



JAX DAILY RECORD

TUESDAY, SEP. 24, 2019 05:25 PM EST

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Council member will 'go behind the curtain' on potential JEA sale

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Danny Becton will be the only City Council member allowed inside JEA's recapitalization efforts.

by: [Mike Mendenhall](#) | Staff Writer

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in the possible sale of JEA.

JEA CEO Aaron Zahn and City Council President Scott Wilson directed Becton, the Council liaison to the public utility's board of directors, to "go



“Council President Wilson and I have heard our colleagues over the course of the last month or so saying they didn’t have influence into the ITN and they didn’t know what was going on. This, perhaps, is a step in that direction to allow me to be a part of the process — not an evaluator, not a negotiator but have a seat at the table,” Becton said.

The announcement was made Tuesday at JEA’s monthly board meeting.

Zahn said he directed JEA’s legal counsel to draft parameters that would define what bidding information Becton could access.

The role makes Becton the only Council member allowed inside JEA’s recapitalization efforts, which are in a “cone of silence” created when the ITN eased Aug. 2.



Any possible decision-maker or stakeholder in the JEA sale is prohibited from speaking about the specific terms of ITN with constituents, members of the media, on social media or with possible respondents to the solicitation.

The prohibition does not keep prospective bidders from discussing the ITN terms with each other.

Zahn said the move to include Becton is to provide information to the Council

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“We don’t want to do anything to violate the cone of silence, and we also don’t want to do anything to jeopardize his ability to vote should it ever become a reality that his vote is necessary,” Zahn said.



The ITN includes requirements for potential buyers — a minimum payment of \$3 billion in cash to the city from a buyer, \$400 million in customer rebates, and a commitment to a new headquarters and keeping employees in Downtown Jacksonville, among other stipulations.

A deal would require Council and voter approval.

JEA staff cited declining sales due to growing energy efficiency in consumer products, falling costs of at-home solar generation and regulatory hurdles to offering additional services as reasons to explore privatization.

The JEA board voted July 23 to following a strategic planning process to make a 10-year plan to ensure JEA's viability.

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repeated his assertion Tuesday that the exploration into JEA privatization has been mischaracterized.

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“Much to the contrary of public statements by third parties, we are not predicting that the sky is falling or that we are in a death spiral,” Zahn said.

“Merely, we are looking at an evolving JEA strategy to be able to participate in the technology disruption trends within markets, both on the energy and water side.”

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MICHELLE DYKES and CFO RYAN WANNEMACHER'S MONTHLY and fiscal year-end financial reports Tuesday show a public utility in good financial condition. JEA has paid down \$1 billion in debt since 2015 in the electric utility.



electric utility's debt is the lowest in 34 years and the water utility's lowest in 16 years.

Wannemacher said JEA made capital investments in the past fiscal year of more than \$400 million. In 2004, the last time JEA made this size of investment in capital projects, it was financed with debt.

“The actions we take to pay down debt and de-risk the business are what provide us the luxury of being able to have strategic planning discussions in a thoughtful and deliberate manner,” Dykes said.

Clarifying the process

Zahn and the JEA board used Tuesday's meeting as a venue to reinforce their role for why the public utility is exploring privatization.



Officials from JEA contracted legal firms Pillsbury Winthrop Shaw Pittman LLP and Foley & Lardner LLP outlined three recapitalization models Tuesday that were not discussed when the ITN was released.

The attorneys said procurement officials will accept ITN proposals from technology companies, oil and gas companies and larger utilities — making JEA a subsidiary of a larger corporation.

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- An initial public offering: JEA would become a publicly traded company on a “selected stock exchange” and would be subject to regulatory filings with the Securities and Exchange Commission. Pillsbury officials said it is unclear if the



- Private placement: JEA would become a private corporation with equity shares owned by private sector investors. According to JEA attorneys, the restructuring could potentially allow the city to have a minority or majority ownership stake of a privatized JEA.

- Community ownership: JEA would convert into private co-op owned by the ratepayers.

Each restructuring option would take nine to 18 months to complete and would require franchise agreements with the city, according to the advisers.

Zahn said contracting legal firms like Pillsbury and Foley & Lardner, as well as financial advisers Morgan Stanley & Co. LLC and JP Morgan Securities LLC,



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ow respondents to the ITN to be diverse.

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“The reason we engaged these global advisors on a transaction of this magnitude to so ensure the ITN made it into the hand of individuals of a senior leadership position in those targeted sectors,” Zahn said.

Utility leaders will not release the identities of the interested companies and organizations at the Oct. 7 bid opening, just the number of bids.

Identities become public nearly four months later, when a recommendation is

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respondent from having a competitive advantage.

JEA staff moved the due date for companies to reply to the ITN from Sept. 30 to Oct. 7 because of Hurricane Dorian.



- Oct. 7 — Initial replies to RFP due. Bid opening
- Oct. 18 — Evaluation team meets/posts intent to negotiate
- Oct. 19 — Negotiations with respondents begin
- October/November — Respondents will submit refined proposals, demonstrating ability to meet minimum requirements
- January/February — More discussions with respondents and further exploration of strategic alternatives
- Late February — “Best final offers” due. Negotiations team makes recommendation to board
- March — Offer goes to City Council and voters for approval

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Community ownership also was examined, with ties "trading at all-time highs."

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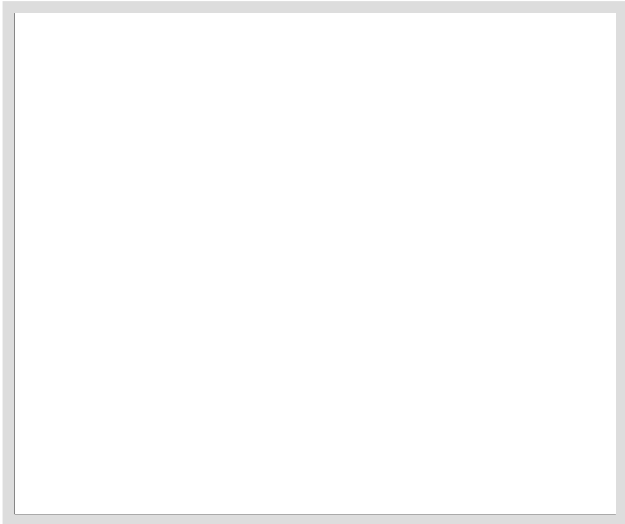


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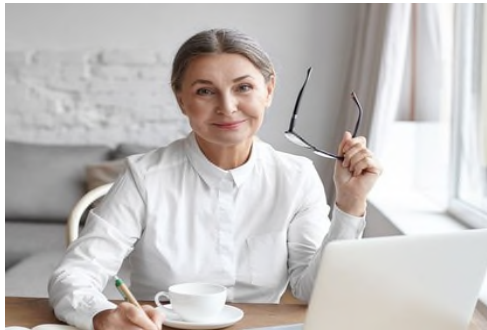


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