record that you wanted to. I
 6 understand that you provided the statement that we've
 7 marked as Exhibit 1.
 8 Is there anything else that you want to put on
 9 the record? I just want to give you the opportunity to
 10 say anything else now.
 11 A No.
 12 MR. WEDEKIND: Okay. All right.
 13 I have no further questions. Thank you very
 14 much.
 15 THE WITNESS: Thank you.
 16 (Sworn statement concluded at 2:18 p.m.)
 17
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1 CERTIFICATE OF OATH
 2 STATE OF FLORIDA)
 3 COUNTY OF DUVAL)
 4 I, the undersigned authority, certify that
 5 CAREN ANDERS personally appeared before me and was duly
 6 sworn.
 7
 8 WITNESS my hand and official seal this 17th
 9 day of July, 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
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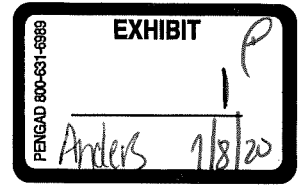
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June 16, 2020

Dear Mr. McElroy,

I was surprised by my termination last week. Since you were hired, we never had any discussions concerning my role in the events leading up to the dismissal of Aaron Zahn. I want to provide my account of what occurred.

I was contacted by a national recruiter about this position which opened due to my predecessor's decision to retire. It was an exciting opportunity. I happily accepted the position of VP/GM Energy following testing and 2 interviews with Melissa Dykes, Ted Hobson and Angie Hires and began at JEA on January 2, 2019. My husband and I moved to Jacksonville, a city we have visited for over 30 years. My brother-in-law Mike is a Jacksonville native. My husband's sister moved here when she married Mike and my mother-in-law now lives here as well. So this was more than a job - I wanted to become a part of this community.

I have served in the electric utility industry for 37 years - first in engineering, but my career spans generation, transmission, distribution, innovation and support services. The JEA position was a wonderful opportunity to use my many experiences. Due to my heart wrenching experience with employee fatalities at a previous position, my first focus at JEA was on safety. My team established 3 safety initiatives. These were evolving and shared with all my peers who knew my passion for safety. When I was dismissed, JEA had the best safety record for which records can be found (as judged by the industry standard benchmark of recordable incident rate). The operational metrics are strong- which has been acknowledged by yourself and the JEA Board members. I led a cohesive team. My results show that I performed my job well.

I want to specifically address the two items for which I was dismissed - the "complicit or implicit, ... real or perceived" involvement with the Invitation to Negotiate process for the sale of JEA and the Performance Unit Plan. After the decision to pursue the ITN process was made by our CEO and approved by our Board, I was asked to evaluate the first set of bids. I raised a conflict of interest as I knew it was possible that my prior utilities could be potential bidders and I was recused from the process. Melissa Dykes, my boss, told me that while others would need to concentrate on the ITN - my focus was to run the Energy business. I did that faithfully providing safe, reliable, and affordable power to the citizens of Jacksonville.

I was involved with our strategy work which included multiple scenarios. I recommended against the actions in scenario 2 which would have resulted in significant employee layoffs. My email sending the information on the contentious scenario 2 started with the following: "Disclaimer - This work is to support Status Quo 2 (worst case scenario planning). It is NOT my recommended plan of action going forward - though some of the ideas make sense and will be investigated further."

Other than the above, my role in the ITN was to provide accurate information in response to questions or in presentations concerning the status of the electric utility. I never misrepresented anything about the utility.

I have given a deposition about my knowledge of the Performance Unit Plan. I know our then CEO, Aaron Zahn, was trying to establish a long-term incentive plan based on company results three years out. This type of incentive pay is well established in the private sector from which I came and was in place at all my prior employers. I was told we would have to buy them at \$10/share - that is not usual. I knew nothing of the structure of the PUPs. I had no knowledge of how many would be offered to me. Most importantly, I was never offered any PUPs.

For the last six months, I have repeatedly heard about ethics. No one has been able to articulate anything I did which was unethical. I take ethics very seriously and personally and have not appreciated the inferences of unethical behavior without facts.

We have been criticized for having contracts. I never asked for a contract nor negotiated the contract. It was presented to me in its current state and signed by the CEO, the Board Chair, and the Office of General Counsel. If there are issues with the contract, they should be asked to account for that. I have had contracts prior in my career - they are not uncommon. I am also aware that JEA executives other than the CEO have had contracts in the past.

While it is heartbreaking to me, it is certainly within your right to terminate me without cause because you believe the company needs different leadership. I ask that you provide a fair severance and treat me with the respect and dignity with which I executed my position. It has been my privilege to serve the people of Jacksonville.

Respectfully yours,
Caren Anders

cc: JEA Board Members