Important Data Not Presented by Nelson Mullins to City Council

Guest Column by Melissa Dykes, JEA Interim Managing Director and Chief Executive Officer
Word Count: 814

We recognize that there is currently a serious disconnect between JEA and the community that we serve. That disconnect was worsened last Monday when the Nelson Mullins law firm made several misstatements about JEA's financial data during the City Council's Investigatory Committee meeting. This letter is intended for the reader to better understand the facts associated with this matter.

The material presented by Nelson Mullins law firm lacked historical context and buried relevant financial information in the footnotes. To more fully provide the community with the fact and address their misstatements, I wrote a letter to JEA board members last week to correct the record. In the interest of transparency, I am providing the community a broader understanding of our financial information.

First, the Nelson Mullins law firm compared JEA's older Ten-Year Site Plan (TYSP) document to our more recent financial forecast. With accuracy and JEA's future in mind, we stopped using the TYSP for financial forecasting in 2014 and started using a flat 12 million MWh/year sales forecast. This new top-down methodology was relatively unsophisticated while recognizing that JEA's business continues to evolve. This improved more accurate financial forecasting method, was also lauded by credit rating agencies at the time.

However, as the Nelson Mullins law firm pointed out, we still file the TYSP document with the Florida Public Service Commission because the 12 million MWh/year sales forecast methodology is consistently conservative in projecting higher capacity needs. In simple terms, we strategically overestimate our energy needs when reporting to regulators, so we always have enough capacity to provide electricity to our customers.

Michael Munz
Is this industry best practices used by publ
utilities? Or are we an outlier?

It is important to understand that the 2014 change to a flat forecast methodology was monumental in terms of the way we looked at our business. Instead of showing a historical growth rate of about three percent per year, this new model predicts more realistically that JEA would never regain the sales lost between 2006 and 2014. It also clearly shows we would not grow significantly thereafter.

Michael Munz
I am concerned that we don't clearly defin
factor here. Why is this deeply important

Here is one clear example showing why the change implemented by JEA makes sense. The Nelson Mullins law firm criticized the decision to include JEA's wholesale sales, sales made at a bulk rate to commercial customers. In the calculation the facts show a sales decline of eight percent, even though an "all sales" figure would mean that every customer was included. Based on the TYSP, JEA would have expected to grow about 40 percent, and instead it shrunk eight percent despite an 18 percent increase in customers between 2006 and 2019. It's important to recognize the fact that without those wholesale sales included, the decline was still about four percent - a significant sales impact for JEA that the law firm failed to point out.

EXHIBIT 37

Third, the Nelson Mullins law firm said that in seven of the past eight years electric sales have modestly grown, yet they failed to explain—except in a footnote to their memo—that the growth was due primarily to abnormal weather. Abnormal weather patterns drove both the sales increases and declines over the last eight years. Otherwise, sales were essentially flat.

Fourth, the Nelson Mullins law firm also said that 45 percent of JEA's sales decline between 2006 and 2018 was attributable to a single customer's contract expiring. This is false. While the Florida Public Utilities' (FPU) contract ended in 2017, before this contract ended, JEA's sales to FPU had fallen 62 percent due to less demand as a result of distributed generation and energy efficiency - exactly the challenges facing the utilities industry as a whole. The Nelson Mullins representative conceded as much in another footnote to their memo but did not share this observation while presenting.

Why does this matter? It matters because as JEA updated its financial forecasts to include a more realistic look at future sales so that decisions could be made based on facts. JEA analyzed 24 variables individually including - population, solar and battery costs, adoption rates and electric vehicle penetration and others. JEA considered those important variables into a sales forecast model with a more accurate picture of JEA's business. This was presented during the JEA board in May 2019. As further support of JEA's 2014 decision, to switch to a flat 12 million MWh/year sales forecast, the straight average of the five-year forecast from 2020 to 2024 is about 12 million MWh.

Michael Munz
– will this now be the standard methodology will use for financial forecasting, or was this a and will they still use the flat forecast method outlined above?

JEA takes steps every day towards becoming a better community partner providing the most accurate and well-thought out information possible. We are always available to provide the necessary context and detail around any data we use. But, misstating JEA financial information and hiding important facts in legal footnotes is harmful to everyone's efforts as we work to move forward as a community.