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From the Jacksonville Business Journal:

<https://www.bizjournals.com/jacksonville/news/2019/07/24/jea-ceo-talks-next-steps-in-exploring.html>

JEA CEO talks next steps in exploring privatization

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The JEA board decided Tuesday that privatizing JEA is an option worth studying.

In a unanimous vote, the board authorized JEA staff to explore ways to take the utility private, whether through a sale, initial public offering, direct placement or other means.

The vote was the culmination of a months-long series of meetings in which JEA staff presented three scenarios of the utility's future: status quo, a "traditional utility response" and privatization. Privatization, staff said, is the only option that frees the utility to grow through new lines of business instead of shrink, a claim the board found compelling enough to study further.

CEO Aaron Zahn discussed the board's decision with the Business Journal on Tuesday. This interview has been lightly edited for brevity and clarity.

We heard in today's presentation that pursuing changes to the state constitution would be a fool's errand in part because the public wouldn't fight for it (JEA's chief administrative officer gave a five-year, \$12 million effort a less than 5 percent chance of success). Would exploring privatization also be a fool's errand if the public won't fight for it?

At the end of the day, what we're going to be able to do is complete scenario strategic planning and be able to provide the public all the potential outcome scenarios and what they may look like. The board will then have a decision to make. The decision may be – once we do all the exploration about what could a community-owned asset look like, what could an IPO look like – the board could still say the traditional utility response is the best response...

[If the board and City Council approve privatization] At the end of the day the voters will have a chance to vote, if they end up voting no, then they end up voting no.



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Aaron Zahn, interim CEO of JEA

But the process would go all the way to a vote? Would there be any polling to gauge public interest while scenario planning is happening?

The problem with polls is they always have margins of error, right? I think the reality is the way the process would work is we'd complete a final set of scenarios so that we would be able to tell people what all the future states of JEA look like, we'd be able to answer questions definitively.

Right now, I can't answer what does an IPO for JEA look like. I know what an IPO is, I know how you would do it, but I haven't done the work to be able to say this is what the valuation would be, this is how it would work.

What we are able to say is the board did set minimum requirements. What the board said is that in the event any non-governmental structure is contemplated, minimum thresholds would need to be met. Ultimately, those are far better than where we are today.

I look at this as it's a once in a lifetime opportunity to transform our region, and we are doing what's in the best interest of JEA today, which is taking care of employees and taking care of customers. That's the decision that was made today.

Beyond that, we've got a long process of figuring what all of these alternatives look like.

What did JEA learn from going through the process with City Council's special committee on selling JEA last year?

I think the No. 1 is CCEF [customer, community, environmental, financial – JEA's measures for evaluating its scenarios], the fact that we have the ability to measure value. Only one of them is financial. That is reflected in those minimum requirements. Had environmental not been a part of that discussion, I don't think you would have seen a requirement of 100 percent renewables or 40 million gallons of alternative water supply. It might have only been focused on dollars, and I think the debate last time really was only focused on dollars.

The final report from the Council's committee cites the Public Service Commission's general counsel saying that a local government cannot enforce a rate freeze. Why was a rate freeze included in today's staff recommendation in light of this?

That was inaccurate. That was a misinterpretation by the City Council at that point in time. The PSC cannot enforce a rate freeze. You can contractually obtain a rate freeze or rate contract from an entity through a transaction.

So it's a contractual provision just like any other contract?

Correct.

JEA has gone through this scenario planning process in phases, but why not mention that privatization was on the table in any meeting before today's?

Because the board had not rejected the status quo yet. When we presented the status quo, if the board thought that was a reasonable alternative and had authorized us to move forward, then that would have been where we would have gone. Then we came back with the traditional utility response...

As you move through strategic planning, you start to have more deviations from the norm. And second, candidly, I didn't want the conversation to get hijacked again by this debate over sell or don't sell. That's not the conversation we're having. The conversation we're having is how do you design JEA to remain relevant for the community and the customers long into the future and maximize customer, community, environmental and financial value.

Will Robinson

Reporter

Jacksonville Business Journal

