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Opinion

## Sunday's Editorial: A look at how JEA's world turned

**By The Florida Times-Union Editorial Board**

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When it comes to JEA, consumers have simple expectations.

When they press the light switch, they want the power to turn on.

When they twist the faucet, they want clean water to flow.

And they don't want frequent interruptions to their service.

JEA has been a good utility in those areas. Quality ratings from JD Power prove it.

But behind the scenes, JEA has been dealing with some historic disruptions that have not shown up in bills but are sure to affect consumers soon.

So here is a primer about JEA:

Q. JEA says base electric rates increased by 71 percent since 2006. Why didn't the increase show up in bills?

A. Like any other business, JEA managed by cutting expenses. JEA slashed the workforce by over 400 positions. And fuel costs were reduced in large part because natural gas prices plunged.

This can't continue. Fuel prices are unlikely to continue to plunge. While JEA can continue to slash its workforce, it would hurt service quality at some point.

Q. Why did JEA have to raise base rates by 71 percent?

A. Two reasons: Debt and a historic change in customer behavior.

On debt, previous JEA boards and management loaded up the utility with loans, presumably to avoid raising rates. Eventually, though, the bills had to be paid.

The amount of debt is mindboggling. In 2009, JEA had \$492 million more debt than the value of all of its capital investments. That was wildly irresponsible.

Imagine owning a house worth \$200,000 and purchasing a mortgage for \$250,000.

As a result, JEA has spent the last decade paying down debt with higher base electric rates.

Today, JEA is on the positive side with \$743 million more in capital investments than in debt. Still, though, JEA has more debt than similar electric utilities.

On customer behavior, usage began to drop in 2006.

It looked like this:

- 2006: 33.4 megawatt hours per customer.
- 2019: 26 megawatt hours per customer.

At the same time, more customers were entering the JEA system. Duval County's population was growing.

- 1999: 348,072 electric accounts.
- 2019: 475,786 electric accounts.

Put them together, JEA has more customers using less electricity.

JEA actually sold less electricity in 2019 than it did in 2006 despite having 127,000 more customers.

More expenses, less revenue. That's not a winning business model.

JEA can only respond in a few ways. It can raise rates and cut expenses, which is what it has been doing.

Or it can find new ways to raise revenue. But JEA is currently prevented from entering many new lines of business because it is a government entity.

If it becomes a nonprofit or a private entity, many new lines of business would open up.

JEA could seek exemptions from its restrictions as a government entity but that would mean a government unit would be competing in the private marketplace, and that would raise questions of fairness.

The simplest way to unburden JEA from the government restrictions is to privatize or become a nonprofit, which is why JEA is currently considering offers.

In the future, JEA customers will be facing higher electric and water rates no matter how JEA's ownership is structured.

Debt obligations for JEA's power purchase of the Vogtle nuclear power plant in Georgia will hit hard around 2026. JEA's original deal for Vogtle looked good, but its contract did not provide an out clause. When the Vogtle project changed, JEA was stuck. That was the fatal flaw.

That is why JEA is paying down debt today in order to cushion the blow from Vogtle. Paying an additional \$160 million in debt could mean a 20 percent increase in electric rates by 2027.

On the water side, as the population grows JEA will have to find some other source for drinking water than tapping the Floridan Aquifer, which is likely to mean billion dollar projects and higher water bills.

The sins of the past — huge amounts of debt and a bad contract for Plant Vogtle — will have to be accounted for.

JEA probably won't be able to shield its customers from future base rate increases like it has done in the past decade.

That's a simple fact.

