



# INVITATION TO NEGOTIATE #127-19 FOR STRATEGIC ALTERNATIVES

Δ π EXHIBIT 3  
Deponent: Smith  
Date: 6/9/20 Rptr  
WWW.DEPONBOOK.COM

August 2, 2019

To All Qualified and Interested Parties,

JEA is pleased to present the opportunity described herein.

The objective of this Invitation to Negotiate (this "ITN") is to evaluate proposals on strategic alternatives, subject to the minimum requirements JEA has set forth in the Strategic Alternatives Process Section of this ITN, that are aligned with JEA's goal of maximizing customer, community, environmental, and financial value over the long term. JEA will consider proposals that build upon JEA's strengths and seek to eliminate certain existing business constraints.

The once-static utility industry is rapidly becoming a dynamic and transformative sector, forcing utilities to innovate to meet changing customer demands. Over the last decade, JEA has been significantly impacted by trends in energy efficiency. While 2017 electricity sales were 30% lower than forecasted back in 2006, customer rates increased by 71% from 2006 – 2018. With the industry facing an unprecedented transformation, JEA is seeking the strategic flexibility to adapt to achieve its vision of the future and provide a unique and valuable platform for growth.

JEA is the eighth-largest government-owned utility company in the U.S. and the largest in Florida. The future of JEA is of critical importance given the more than 466,000 electric customers, 359,000 water customers and 270,000 wastewater customers who rely on JEA services.

More information on JEA's business, the City of Jacksonville (the "City" or "Jacksonville") and JEA's long term objectives can be found throughout this ITN.

JEA is pleased to present this exciting, once-in-a-generation opportunity to transform Northeast Florida and protect future generations of our community. JEA appreciates your interest and Reply.

Sincerely,

**April Green**

Board of Directors Chair,  
JEA

# JEA's strategic planning process revealed the current government-affiliated structure creates significant constraints to business development

As a governmental utility, JEA is subject to unique constraints due to:

- The Constitution of the State of Florida
- The City of Jacksonville Charter
- Florida Statutes
- JEA's Bond Resolutions
- Policy Considerations
- JEA's Business Structure as defined by its Corporate Charter

## The Non-Governmental Response

When faced with the changes to the utility industry over the past decade, non-governmental companies would employ a menu of tools to confront challenges, growing and pivoting their businesses while cutting costs to ensure continued financial health. **Unfortunately, as a governmental utility, JEA currently has access to only two of these tools: raising prices and cutting costs.** JEA's response under the current constraints would be limited to head count reductions, cost cuts, service level declines, and rate increases over the next decade.

## The Path Forward

By eliminating some or all of JEA's constraints, JEA could have a clearer path to maximizing value today and in the long-term. These potential changes would equip JEA with the levers to pull to align with JEA's goals of maximizing customer, community, environmental, and financial value over the long term. Eliminating constraints would give JEA the flexibility to respond to challenges by adapting its business model and businesses, modifying its capital structure, selling non-core assets, and/or creating high value partnerships and joint ventures.

How other utilities would take action ...

	Can JEA Do This?	Can Non-Governmental Utilities Do This?
<b>Opportunity</b>		
Cut costs and workforce	✓	✓
Increase prices on kWhrs or KGals for customers	✓	✓
Reduce investment in capex	✓	✓
Sell more energy or water services	✗	✓
Investment in R&D and IP for an ROI	✗	✓
Sell alternative new product lines or offerings	✗	✓
Sell equity and retire debt	✗	✓
Acquire new businesses & customers	✗	✓
Reduce dividend / city contribution	✗	✓
Sell assets	✗	✓
Create partnerships / JV's	✗	✓

# Solicitation Process; Evaluation, Negotiation, and Award Methodology

## SECTION 1.0 – Background Information and Goals

We are pleased to issue this ITN for the evaluation of any and all strategic alternatives, subject to the minimum requirements set forth below, that are aligned with JEA's goal of maximizing customer, community, environmental, and financial value over the long term. JEA welcomes proposed strategic alternatives that build upon JEA's strengths and seek to eliminate existing business constraints.

### 1.1 Goals

JEA is seeking competitive and creative Replies from the Respondents that will allow JEA to achieve the following specific goals for its key stakeholders:

- Greater than \$3 billion of value to the City of Jacksonville
- Greater than \$400 million of value distributed to customers (\$350+ paid to each JEA account; \$1,400+ for customers with electric, water, sewer and irrigation accounts)
- At least three years of contractually guaranteed base rate stability for customers
- Commitment to develop and provide the City of Jacksonville and the Duval County Public School system with 100% renewable electricity by the year 2030<sup>1</sup>
- Commitment to develop and provide 40 MGD of alternative water capacity for Northeast Florida by the year 2035<sup>1</sup>
- Protection of certain employee retirement benefits<sup>2,3</sup>

- Maintenance of substantially comparable employee compensation and benefits for three years
- Retention payments to all full-time employees of 100% current base compensation<sup>2</sup>
- Commitment to new headquarters and employees in downtown Jacksonville, contributing to the economic development of the community<sup>4</sup>

### 1.2 Questions Being Explored

- Is there a path available to JEA to achieve the strategic goals of maximizing customer, community, environmental, and financial value over the long term that builds upon JEA's strengths and seeks to eliminate certain existing business constraints?
- Are there alternative structures, which can include, but are not limited to, operational changes, structural changes, joint ventures, development partnerships, community ownership, corporate ownership, an initial public offering, private placement, technology conversion, oil and gas conversion, utility conversion, or another recapitalization of the business, that allow JEA to maximize customer, community, environmental, and financial value over the long term?
- Which path or alternative structure best achieves JEA's goals?
- Who is the best partner to help JEA achieve these goals?

1. Renewable electricity and alternative water to be provided at new or existing tariffs at a price equal to or less than the applicable tariff rate.  
2. Certain employee-related minimum requirements are subject to collective bargaining, as applicable.  
3. The JEA Board of Directors has approved legislation for introduction to the Jacksonville City Council that, if approved, would satisfy this requirement.  
4. JEA's new headquarters is currently under initial stages of development in downtown Jacksonville. The process goal is commitment to the current downtown headquarters project.

# Solicitation Process; Evaluation, Negotiation, and Award Methodology

## SECTION 3.0 – Award Methodology

### 3.2 Evaluation Phase

Following completion of the Mandatory Requirements review, all Responsive and Responsible Replies deemed to have satisfied the review will be subjected to evaluation in order to determine a competitive range of Replies to advance to the Negotiation Phase of this ITN.

#### 3.2.1 Evaluation Committee

Consistent with the JEA Procurement Code, an Evaluation Committee consisting of at least three individuals will be appointed to review and evaluate each Reply (the "Evaluation Committee"). Evaluation Committee members may be assisted in their duties by subject matter experts, including, but not limited to, personnel of the Advisors, who shall be available to individually assist Evaluation Committee members in understanding Replies and to provide guidance within their respective areas of expertise to individual Evaluation Committee members upon request.

A copy of each Reply will be distributed to each member of the Evaluation Committee, and each of the Evaluation Committee members will separately, independently, and individually evaluate and rank the Replies using the Scoring Guidelines and Evaluation Criteria set forth in Table 4 of Section 3.2.2 and Table 5 of Section 3.2.3, respectively. For each Evaluation Criteria, each evaluator will award a score of 0-4, based upon the Scoring Guidelines in Table 4 of Section 3.2.2. Scores will be calculated by multiplying the evaluator score for each criteria by the criteria weight and dividing by 4. The maximum total

score for all criteria equals 100. A score of 75 or higher would equate to an average overall score of "Good," as detailed below. Upon completion of their individual evaluations, each member of the Evaluation Committee will transmit his or her scores to the Designated Procurement Representatives, who will compile the scores and calculate an overall score for each Reply.

#### 3.2.2 Scoring Guidelines

Table 4: Scoring Guidelines

Assessment	Assessment Description	Evaluator Score
Inadequate	Reply is not directly or completely applicable to the requirements of this ITN	0
Poor	Reply in part or otherwise deficient in addressing the requirements of this ITN	1
Adequate	Reply generally addresses requirements of this ITN in an acceptable or minimally appropriate manner	2
Good	Reply completely addresses requirements of this ITN in a detailed manner	3
Exceptional	Reply thoroughly and completely addresses all requirements of this ITN, while providing additional details and/or commitments with regards to the enumerated goals set forth by JEA and the Respondent's plans to achieve these goals	4

# Solicitation Process; Evaluation, Negotiation, and Award Methodology

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### 3.2.3 Evaluation Criteria

Table 5: Evaluation Criteria

Criteria Item	Requirements	Weighted Value
1. Proposal to Achieve JEA's Goals in this ITN	Respondents must indicate clearly and specifically how their Reply would allow JEA to achieve the goals outlined in this ITN	20
2. Experience and Customer Commitment	<p>A summary of experience managing related or similar operations of comparable size and scope to JEA is required. The Respondent must provide information regarding its experience, knowledge, skills, and abilities for owning, operating, and managing electric generation, transmission, distribution, and water systems or other complex business entities.</p> <p>Specific information regarding experience in other customer service areas, including customer billing, complaint management and resolution history, experience with purchases of other utility systems, customer question management, and emergency repair reply times should be included. Replies demonstrating the following will be treated favorably:</p> <ol style="list-style-type: none"> <li>1. Longevity of utility generation, transmission, and distribution operations greater than 5 years;</li> <li>2. Successful customer relations demonstrated through customer outreach, surveys such as JD Power or other comparable sources;</li> <li>3. Corporate culture demonstrating a long-term commitment to operations;</li> <li>4. Strong focus on maintaining reliability and minimizing time of disruptions; and</li> <li>5. Focus on maintaining rate stability for customers, as illustrated through historical rates</li> </ol> <p>Where available, Respondents should also include a history of their customer rates for the past 10 years. Respondents are encouraged to provide any incremental information they believe relevant to demonstrate their experience and customer commitment</p>	15
3. Economic Development and Benefits to Jacksonville	Respondents will be treated favorably for their willingness to make commitments to the City of Jacksonville. Additionally, Respondents will be treated favorably based on ability to demonstrate how they may drive economic development and job creation in the City of Jacksonville	10
4. Employee Retention and Benefits	<p>Respondents will be evaluated on the basis of their willingness to make certain commitments to employees consistent with JEA's goals of:</p> <ol style="list-style-type: none"> <li>1. Protection of certain employee retirement benefits;</li> <li>2. Maintenance of substantially comparable employee compensation and benefits for three (3) years; and</li> <li>3. Confirmation to funding of retention payments to all full-time employees of 100% of current base compensation, as provided in the Employee Protection and Retention Agreement approved by the Board of Directors on July 23, 2019</li> </ol>	10
5. Innovation Plan	<p>Respondents should provide initiatives under which they will be committed to provide innovative services or investments that leverage the tangible and intangible assets of JEA in order to achieve the following:</p> <ol style="list-style-type: none"> <li>1. Position the business for the future;</li> <li>2. Create new revenue channels; and</li> <li>3. "Future-proof" the utility business.</li> </ol> <p>Separately, Respondents only interested in providing Replies related to potential new business opportunities or innovation or disruption of JEA's business are strongly encouraged to do so</p>	15
6. Environmental, Social and Governance	Respondents will be treated favorably for their willingness to make commitments, including, but not limited to, sustainability initiatives, renewable energy goals and the maintenance of an equitable workforce and management team	10
7. Community Stewardship	Respondents will be treated favorably for their willingness to make commitments to the City of Jacksonville and surrounding communities, including, but not limited to, volunteer activities, charitable contributions, an ongoing community relationship plan and comprehensive storm responsiveness plans	10
8. Financial Stability	Respondents will be treated favorably based on long duration and/or permanent capital availability. Additional merit will be placed on willingness and demonstrated ability to continue growth investments in JEA	10

# *Solicitation Process; Evaluation, Negotiation, and Award Methodology*

## *SECTION 3.0 – Award Methodology*

### **3.3 Negotiation Phase**

#### **3.3.1 Respondent Shortlist**

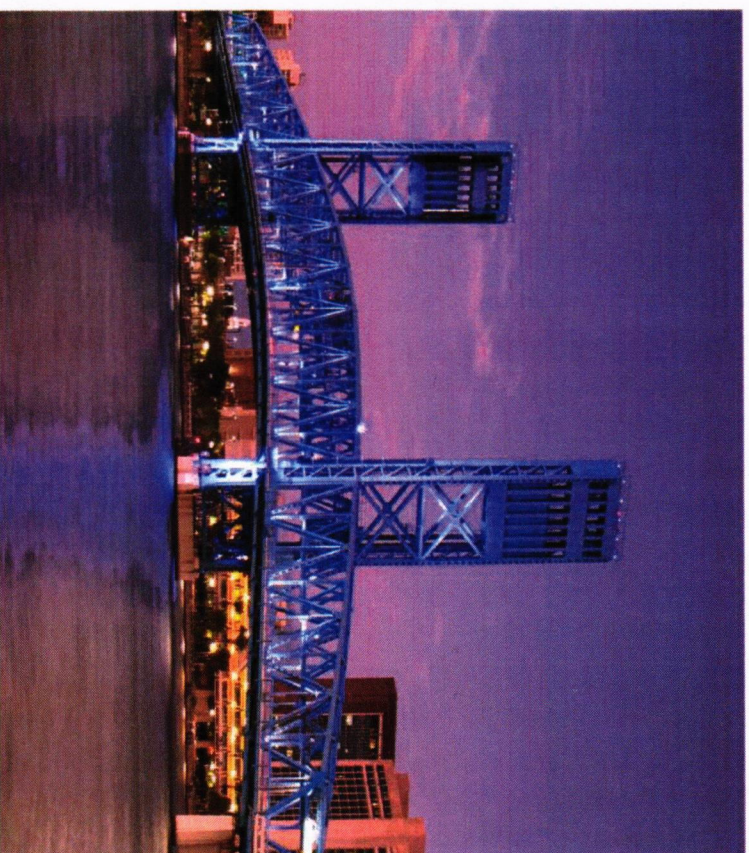
Based on the final overall scores for each Reply, as calculated by the Designated Procurement Representatives, JEA will determine a competitive range of Replies reasonably susceptible of award for negotiations. While JEA anticipates inviting all Respondents whose Reply scored more than 75 total overall points to negotiations, JEA reserves the right to invite Respondents achieving fewer than 75 points to negotiations and/or to determine any number of Responsive Replies up to and including all Responsive Replies to be in the competitive range, if it determines that doing so would be in the best interest of JEA. Scores will be calculated by multiplying the evaluator score for each criteria by the criteria weight and dividing by 4. The maximum total score for all criteria equals 100. For further detail please refer back to Section 3.2.1 for a description of the scoring process.

JEA may post a Notice of Intent to Negotiate on the JEA procurement page.

#### **3.3.2 Negotiation Team**

Consistent with the JEA Procurement Code, a Negotiation Team consisting of at least three individuals will be appointed to conduct negotiations with Respondents within the competitive range, review revised Replies and Best and Final Offers ("BAFO"),

and formulate a recommended award ("the "Negotiation Team"). The Negotiation Team may be assisted in their duties by subject matter experts, including, but not limited to, personnel of the Advisors, who shall be available to assist the Negotiation Team, to provide guidance within their respective areas of expertise to the Negotiation Team, and to participate in negotiations with Respondents as needed.



# *Solicitation Process; Evaluation, Negotiation, and Award Methodology*

## *SECTION 3.0 – Award Methodology*

### ***3.3.3 Request for Revised Replies***

As the initial step in the Negotiation Phase, JEA anticipates requesting that Respondents within the competitive range provide revised Replies addressing additional specified topics and updating initial Replies based upon additional information provided to Respondents.

Upon the determination of the competitive range, Respondents determined to be within the competitive range will be asked to enter into a non-disclosure agreement ("NDA") for purposes of receiving and accessing certain exempt or confidential information relating to JEA, including, without limitation, trade secrets, material non-public information, or other confidential information. Following execution of the NDA, Respondents will be granted access to the JEA Virtual Data Room, which will include a confidential information presentation on JEA and certain financial projections. Within a period to be determined by the Negotiation Team, such Respondents invited to participate in the Negotiation Phase will be asked to submit a revised Reply addressing specifically their approach to satisfying each of the Evaluation Criteria, the Selection Criteria, and any other additional items which may be enumerated in the Request for revised Replies.

### ***3.3.4 Written and Oral Negotiations***

Following submission of revised Replies, the Negotiation Team will review such submissions to identify Respondents with whom it wishes to negotiate further. The Negotiation Team may, but is not required to, engage in formal scoring for purposes of identifying Respondents with whom it wishes to engage in further negotiation. JEA reserves the right to later elect to further negotiate with Respondents who were not initially selected for further negotiations, if the Negotiation Team determines that doing so would be in the best interest of JEA.

A. Respondent(s) invited to negotiate may be asked to provide more detailed clarifications of their Replies and/or to provide interactive presentations of their Replies. JEA reserves the right to negotiate concurrently or sequentially with competing Respondent(s). Negotiations will not be open to the public but will be recorded. All recordings of negotiations and any records related to negotiation sessions are public record and can be released pursuant to a public records request after a Notice of Intent to Award is posted or 30 days after the submission of the final Replies to the last Request for BAFO(s). If a Respondent asserts that any information to be discussed in oral negotiation sessions is exempt from public disclosure, it should contemporaneously notify the Negotiation Team of this fact and assert the confidentiality of such information on the record.