Office of Inspector General
City of Jacksonville, Florida

Management Review
JEA Additional Capacity Fees
2026-0022

June 25, 2026

Matthew J. Lascell
Inspector General

Executive Summary

In March 2026, the Office of Inspector General (OIG) obtained information from multiple sources alleging that the Jacksonville Electric Authority (JEA) had not effectively collected additional capacity fees from various commercial customers. According to these allegations, this issue may have been present for several years and could involve a substantial amount of money.

Subsequently, in March 2026, the OIG provided a memorandum to Kevin Carrico, who serves as the President of the City of Jacksonville's (COJ) City Council (Council), requesting the Council's assistance in securing the necessary resources to ascertain the veracity of these allegations. The OIG specifically requested that the Office of the Council Auditor (Council Auditor) conduct a special, limited-scope project to determine the existence of this issue and its severity.

As a result of the OIG memorandum, the Council Auditor is conducting a special, limited-scope project regarding JEA, Mayo Clinic, and additional capacity fee issues. The OIG collaborated and deconflicted with the Council Auditor to ensure that these issues were comprehensively examined by the OIG from both policy and procedural standpoints and by the Council Auditor from a financial standpoint. Consequently, all financial issues will be cited in any forthcoming publications produced by the Council Auditor.

Accordingly, in March 2026, the OIG initiated a review to determine whether JEA effectively managed and collected additional capacity fees from commercial accountholders in accordance with established governing directives and whether JEA acted appropriately to address and resolve additional capacity fee issues with commercial accountholders, such as the Mayo Clinic. The OIG's review concentrated on JEA's management of the Mayo Clinic commercial account, the additional capacity fees identified as payable by Mayo Clinic to JEA, and JEA's efforts to address and resolve the additional capacity fee issue with Mayo Clinic.

Based on this review, the OIG concluded that JEA historically failed to effectively manage and collect additional capacity fees from commercial accountholders, such as the Mayo Clinic, in accordance with established governing directives, whether they were formally documented or simply understood. The OIG also concluded that JEA had taken appropriate measures to address and resolve additional capacity fee issues with commercial accountholders, such as the Mayo Clinic.

Background

JEA is the largest municipal utility in Florida and one of the largest in the country, providing energy and water services to more than one million residents and businesses in Northeast Florida. JEA is led by the JEA Managing Director and Chief Executive Officer (CEO) and overseen by the JEA Board of Directors, which consists of seven members. Four members are nominated by the Jacksonville Council President and confirmed by the Council, while three members are appointed by the Mayor of Jacksonville and confirmed by the Council. The JEA Board of Directors appoints the JEA Managing Director and CEO, who selects the JEA Leadership Team.

JEA is responsible for collecting capacity fees and associated charges, which are one-time fees assessed when connecting to JEA's water, wastewater, and reclaim (reuse) system. The required fees are the direct costs to connect and cover the costs of infrastructure expansion and the replacement or refurbishment of the aging utility infrastructure. Before initial connection to JEA's water and wastewater systems, customers are required to pay for a water/wastewater plant and line extension Growth Capacity Charges. Charges are determined by the projected daily flow (consumption) as submitted by an engineer or as calculated by Florida Administrative Code (FAC) 62-6.008. Additional water/wastewater plant capacity charges may be required for expansion or increased flow at existing facilities.

In March 2026, a memorandum provided by Jody Brooks, the current JEA Chief Administrative Officer, to the JEA Board of Directors reflected a detailed background about additional capacity fees, historical commercial accounts, and the additional capacity fee issue with the Mayo Clinic. The memorandum stated verbatim:

"*There has been a great deal of media and City Council attention around our collection of additional capacity fees from customers and more specifically Mayo Clinic (Mayo). This matter is only about "additional" capacity charges. All customers are billed and charged for monthly water and sewer service and all customers pay a one-time capacity charge when they initially connect to JEA's water and/or sewer system.*

JEA took over the water and sewer system from the City of Jacksonville (COJ) in 1997. Mayo had already established an account with COJ and installed a master 10-inch water meter on or about 1995. When the account was transferred over from COJ to JEA, it appears that they had paid for initial capacity based on 10,219 fixture units or 142,044 gallon per day (GPD) of capacity. We have not located the actual payment or any history of what was actually paid over 30 years ago.

Sometime in 2022, a JEA account representative notified Mayo that additional capacity charges needed to be applied to the account for the increased water and sewer usage due to the growth of the Mayo campus. Mayo indicated that they believed that they were exempt from paying additional capacity fees. Multiple meetings and communications between JEA and Mayo regarding this dispute have been on-going with no final resolution to date.

On October 23, 2024, legal counsel for Mayo provided a memorandum that analyzed a 1986 agreement between the City and Mayo with the theory that Mayo was not required to pay additional capacity until Mayo's usage exceeded 1,090,000 GPD. On December 18, 2024, JEA legal counsel provided a responsive memorandum that took the position that the 1986 agreement was an exemption from paying cost recovery fees and was not related to additional capacity charges.

During internal meetings with staff, it was discovered that JEA has not historically applied additional capacity charges consistently and there were other legacy accounts with large water meters that needed to be analyzed. The Office of General Counsel secured an opinion from JEA bond counsel that the failure to bill for additional capacity charges would not constitute free

service and not violate our bond covenants and we received additional guidance on the legal parameters on establishing a fair and equitable collection program for all our customers.

Attempts to settle the dispute with Mayo have been placed on hold until a fair and equitable program for all customers could be developed. A team that includes water operations, customer account representatives, and legal are in the process of developing a path forward regarding the application and billing of additional capacity charges on these legacy accounts…"

Issues

Whether JEA effectively managed and collected additional capacity fees from commercial accountholders in accordance with established governing directives and whether JEA acted appropriately to address and resolve additional capacity fee issues with commercial accountholders, such as the Mayo Clinic.

Governing Directives

The JEA Water and Sewer System Tariff Document, Section 105 – Water and Sewer Capacity Charge and Surcharges, Subsection (G), Effective December 1, 2025, states verbatim:

"Additional charge(s). If:

1. *JEA shall determine that the estimated average daily flow(s) of a user made at the time of initial connection to JEA's water and/or sewer system was erroneous, or that the description of the character of the waste in the application was erroneous; or*

2. *The use of the property served by JEA's water and/or sewer system changes because of: the construction of new dwellings, commercial or industrial facilities; additions to existing dwellings, commercial or industrial facilities; change in use from single family to multi-family residential; or increased, expanded or changed operations:*

    1. *so as to increase the number of gallons of sewage discharge by more than 20% over the number of the unit values or gallons of discharge at the most recent of either the time of payment of the last sewer capacity charge or the date when customer's sewer service provider was acquired by JEA; or*

    2. *so as to increase by more than 10% its COD[1] or suspended solids loading measured in pounds a day; or*

    3. *so as to increase the number of gallons of water usage by more than 20% over the number of unit values or gallons of usage at the most recent of either the time of*

[1] COD is an acronym for Chemical Oxygen Demand in parts per million.

payment of the last water capacity charge or the date when customer's water service provider was acquired by JEA."

Findings[2]

The OIG reviewed the various relevant emails and records regarding additional capacity fees and the Mayo Clinic, including, but not limited to, the following:

Records	Record Dates
Florida Statute 163.31801 Records	2025
Florida Department of Financial Service Records	Dating back to 2016
JEA Delegation of Authority and Responsibility Policy Records	June 25, 2024
JEA Board Policy Manual Records	October 29, 2024
Mayo Clinic Capacity Charge Offers and Requests Records	Dating back to 2022
JEA Proposal Letter/Withdrawn Records	October 8, 2025
JEA Water and Sewer System Revenue Bond Resolution Records	February 18, 1997
Memorandum from Mayo Clinic to JEA Records	October 23, 2024
JEA Water and Sewer System Tariff Document Records	December 1, 2025
JEA Water, Wastewater & Reclaimed Water Design Guidelines Records	January 2026
East Water Transmission Main and East Pressure Manifold System Cost Agreement Records	1986
JEA Annual Consumption Review Records, including the Mayo Clinic	Dating back to 2016

The OIG interviewed the following former/current JEA and JEA-assigned employees regarding additional capacity fees and the Mayo Clinic:[3]

JEA Employee Names and Positions
Vickie Cavey, Current Managing Director and Chief Executive Officer
Jay Stowe, Former Managing Director and Chief Executive Officer
Jody Brooks, Current Current Chief Administrative Officer
Robert Zammataro, Current Chief Water Systems Officer
Charles Moreland, Current Chief Customer Experience Officer
Former Chief Legal Officer
Current Director of Water/Wastewater Development Services
Current Manager of Revenue Assurance and Water Pre-Service Operations
Current Program Manager
Current Account Executive Customer Accounts

[2] Dates noted below are based on the interviewee's best recollection and records reviewed.
[3] Only the names of former/current JEA Leadership employees are included.

Based on the interviews and records reviewed, the OIG learned that historically and currently, initial capacity fees are one-time, upfront payments required before a water meter is installed and utility service begins. The management of initial capacity fees is a coordinated effort between external developers and several internal JEA Departments. The JEA Revenue Assurance Department, specifically through its Water Pre-Service Operations, is responsible for processing new service applications and determining the final meter and initial capacity fees, which must be paid in full at the time of application or before the meter is set. These are often collected alongside other one-time charges, such as meter fees, growth fees (for specific infrastructure), and line extension fees.

The JEA Development Services Department reviews engineering plans and as-built drawings provided by engineers to ensure they meet JEA standards before infrastructure is dedicated to the system. Developers and engineers are responsible for identifying the expected water and wastewater flow based on JEA's standard flow schedule and submitting the initial application data. The JEA Board of Directors holds the sole legal authority to set or adjust the capacity fee rates through the JEA Water and Sewer System Tariff Document. The Revenue Assurance Department analyzes actual usage data to identify instances when customers exceed 20% of their paid capacity (commonly known as the 120% rule) and calculates the resulting debt, referred to as additional capacity fees. The additional capacity fees are incurred for various reasons, including when customers exceed their paid water or sewer capacity by more than 20%, or when businesses expand their operations "behind the meter" by constructing new buildings or altering their business types.

Account Executives of Customer Accounts (AECAs) under the JEA Key Accounts Department serve as the primary points of contact for JEA's large commercial customers. The AECAs are responsible for conducting annual consumption reviews, which are mostly in-person meetings that focus on a review of the customers' three-year consumption and costs, including water, sewer, and electric services, and the customers' 3-to-5-year strategy, including plans for expansion, new facilities, or downsizing.

Based on the review, the OIG determined that JEA historically failed to effectively manage and collect additional capacity fees from commercial accountholders, such as the Mayo Clinic, in accordance with established governing directives, whether they were formally documented or simply understood. As part of this review, the OIG requested that JEA provide a list of entities identified as owing these capacity fees to JEA. JEA responded*, "All customers whose property initially connects with JEA's water and/or sewer pays capacity charges in accordance with JEA's water and sewer system tariff document. Additional capacity changes [sic] may be owed in certain instances. An accurate comprehensive list is being developed. Such a list does not currently exist."* The OIG determined that JEA's historical inability to manage and collect additional capacity fees effectively resulted from a combination of the following issues:

Historical Data Gaps and Record Transitions:

- When JEA took over water and sewer services from the COJ in 1997, the transition of records was incomplete. Many historical accounts were transferred with missing documentation, or their baseline capacity was listed as zero.
- During a 2003 upgrade to a Windows-based billing system, JEA only transferred service point meter data, while financial records of capacity fees paid before 2003 were omitted.
- During JEA's move to its new headquarters, many paper records were scanned, making them harder to locate, and in some instances, records may have gone missing entirely.
- Older records often utilized fixture units (number of sinks and toilets) rather than the modern gallons per day methodology, making it difficult for JEA to establish a defensible baseline to calculate current overages.

Technological and Systemic Failures:

- JEA's SagesGov Platform (SagesGov)[4] did not communicate with its billing systems. While SagesGov tracked construction data, it was not linked to actual usage data, making it impossible to flag when consumption outpaced paid capacity.
- JEA lacked a proactive mechanism or automated report to identify customers who exceeded 20% of paid capacity. Overages were often discovered only by chance during visual inspections or when customers requested a new meter for further expansion.
- JEA's billing system was traditionally geared toward electric services and lacked the necessary flags to trigger water capacity reviews.

Organizational Silos and Communication Failures:

- Oversight for capacity fees was split between various JEA Departments, who often operated independently and did not share critical information.
- AECAs were the primary contacts and provided customer service and concierge support for large commercial customers. However, they were not experts in compliance or technical matters and lacked the data needed to monitor capacity limits.
- Annual consumption reviews conducted by AECAs were not required to include capacity fees, and thus, these fees were not included in the reviews. AECAs often discussed capacity fees only when customers specifically mentioned adding new facilities. As a result, expansions often went unnoticed until a physical trigger, such as a request for a new meter, occurred.
- Projects to address additional capacity fee collection issues often went stale due to frequent transitions in JEA Leadership and staff turnover.

[4] JEA's Water/Wastewater Planning and Development Department uses SagesGov, a cloud-based solution for electronic document submittals and plan reviews.

Behind-the-Meter Growth and Infrastructure:

- Customers could grow significantly "behind the meter" by adding new buildings, floors, or production lines without triggering an automatic notification to JEA.
- Massive infrastructure, such as the 10-inch meters used by the Mayo Clinic, allowed decades of growth in water draw without ever hitting the physical limit of the meter that would have required a JEA review.

Lack of Policy and Resource Prioritization:

- JEA lacked a formalized internal guide or written procedure for identifying and enforcing additional capacity fee collections.
- JEA had sufficient system capacity to facilitate growth, so capturing these overages was not prioritized by JEA Leadership.
- Upon identification of the additional capacity fees issue, JEA's internal calculations were often poorly vetted and fluctuated wildly, making JEA's position difficult to defend legally.
- There was at least one occasion where a historical agreement with Mayo Clinic was inadequately drafted, resulting in conflicting legal interpretations concerning exemptions for additional capacity fees, which will be elaborated further below.

Regarding the JEA additional capacity fee issue with the Mayo Clinic, there was a historical agreement, called the East Water Transmission Main and East Pressure Manifold System Cost Agreement (Cost Agreement), between COJ and Mayo Medical Resources, which has since been renamed and will hereinafter be referred to as the Mayo Clinic. The Cost Agreement appeared to date back to 1986.

In summary, the Cost Agreement stated that for a period of ten years beginning on the date of project completion or until Mayo Clinic recovers its full share of the East Water Transmission Main Cost ($259,467.17), the COJ shall set aside fifty-eight cents ($.58) of the cost recovery fee collected by the COJ for each gallon of average daily potable water capacity connected. The COJ shall pay Mayo Clinic's share of these fees, less than a 2% administrative fee, on a semi-annual basis. Mayo Clinic was granted an exemption from payment of the COJ cost recovery fee for 1,090,000 gallons per day of connected potable water capacity within the designated exempt area and designated cost recovery area. Upon exhaustion of this exemption, Mayo Clinic will be required to pay the cost recovery fee then in effect for any additional capacity connected.

In 1997, JEA assumed control of the water and sewer system from the COJ. Mayo Clinic had previously set up an account with the COJ and installed a master 10-inch water meter around 1995.[5]

[5] According to the memorandum from Brooks to the JEA Board of Directors, dated March 2026, it appears that Mayo Clinic initially covered the capacity costs for 10,219 fixture units or 142,044 gallons per day when the account was transferred from COJ to JEA. However, JEA had not been able to locate any actual payment records or documentation of payments made by Mayo Clinic in the last 30 years.

In December 2020, Jay Stowe took on the role of JEA Managing Director and CEO. By late 2022, the Mayo Clinic's additional capacity fee issue arose, stemming from a combination of evaluations of new construction projects, proactive inquiries from staff, and the detection of significant increases in usage. Throughout this period, Mayo Clinic officials believed they were exempt from paying additional capacity fees under the Cost Agreement. Below are some pertinent events:

In approximately 2022 or 2023, Stowe became aware of the Mayo Clinic's additional capacity fee issue during a meeting with JEA Leadership, where it was realized that the Mayo Clinic had undergone substantial "behind-the-meter" growth since paying its initial capacity fees. Stowe was provided with calculations showing that Mayo Clinic owed millions of dollars in uncollected additional capacity fees. Upon learning of the Mayo Clinic situation, Stowe questioned how many other customers were growing "behind the meter" without paying additional capacity fees.

Stowe identified Brooks as the primary person he went to for legal advice, as she regularly answered legal questions for the JEA Leadership and participated in discussions about uncollected additional capacity fees. Stowe was sure Brooks was part of the group helping JEA determine which options were available to address the additional capacity fees owed by external entities, including Mayo Clinic.[6] Stowe also consulted with the former JEA Chief Legal Officer to determine how to hold the Mayo Clinic liable despite any historical agreement. Ultimately, JEA Leadership decided to have the JEA Key Accounts and Customer Service teams present the calculated costs to the Mayo Clinic officials and inform them that the additional capacity fees were owed.

Stowe stated he was "pretty sure" a formal notification or documentation was provided to the Mayo Clinic officials, which then triggered the subsequent dispute. However, Stowe did not recall the specific details of every deliberation with the Mayo Clinic officials or the Mayo Clinic officials' argument against paying the additional capacity fees. Stowe assumed that the Cost Agreement was probably a part of their deliberation. Overall, no formal resolution to the Mayo Clinic's additional capacity fee issue was reached before Stowe departed from JEA in October 2024. Stowe characterized the failure to collect the additional capacity fees as "sloppiness" and a "lack of structure" resulting from a long-term failure of JEA leadership to establish robust tracking and enforcement systems, rather than intentional misconduct.

Beginning in October 2024, Vickie Cavey took on the responsibilities of JEA Managing Director and CEO, although she was officially appointed to the position in February 2025. In August 2025, Cavey became aware of Mayo Clinic's additional capacity fee issue after being briefed on the matter by Brooks. Throughout this period, Mayo Clinic officials believed they were exempt from paying additional capacity fees under the Cost Agreement. Below are some pertinent events:
Upon becoming aware of the issue in August 2025, Cavey reviewed a draft demand letter prepared by the JEA Legal staff that contained specific dollar amounts and water flow data for

[6] Brooks' account of events contrasted with Stowe's, as she stated that she first learned about the Mayo Clinic capacity fee issue during a phone call with the Mayo Clinic Attorney in approximately July or August of 2024.

Mayo Clinic, compiled by the JEA Key Accounts Department. However, Cavey decided not to send it to Mayo Clinic officials for several reasons, including that the issue was not in formal litigation, she favored a direct CEO-to-CEO approach, and she deemed the additional capacity fee calculations provided to be inconsistent, unclear, and unreliable.

JEA records indicated the following capacity charge offers and requests that JEA had previously presented to the Mayo Clinic officials, which were withdrawn in the August 2025 draft demand letter:

Capacity Charge Offers and Requests	Offer and Request Dates
Agreed to apply pre-2005 rates to increased usage for 1995-2022, totaling $834,331.50. Future increased usage charged at current rates [Not accepted].	April 1, 2022
JEA Legal Memo: Approximately $18,900.000 total capacity charges due at current rates ($7,600,000 for increased usage from 2022, plus $3,700,000 for estimated future increased usage).	December 18, 2024
Meeting: Agree to negotiate capacity charges for increased usage for 1995 - 2022. Increases post-2022 are not negotiable and charged at current rates.	March 14, 2025

Subsequently, Cavey took several actions to address the Mayo Clinic's additional capacity fee issue, including holding internal meetings at JEA, discussions with individual JEA Board members, meetings with Mayo Clinic officials, and the creation of a Capacity Fee Project.

On September 4, 2025, Cavey and Brooks met with the Mayo Clinic's CEO and CAO. They informed Mayo Clinic officials that JEA's stance was that the Cost Agreement pertained to cost recovery associated with a line extension, rather than an exemption from additional capacity fees. Consequently, JEA maintained that Mayo Clinic was liable for additional capacity fees. Cavey concluded the meeting by stating that JEA would perform more homework to generate defensible numbers before following up.

Following the September 4, 2025 meeting, Cavey learned later that week that there were two 10-inch meters, not just one. Due to the unclear and unreliable information that she had been receiving, and upon discovering that Mayo Clinic possessed a second meter, Cavey recognized that JEA lacked a proper understanding of the situation occurring "behind the meter" at the Mayo Clinic.

On September 11, 2025, Cavey and Brooks met with Mayo Clinic's CEO and CAO. They informed Mayo Clinic officials that JEA would draft a letter detailing a potential resolution that included billing Mayo Clinic for additional capacity starting in August 2025. JEA possessed verifiable data in SagesGov from August 2025 onward, while the historical records prior to that date were neither defensible nor verifiable.

On October 8, 2025, Cavey sent a proposal letter to the Mayo Clinic's CEO to document a potential resolution discussed at the September 11, 2025, meeting. After sending the proposal

letter to the Mayo Clinic's CEO, Cavey realized that the additional capacity fee issue was a utility-wide problem affecting other large commercial customers. Cavey stated she became concerned that a unique resolution for Mayo Clinic would constitute "preferential treatment" and potentially violate JEA's bond covenants. As a result, Cavey withdrew the offer from the Mayo Clinic's CEO, explaining that JEA had to reassess everything to find a holistic solution for all customers.

In approximately 2025 or 2026, JEA formed the Capacity Fee Project Team to consolidate oversight and handle systemic issues in JEA's processes for collecting additional capacity fees. This team is comprised of a diverse group that includes data analysts, engineers, and representatives from the Revenue Assurance and Legal Departments. The OIG determined that their responsibilities include addressing historical discrepancies for large-meter accounts and establishing sustainable internal controls to prevent future collection failures, which will be subject to approval by the JEA Board of Directors, by executing and/or planning to execute the following tasks:

Resolution of Historical Discrepancies:

- Conducting a case-by-case manual review of approximately 700 to 1,500 large-meter accounts (3 inches and larger), which involves validating historical flow data and identifying customers who have significantly increased their demand without paying additional capacity fees.
- Attempting to recover historical records that were lost or omitted during JEA's billing system transitions in approximately 1997 and 2003.
- Ranking records by confidence level, which includes categorizing modern digital records as high-confidence and old paper-based records as low-confidence, to ensure future billing is defensible because many historical records are missing or based on unreliable fixture units rather than actual flow.
- Identifying customer accounts that have activated the regulatory directive necessitating additional capacity fee payments when usage surpasses the paid capacity by over 20%.

Implementation of Future Controls:

- Establishing a connection between SagesGov (construction data) and JEA's billing system (usage data) to identify instances when consumption surpasses the paid capacity automatically.
- Deciding on official starting dates to serve as the baseline for measuring capacity usage for all commercial customers.
- Exploring the creation of continuous monitoring dashboards that would flag usage spikes in real-time rather than relying on random audits or physical triggers.
- Collaborating with local building departments to receive alerts when customers pull permits for expansion.
- Training JEA's Customer Call Center staff to flag potential capacity changes during service calls.

Policy and Legal Strategy:

- Drafting a uniform, utility-wide policy to ensure all customers are treated equally and to avoid preferential treatment that could violate bond covenants.
- Collaborating with external utility specialists and legal advisors to explore the statutes of limitations regarding the collection of overdue additional capacity fees, as well as potential statutory exemptions for certain entities, such as public schools.

As of May 2026, the Capacity Fee Project Team halted its attempts to recover unpaid additional capacity fees as it awaited legal counsel regarding the statute of limitations on JEA's legal authority to pursue these fees. Based on the review, the OIG determined that JEA had taken appropriate measures to address and resolve additional capacity fee issues with commercial accountholders, such as the Mayo Clinic.

Recommended Corrective Actions

1. Ensure that JEA Leadership shares the solutions and completion dates from the Capacity Fee Project Team with the JEA Board of Directors during meetings that are publicly noticed.

Management's Response

The OIG provided JEA with an opportunity to submit a written response to the findings in this investigative report within ten (10) business days. Their response is attached to this review.

Inspector General Standards

This review has been conducted in accordance with the ASSOCIATION OF INSPECTORS GENERAL Principles and Quality Standards for Investigations.

"Enhancing Public Trust in Government Through Independent and Responsible Oversight"

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June 24, 2026

By Email to InspectorGeneral@coj.net

Office of Inspector General
City of Jacksonville
231 E Forsyth Street, Suite 470
Jacksonville, FL 32202

Subject: Office of Inspector General 2026-022 Management Review

ELECTRIC

WATER

SEWER

Thank you for the opportunity to review the draft report of the Office of Inspector General 2026-0022 Management Review (OIG Report).

We have reviewed the OIG Report and only have one clarifying comment to make regarding the contradictory timing of when Jody Brooks (Brooks) learned about the Mayo Clinic capacity fee issue. As indicated on the attached timeline and email communications, the Mayo Clinic capacity fee issue was not escalated to senior leadership until July of 2023. Jay Stowe was informed of the details in a leadership meeting on August 21, 2023. We believe Mr. Stowe is mistaken for saying that Brooks was part of the group assisting with this matter during his tenure. Brooks was not employed by JEA from July 2023 until she returned under Vickie Cavey in June of 2024, the time in which Mr. Stowe became aware of the Mayo Clinic issue.

We support the recommended corrective action and will share the solutions and completion dates from the Capacity Fee Project Team with the JEA Board during a publicly noticed meeting.

We have no additional response to this OIG Report.

Please contact me at cavevp@jea.com if you have any follow up questions related to this management review.

Sincerely,

Vickie Cavey

Vickie Cavey
Managing Director CEO

cc: Jody Brooks, Chief Administrative Officer

Mayo Capacity Timeline (2022-2025)

Prepared by: **James McCallum**

Date: **September 10, 2025**

10-3-2022- External Mayo Co-ordination Meeting

Attendees: James McCallum, Ryan Stillwell (Prossor), David Martin (Mayo), Mark Miles (Mayo)

- Met with Mayo team to be updated on the upcoming projects on their site wherein Ryan had concerns about water capacity.
- Projects included the new Central Utility Plant, Integrated Oncology Building, Hospital and Laundry Expansion, and Hilton Hotel.

10-22-22- External Pre-Con Development Meeting

Attendees: Deanna Davis, James McCallum, David Martin, Mark Miles, Ryan Stillwell

- Deanna Davis, who was JEA's manager of Development at the time, met with the Mayo' team to discuss capacity fees that have not been paid.
- Mayo's team advised that they were exempt from paying any additional fees related to new construction, citing a Development of Regional Impact (DRI) agreement which was approved by the city Council in 1988.
- Mark and David referenced that Mayo Clinic is funding a new JEA-owned water well, which will be built by JEA's contractors. Adding that it was a part of the infrastructure required for the clinic's then ongoing expansion projects, which included developing 210 acres of recently acquired land on Jacksonville's Southside.
- Mark and David also referenced the additional offsite force main improvement Mayo made in 2014 to Beach Boulevard to support JEA.

11-1-2022- Internal Meeting

Attendees: Deanna Davis, James McCallum

- Reviewed the capacity fees due from Mayo on their upcoming projects.
- James McCallum was asked to try to obtain the projected flows for the upcoming projects from Mayo.

11-15-2022- Internal Meeting on Capacity Fees

Attendees: Regina Ross, Rebecca Lavie, Edward Randolph, Brandon Traub, Susan West, Deanna Davis, James McCallum

- Reviewed capacity fees owed and addressed the legal implications of the matter.
- James McCallum was tasked to collaborate with Revenue Assurance to estimate capacity fees owed to JEA.

11-17-22- Internal Meeting

Attendees: Traci Day, James McCallum

- Met to share updates on the latest communications around capacity fees at Mayo.

5-31-2023 - Internal Meeting

Attendees: Traci Day, James McCallum

- Follow-up meeting to share updates on the status of conversations as they relate to capacity fees at Mayo.

6-7-2023- Internal Meeting

Attendees: Traci Day, James McCallum

- Meeting to share updates and discuss the latest communications around capacity fees at Mayo.

7-6-2023- Internal Meeting

Attendees: Tonya Boardmen, Traci Day, James McCallum, Susan West

- The team met to come up with a strategy on collecting data on the current usage at 4500 San Pablo #3 (Primary 10inch Water Meter).
- James McCallum was tasked to provide historical consumption data on the primary 10inch meter.

7-20-2023 Internal Leadership Meeting

Attendees: Traci Day, Rob Zammataro, Susan West, Tonya Boardmen, Randy Swift, Chris Jackson, James McCallum

- Meeting to discuss capacity fees, current consumption, and trends.
- The team established an action plan moving forward to include data comparisons, cost analyses, and related document gathering.

8/2/2023 Internal Leadership Meeting

Attendees: Traci Day, Rob Zammataro, Susan West, Tonya Boardmen, Randy Swift, Chris Jackson, Pedro Melendez, Sheila Pressley, James McCallum

- Reviewed current data, the DRI agreement, legal considerations, and potential next steps.
- The team was tasked to continue gathering data on water consumption and gathering any related documents from the city of Jacksonville around Mayo's growth.

8-21-2023- Leadership Meeting with CEO and SLT

Attendees: Jay Stowe, Traci Day, Rob Zammataro, Susan West, Tonya Boardmen, Randy Swift, Chris Jackson, Pedro Melendez, Sheila Pressley, Ted Phillips, Madrika Jones, Regina Ross, Tonya Lewis, James McCallum

- The team presented the current state of the capacity fee matter to Jay.

- Jay agreed that Mayo should be responsible for the excess in capacity fees.
- Jaye also weighed in suggesting that we come up with a resolution short of the total amount owed.

9-5-2023- Internal Meeting

Attendees: Traci Day, James McCallum, Randy Swift

- The team addressed next steps to include data collection and review of the tariffs.
- James McCallum provided a copy of the tariff that highlighted the section that included language pertaining to capacity 20% over the original capacity paid for.

11-27-2023- Internal Meeting

Attendees: Tonya Boardmen, James McCallum

- Met to go over the data collected thus far as it related to consumption.
- Examined capacity cost as it relates to the time of growth. The goal was to determine the cost for the excess as it happened based upon the rates at the time. This would give JEA a more accurate cost analyses to present to the SLT.

11-29-2023- Leadership Meeting with COO/SLT and Mayo Representatives

Attendees: Raynetta Marshall, Traci Day, Rob Zammataro, Susan West, Tonya Boardmen, Chris Jackson, Pedro Melendez, Ryan Stillwell, David Martin, James McCallum and Mark Miles

- Reviewed the cost excess capacity calculated by Tonya Boardmen and James McCallum
- Reviewed the significance of The East Water Transmission Main Cost Recovery Agreement as it related to the excess capacity growth at Mayo.
- Reviewed the Development of Regional Impact (DRI) agreement to see if it provided any exceptions for Mayo. As it was written, Regina Ross could not relate the DRI to any exemptions from paying capacity fees afforded to Mayo.
- The team also discussed Mayo's suggestion that they were unable to pay.
- Path forwards were introduced including Mayo's team providing documents to help calculate fixture units on their site which would be used by the development team to help calculate flow for some of the older buildings on site.
- Raynetta assigned task to Rob Zammataro that included gathering data on other C&I customers that have 10inch meters and may be growing behind said meter.

12-20-2023- Internal Meeting

Attendees: Regina Ross, James McCallum, Traci Day

- Regina offered a second opinion on her interpretation of the agreement, which is, that in her professional opinion, the agreement is still active.
- Regina advised that she do more research at the city level to get a better understanding of the agreement.
- Traci offered to reach out to retired JEA members that may have knowledge of the agreement.

2-16-2024- Follow-up Internal Meeting

Attendees: Traci Day, Rob Zammataro, Susan West, Tonya Boardmen, Chris Jackson, Pedro Melendez, Regina Ross, James McCallum

- Regina shared her interpretation of the agreement with the extended team.
- The team was also provided precedence on JEA charging commercial customers who have exceeded 20% of capacity paid for.
    - In 2010 JEA charged The American Bottling Company for excess capacity.
    - In 2012 JEA charged Wesley Manor for excess capacity.
    - In 2017, JEA charged UF Health for exceeding their initial capacity behind the meter.
- Data on customers with 10inch meters was also shared at the meeting.

4-18-2024 Internal Meeting

Attendees: Regina Ross, James McCallum

- Regina shared Mayo's position as to capacity fees, which was they do not owe JEA any money.
- As such, Regina wanted to ensure that we were on the same page as she started engaging with Mayo's legal team.

05-14-2023 Internal Meeting

Attendees: Regina Ross, James McCallum

- Regina shared that Mayo's legal team request more time to review internal records.

6-28-2024- Internal Meeting

Attendees: Bradley Bulthuis, James McCallum

- Bradley advised on status of conversations with Mayo stating that there had not been any progress.

10-21-2024- Internal Meeting

Attendees: Tonya Boardmen, James McCallum

- Met to realign the teams focus on capacity cost as it relates to the time of growth to generate a more accurate amount owed.
- In preparation for the SLT meeting, Tonya and James revisited the gathered data, which featured multiple consumption charts and rate information.

10-31-2024- Leadership Meeting with COO/SLT

Attendees: Raynetta Marshall, Traci Day, Rob Zammataro, Pedro Melendez, Regina Ross, Bradley Bulthuis, Ricky Erixton, Darren Mace, James McCallum

- Met with Raynetta to go over strategy and update her on status of the conversations with Mayo's legal team.
- Raynetta requested clarification on whether there is any precedent for JEA charging customers who have exceeded 20% of their paid capacity.
- Raynetta was given three examples of JEA charging for excess capacity.

- The team agreed collectively that we would need to have more data on customers with 10in meters.

11-12-2024- Follow-up Meeting with Raynetta

Attendees: Raynetta Marshall, Traci Day, Rob Zammataro, Pedro Melendez, Regina Ross, Bradley Bulthuis, Ricky Erixton, Darren Mace, James McCallum

- Raynetta encouraged the group to continue developing a path forward, noting that little had changed since the previous meeting.

12-17-2024- Meeting with SLT

Attendees: Traci Day, Rob Zammataro, Pedro Melendez, Regina Ross, Bradley Bulthuis, Ricky Erixton, Darren Mace, Chris Jackson, James McCallum

- The team examined outstanding revenue owed to JEA and potential approaches for recovery.
- The team emphasized the importance of consistency in the approach, noting that a similar method would need to be applied going forward.
- Regina and Brad provided an update on the legal conversation s between JEA and Mayo.

1-27-2025- Meeting with CCO and SLT

Attendees: Traci Day, Rob Zammataro, Pedro Melendez, Regina Ross, Bradley Bulthuis, Ricky Erixton, Darren Mace, Chris Jackson, Charles Moreland, James McCallum

- Updated Dr. Moreland on the history of the Mayo capacity issue.
- Pedro commented that we should move forward as mayo owes millions in excess capacity fees.
- Ricky wanted to understand the potential increase in capacity for the new projects at Mayo.
- Dr. Moreland made suggestions on the path forward which included having a detailed account of all customers who have exceeded 20% of capacity paid for prior to moving forward.
- During this meeting Pedro advised that all matters pertaining to Mayo's capacity fees going forward would be handled by Rob Zammataro.

3-11-2025- Internal Meeting

Attendees: Bradley Bulthuis, James McCallum

- Bradley advised on status of conversations with Mayo saying that there had not been any progress.

7-21-2025- Internal Meeting to Discuss Data Collection and Current Capacity at Mayo.

Attendees: Darren Mace, Traci Day, Tonya Boardmen, Major Ellison, James McCallum

- The team collaborated on ways of capturing data on additional 10inch meter customers.
- A plan to use Major in conjunction with the development team was implemented to gather data on customers with 10' meters.
- Traci expressed the importance of assessing applicable rates associated with the time of growth.

Supplement to Mayo Timeline (2022-2025)

3-8-2023

Phone call with Mark Miles where he provided an update on the new projects in development on their campus. I advised Mark of the capacity fees that would need to be paid. He advised that he would follow-up with me on the matter.

4-17-2023, 4-21-2023 & 5-4-2023

Meeting with Devin Yohe with Newcomb and Boyd to discuss Cup Cooling towers at the new Cup C. Devin wanted to know if Mayo could have a water only meter for the new Cooling Towers. We also discussed moving the existing deduct meter from Cup A to the new Cup.

5-11-2023

Email from Jeff Howard of Mayo asking for the cost associated with a water-only meter.

James McCallum replied that fess would be determined by expected flows entered sages.

Jeff Howard advised that his understanding was that Mayo had already paid capacity fees for their usage. Adding that until they exceed what is already paid for, there should not be any additional capacity fees.

5-15-2023

Traci Day **emailed** Jeff Howard correcting the previous email from James McCallum (AE) advising that there are no records of any capacity fee pre-payments on file for Mayo Clinic, and capacity fees are indeed due for any additional capacity required to serve the Mayo campus.

7-28-2023

Traci **emailed** the team from Mayo a copy of Mayo Clinic's historical usage at the 10" meter, as well as Mayo's consumption history for the same. Traci also provided updated the spreadsheets showing the potential fees for the increase, based on JEA's current capacity fee rate schedule (Per JEA's tariff, which is attached, JEA may collect additional capacity fees if a customer increases their consumption by more than 20%). The calculations showed that Mayo's current consumption was **276%** above the initial capacity fees paid in 1995.

Traci **emailed** the JEA internal team to informing them that we have been involved in discussions with Mayo related to capacity fees. An executive summary was also provided.

10-11-2023

Traci Day **emailed** Mark Miles, Ryan Stillwell, and David Martin to advise them on JEA's findings from a financial perspective and extended an invitation to meet if they had questions. Mark replied affirmatively with a request to discuss the following:

- As previously requested, please provide documents where you show Mayo paid for capacity fees, and the basis for the fixture units conversion to gallons you have derived.
- We want to understand how you have determined the document we shared has expired including the capacity stated within the agreement.

- Provide the basis for the revised capacity fee calculation.
- In the interest of being comprehensive, we would like to understand the approach for future capacity fees how JEA proposes they would be calculated since new meters may not be required, when the fees would be paid if all the work is behind the meter, etc.

2-16-2024

James McCallum reached out to Mark Miles by **email** to revisit the conversation on capacity fees. Mark provided a fixture unit count paid for by Mayo in 1995 which was forwarded to Regina Ross.

3-27-2024

Phone call with Eric Lentz to discuss the new Cup C and their request for water only meter. Eric referred the capacity fees to Mark Miles.

8-9-2024

James McCallum **emailed** Mark Miles and Eric Lentz to get an update on the projects. Mark advised on the timeline and stated that none of the projects require additional water meters from JEA.

From: Day, Traci J <daytj@jea.com>
Sent on: Monday, August 14, 2023 6:57:35 PM
To: Pressley, Sheila E <presse@jea.com>; Melendez Melendez, Pedro A <melepa@jea.com>; Ross, Regina D. <rossrd@jea.com>
CC: Zammataro, Robert J <zammrj2@jea.com>; Jackson, Christopher A <jackca@jea.com>; Swift, Randy C <swifrc@jea.com>; Boardman, Tonya M <lewitm@jea.com>; West, Susan R <westsr@jea.com>; McCallum, James E <mccaje@jea.com>
Subject: RE: Mayo Clinic Expansion - Capacity Fees
Urgent: High

Attachments: East Transmission Water Main Exhibit A.jpg (2.7 MB), 19860313 COJ Mayo East Transmission Water Main Correspondence.pdf (154.08 KB)

Good afternoon,
I wanted to follow up and provide you with some additional documents received from Mayo including the correspondence outlining the process and acknowledgment of receipt of the referenced letter of credit, as well as the Exhibit A map.
Would it be helpful for me to schedule an internal meeting for us to discuss these issues and the related documents? I would like to provide Mayo with an update of our review by early next week, if possible.
Best regards,
Traci

Traci J. Day, MPA, CEM
Manager
JEA Business Relationships
Direct: (904) 665-4195
Mobile: (904) 540-3210

From: Day, Traci J
Sent: Monday, August 7, 2023 12:52 PM
To: Pressley, Sheila E ; Melendez Melendez, Pedro A ; Ross, Regina D.
Cc: Zammataro, Robert J ; Jackson, Christopher A ; Swift, Randy C ; Lewis, Tonya M ; West, Susan R ; McCallum, James E
Subject: FW: Mayo Clinic Expansion - Capacity Fees
Importance: High
Sheila/Pedro,
Good afternoon. I received a new document from Mayo this morning entitled, ?East Water Transmission Main and East Pressure Manifold System Cost Recovery Agreement? and have attached it to this email chain. I know leadership is reviewing the issue at hand and wanted to make sure to share the Mayo document as it may prove valuable in your consideration. I have included Regina in the event her review is needed with respect to the Agreement recently submitted from Mayo.
I will await your feedback before moving forward with our communication to Mayo. If you have any additional questions with respect to background, please do not hesitate to contact me.
In appreciation,
Traci

Traci J. Day, MPA, CEM
Manager
JEA Business Relationships
Direct: (904) 665-4195

Mobile: (904) 540-3210

From: Day, Traci J
Sent: Wednesday, August 2, 2023 11:08 AM
To: Pressley, Sheila E <presse@jea.com>
Cc: Marshall, Raynetta C <marsrc2@jea.com>; Swift, Randy C <swifrc@jea.com>; Vu, Hai X <vuhx@jea.com>; Zammataro, Robert J <zammrj2@jea.com>; Jackson, Christopher A <jackca@jea.com>; Lewis, Tonya M <lewitm@jea.com>; West, Susan R <westsr@jea.com>; McCallum, James E <mccaje@jea.com>; Melendez Melendez, Pedro A <melepa@jea.com>
Subject: FW: Mayo Clinic Expansion - Capacity Fees

Sheila,

The Mayo Clinic Expansion (Capacity Fee) issue has brought to the forefront the need to balance customer experience with how to support JEA?s infrastructure.

To recap the issue, Mayo?s usage has grown 276% since their master meter was originally installed in 1995. In addition to this past growth, Mayo has five new projects under construction that will also drive up consumption.

After internal collaboration, the recommended path forward is to recognize the customer?s growth and charge Mayo for the increase in consumption at the applicable rate when the consumption occurred versus the current rate in effect ($834k vs. $7.5M). Additionally, we need to assess the current and new projects at the applicable rate of their development. Mayo and their engineering firm, Prosser, were advised well in advance of the April 1st rate increase. Our negotiating path should be to review the new projects? capacity fee rate at the time the availability letter was requested (early FY23 rate vs. 4/1/23 rate).

We believe there is considerable significance to this decision as we may encounter other C&I customers who have grown significantly behind their meters as well. We can use this outcome as part of our way forward as an organization. As part of this exercise, JEA has modified the availability letter to add verbiage making note of the possible need for additional capacity fees. In addition, the Key Accounts team will add an additional checkpoint to the customers? annual reviews to evaluate consumption against capacity to ensure we are supporting infrastructure.

The goal is to keep our message focused on what is fair and equitable to all parties. We will await your feedback before moving forward with our communication to Mayo. If you have any additional questions with respect to background, please do not hesitate to contact me.

Thank you,
Traci

From: Day, Traci J
Sent: Friday, July 28, 2023 12:25 PM
To: Pressley, Sheila E <presse@jea.com>; Vu, Hai X <vuhx@jea.com>; Melendez Melendez, Pedro A <melepa@jea.com>
Cc: Zammataro, Robert J <zammrj2@jea.com>; Jackson, Christopher A <jackca@jea.com>; Swift, Randy C <swifrc@jea.com>; Lewis, Tonya M <lewitm@jea.com>; West, Susan R <westsr@jea.com>; McCallum, James E <mccaje@jea.com>
Subject: Mayo Clinic Expansion - Capacity Fees

Good afternoon.

The key account team has been engaged with Mayo Clinic as they continue to expand and provide essential services in the JEA service territory. Mayo Clinic is in the construction phase of five major projects to include a new Central Utility Plant (Cup C), an Integrated Oncology Building (IOB), a vertical expansion of their main hospital, laundry expansion, and a Hilton Hotel. Each of these projects will result in a considerable increase to consumption. JEA engaged with Mayo in the fall of 2022 to discuss capacity fees for the new construction projects. Mayo was adamant their DRI Agreement from the early 1990?s exempted them from capacity fees. This was reviewed by Regina Ross and found to be an inaccurate statement. Mayo then asserted they had paid for plenty of growth capacity at their campus originally and asked JEA for a complete review and evaluation of their consumption and fees paid. Through this complete review we determined not only a need to assess capacity fees for the new projects, but have determined Mayo?s current consumption is 276% higher than the capacity paid for in 1995.

The attached ?Mayo Executive Summary and Background with Addendum? provides a comprehensive summary of the issue; also attached are some spreadsheets in support of the data collected. Some key observations include:

- Capturing growth behind a customer?s master meter is an issue experienced by many utilities.
- Mayo utilizes third-party contractors to manage their projects and are rarely involved in specific utility issues.

- Prosser, Inc. is the engineer of record and is well-versed in JEA policies as it pertains to development, requirements, and fees.
- Mayo and Prosser have been notified of the capacity fee requirements tied to their growth numerous times since October 2022.

An internal team consisting of Business Relationships, Customer Revenue and W/WW Planning and Development have been engaged in this review and believe we have determined a possible path forward:

- JEA recommends assessing Mayo for the 276% increase in current capacity on their campus since 1995 at the rate in place when this growth occurred, taking fees due from $7.5M to $834k.
- JEA recommends Mayo pay for the future increase in capacity on their campus, beginning with the five projects started in 2022. The team recommends assessing capacity fees at the rate in place in 2022, prior to the April 2023 increase

As you can see from the Summary document, there are also some concerns with a Force Main project, but we have tabled those discussions as we conduct additional internal research.

Mayo has been kept apprised of these findings and is aware this is under review at JEA. The parties involved at Mayo include David Martin, Division Chair for Campus Planning, and Mark Miles, Unit Head.

I am bringing this to you for awareness, in the event of an escalation, as well as your feedback on the path forward. If you have any additional questions, or would like to meet to discuss further, please let me know.

Respectfully,

Traci

Traci J. Day, MPA, CEM

Manager

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