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**From:** Banks Willis <bwillis@daltonagency.com>  
**Sent:** Sunday, June 2, 2019 10:26 PM  
**To:** Zahn, Aaron F. - Managing Director/CEO  
**Cc:** Stewart, Kerri - VP & Chief Customer Officer; Goldberg, David M. - Director Customer & Community Engagement; Kyle, Gina A. - Manager Media Relations; Maddie Milne; Michael Munz; Devin Pascoe; Bartley, La'Trece M. - Mgr Executive Administration; Taylor, Brandi N. - Executive Assistant  
**Subject:** AARON: Prep document, First Coast Connect with Melissa Ross (Tuesday, 6/4)

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Hi Aaron –

I hope you had a nice weekend. In preparation for your interview with Melissa Ross on Tuesday morning (8:45am arrival at WJCT), please see attached prep document.

Kerri, David and Gina have reviewed and approved. Please let me know of questions.

Thanks!  
Banks

The power of different.

**BANKS WILLIS** // Vice President Corporate Reputation  
w 904.398.5222 c 202.577.5847



140 West Monroe // Jacksonville, FL 32202

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**Briefing document**

In-person, live on-air interview

**First Coast Connect with Melissa Ross**

**WJCT**

100 Festival Park Avenue  
Jacksonville, FL

**June 4, 2019**

Arrive at 8:45am

Live at 9:05am

Leave by 9:30am

**\*NOTE:** David Goldberg will be your communications contact onsite.

### **Overview of opportunity**

Interest in and media coverage of JEA has continued to grow as the community becomes more aware of the utility's critical business challenges. After the May 28 "status quo" board meeting, producers of WJCT's daily radio call in show, First Coast Connect with Melissa Ross, followed up on an earlier request to have Aaron on the show. Aaron was subsequently booked for Tuesday (6/4), after the show's weekly (Fridays, 9:00am) local media roundtable.

Every Friday, First Coast Connect with Melissa Ross changes from its daily guest interview format to host a **roundtable of local reporters** to discuss the region's biggest stories of the past week. **This past Friday's (5/31) roundtable kicked off** with the topic of JEA and featured:

- [David Bauerlein](#), Times Union
- [Stephanie Brown](#), WOKV News
- [Georgio Valentino](#), Folio Weekly
- [Charles Griggs](#), WJCT contributor

While Melissa predictably opened the roundtable with, "the average consumer needs to know that JEA rates could go up significantly", the conversation quickly took a more thoughtful, fact-based turn:

- Overview
  - Days of consistent revenue are over.
  - Utilities across the country are experiencing the same challenges.
    - Energy efficiency, good for the customer, bad for JEA's revenue.
  - May 28 board meeting provided a starting point, status quo, for what needs to change and/or what other steps can be taken.
  - What can JEA do within the current charter? And what needs to change in charter for JEA to become competitive?
- Other (paraphrased) questions and comments of interest
  - What can be done next?
    - JEA has already laid off over 400 employees and raised rates 70% over the past ten years, they are out of traditional options for change.
  - Rate increases
    - Threat of a rate increase alone doesn't seem like a huge issue, 50% phased over 10 years can be compared to a cost of living increase.
    - Rates will not be increased in 2020.
  - How does JEA compare to other municipally-owned utilities across the country?
    - JEA is out front, transparently having the tough conversations, costing out what changes need to be made. No other utility is doing the analysis like JEA.
  - Privatization
    - All municipally-owned utilities look into privatization, and most don't end up doing it.
    - Privatization doesn't guarantee lower rates.

### **About WJCT**

[WJCT](#) is the community-supported, NPR and PBS public broadcasting station for the First Coast, with national and local programming through WJCT-TV, WJCT-FM (89.9) and WJCT Online.

- Twitter handle: [@WJCTJax](#) (11,700 followers)

### **About WJCT's First Coast Connect with Melissa Ross**

Hosted by Melissa Ross, [First Coast Connect](#) is an hour-long call-in program that features local newsmakers, civic and community leaders, artists and people planning a variety of events across Northeast Florida, along with a weekly roundtable of local journalists on Fridays. The public radio show's audience tends toward Jacksonville's more informed, community involved, news-savvy residents.

- Twitter hashtag: [#FirstCoastConnect](#)

### **About Melissa Ross, host/producer**

[Melissa Ross](#) joined WJCT in 2009 with 20 years of experience in broadcasting, including stints in Cincinnati, Chicago, Orlando and Jacksonville. During her career as a television and radio news anchor and reporter, Melissa has won four regional Emmys for news and feature reporting and multiple national awards for best call-in program. She also co-hosts [Florida Roundup \(@FloridaRoundup\)](#), which airs on NPR stations across the state Fridays at 12 noon. Prior to joining WJCT, Melissa spent three years at Jacksonville's Dalton Agency. Married with two children, Melissa is a graduate of Northwestern University's Medill School of Journalism and Communications.

- On [LinkedIn](#)
- Twitter handle: [@MelissainJax](#) (13,600 followers)

Melissa is all about the big hook, and this past Friday's media roundtable was a nice peek into her most likely go to during Tuesday's one-on-one interview – **rates**. Even when the conversation went in a different direction, or it was apparent that she wasn't going to get the response she was looking for, Melissa still went back to rates. **Be prepared.**

### **Interview tips – reminders**

- Maintain control of where you want the conversation to go: JEA believes that working together, we can build on JEA's strong past, serve our customers in a responsible manner, and create the future utility we want to become.
- Always answer the question you wish they'd asked first.
- If a reporter digresses from the points you want to make or what you want to talk about, briefly answer whatever they asked about, but **bridge** back to your conversation.
  - I think what you're asking is...
  - The danger in making that assumption is...
  - Actually, that's a common misperception, and here's why...
  - I won't speculate about the details, but what matters in this situation is...

### **High-level narrative**

#### Landscape

- Historically = sleepy, driven by two values: reliability and affordability.
  - Highly regulated = strives for lowest risk possible.
  - Utility + customer = a meter location and a bill payer.
  - Success = lights and water kept on without breaking bank.
- Today and future = uncertain, disruption-led environment.
  - Utility table stakes = reliability and affordability.
  - New forces disrupting and reshaping sector = engaged homeowners and businesses, digital disruption (connected "smart" technologies), data analytics, distributed energy resources (e.g. solar, battery storage and electric vehicles).
  - Customer at center enabled by technology = more focus on service and satisfaction.

- Challenges
  - Public policies = neither encourage innovation, nor incentivize infrastructure or business models needed to capture long-term value in the current disruption-led environment.
  - Organizational culture's narrow approach to innovation = must overcome "this is how it's always been done" mentality.
  - Leadership = new, change-management mindset.

#### JEA

- Basics = Tenth largest municipally-owned electric utility and one of the largest water and wastewater utilities in the country, with an almost 900-mile service territory.
  - 125+ years old.
  - Corporate measures of value: customer, community, financial, environment.
- Last decade = change, digital disruption happened around, to and in many cases without direct input from JEA.
- Digital disruption requires reframing challenge from *technological* to *business model*.
  - Business model challenge harder = business models hardwired into organizational 'status quo' (rules, norms, culture) = shifts more difficult to execute.
- JEA employees and community stakeholders = suffer from 'status quo bias', emotional preference for current state of affairs.
  - Digital (technology) disruption and 'status quo bias' industry warnings = Kodak, Blockbuster, newspaper industry (more information below).
- Remain relevant = capitalize on industry forces rather than remain a bystander.
- Aaron's industry outsider, business perspective is exactly what JEA needs today.
- New senior leadership team = another critical component to JEA's future success.
  - Ability to be innovative, take risks and drive transformation both within JEA, and with customers and policy makers.

#### Q&A | key messages

##### **Q. The May 28 board meeting presentation painted a bleak picture, how much longer can JEA operate business as usual?**

A. Part of JEA's overall strategic planning process includes first painting an honest, somewhat bleak, picture of our current business, taking into account external market forces, internal and charter limitations. Our strategic plan will be in response to this baseline and include two scenarios:

- Resist change and leverage traditional rate and cost levers to address current revenue stream challenges.
- Embrace change and seek new revenue streams that are not even possible under today's charter.

##### **Q. Why are you having these conversations now?**

A. I'm so happy to have the opportunity to sit down with you and the First Coast Connect audience. Today is a new day, and I'm more committed than ever to open, transparent, two-way conversations with employees, customers, stakeholders and the Jacksonville community. The best thing JEA can do is have this conversation, we can't afford not to.

##### **Q. Why does JEA have to change anything? Don't they have more customers than ever?**

A. When JEA's charter was developed 50+ years ago, the industry was very different, JEA was very different. Over the last ten years we've actually seen a 10 percent decline in energy sales due to energy efficiency. Additionally, JEA's role as the primary deliverer of electricity in Jacksonville is being challenged. Technology innovation is upending business as usual by lowering competitive barriers to entry (e.g. Nest, Google, Amazon) for companies who already have a customer-service provider relationship with the customer. **TECO Energy**

#### **anecdote?**

**Q. What will be required to change how JEA operates today?**

A. To address our customer's changing demands and take advantage of the forces that are disrupting and reshaping our industry, charter change will most likely need to happen. This is one of the two scenarios we're looking at as part of our strategic planning process.

**Q. What specific charter changes do you think will need to happen to make JEA competitive?**

A. XXX

**Q. Isn't it inevitable that JEA will make layoffs or privatize?**

A. I think this is the wrong question, the right question is how can we address the challenges that JEA is facing so that we can offer high value utility services to our customers today, tomorrow and in the future? And the best way to answer this question is by having conversations like this and with a strategic plan.

**Q. Don't you think raising rates will happen regardless?**

A. Everything JEA does will align with all four of our corporate measures of value: customer, community, financial, environment. While raising rates is an option, it's doesn't align well with our four measures of value. We're also looking at a number of other possibilities as part of our strategic planning process.

**Q. Is it true that JEA plans to spin off its electric business within five years?**

A. I can't speculate on the future, but what I can say is that JEA is a better and more powerful utility because of our combined electric and water utility offering. We're able to leverage platforms and learnings between the two utilities to improve our overall service offering.

**Q. We've heard a lot about the bad, what about the good? How is JEA continuing to serve its customers and community even during this disruptive time?**

A.

- Innovation Summit 2018
- [Quarterly JAXUSA Partnership Luncheon](#), July 30
- Demand Rate Study
- Customer Home Energy Management Tool pilot (Innovation Hub)
- Electrification
- Integrated Water Resource plan and water purification
- Public Private Partnership for Organic Recycling
- Biogas Credit Feasibility study
- STAR Plan – additional billion in debt by 2023
- Solar – 2018 250 megawatts
- St. John's River, lowest nitrogen, highest reliability ever

### **Q. Other related disrupted industries – media and entertainment sector**

**A.** Aside from industries like photography and home video rental (companies like Kodak and Blockbuster), the media and entertainment industry (and newspapers across the country) have also been disrupted by digital, always on, consumer-centered forces.

- The rapid rise of mobile and other technologies has reshaped how the world creates and consumes information, and this change is profoundly affecting the media sector. Forces catalyzing the change include:
  - Consumer behavior and expectations are driving this change = instant access to global content at all times.
  - Affordability of mobile technology = more access to latest tools in consumer's quest for more content.
- Impact of change on traditional U.S. industry players (print media like newspapers and magazines):
  - 2008: Newspaper ad revenue = \$43 billion; magazine ad revenue = \$19 billion.
  - 2016: Newspaper ad revenue fell 12 percent, down to \$12 billion; magazine ad revenue fell 9 percent, down to \$8.5 billion.
- Digital transformation can't be ignored = digital media poised to dominate future as number of purely digital media offerings grows.
- While traditional print outlets still have audience, **essential they evolve** to remain relevant = develop clear strategy around mobile, video, social media, analytics and customer (user) experience.
  - Leverage data to gain insights = effectively engage audience
    - Develop innovative ways to interpret and apply consumer data to create new products (content, etc.) that meet or exceed expectations of today's readership.
  - Create agile business models = thrive as consumer expectations shift.
- Bottom line: Technology isn't going to kill print media. When used effectively, technology can help digital and print in different ways, allowing both to thrive in ever-changing media landscape.

### **Q. What's the latest with the Bartram Springs project?**

**A.** I'm going to point all questions regarding this project to JEA's Project Outreach team at 904-665-7500 or [projectoutreach@jea.com](mailto:projectoutreach@jea.com). You can also visit JEA's website – [jea.com/us1](http://jea.com/us1). – for up to date project information.

### **Q. Why doesn't JEA underground (bury) these transmission lines?**

**A.** Factors for not undergrounding (burying) the transmission lines involve industry best practices, cost, and constructability.