

## Fla. utility JEA to explore privatization again, other ownership options

by [Ellen Meyers](#)

Florida municipal utility JEA will once again consider privatization and other ownership options for improving the company's financial position and avoiding major layoffs.

During the Jacksonville, Fla., company's July 23 board meeting, JEA's board of directors voted to allow Managing Director and CEO Aaron Zahn and his senior leadership team to solicit interest in various ownership structures, including allowing another company to operate the utility.

The decision comes as JEA leaders have expressed concern that the utility may not be able to compete with changes in the power sector. JEA could face a \$2.3 billion cash gap in 2030 if it maintains a "business as usual" approach, management warned in May, which would mean the utility would have to increase rates by 52% or lay off more than 500 employees, or 26% of its staff.

"It is understood that we did not vote today to sell JEA," said April Green, who chairs the board of directors. "We gave leadership direction to pursue an unconstrained, nontraditional response to make JEA better."

JEA has considered privatization before; then-JEA board member Tom Petway suggested in November 2017 that the utility should consider whether Jacksonville residents would be better served by a privately owned company. A third-party consultant put JEA's market value between \$7.5 billion and \$11 billion in March 2018. The utility's local regulator, Jacksonville City Council, formed a special committee and solicited Wall Street investment banks to handle a potential sale.

But Jacksonville Mayor Lenny Curry and his administration resented the potential privatization process, which contributed to the JEA board's decision to pause privatization talks in May 2018. Zahn told S&P Global Market Intelligence in late 2018 that the discussions on privatization were "dead," and the utility was turning the focus to strengthening its balance sheet.

"What we need to do is define what the business looks like if we stay status quo, and what we can do within the construct of being a public, government entity," Zahn said. "Then the next question is what the appropriate capitalization structure is to allow you to maximize value for the community, the customer, the environment and economic development."

Curry said in a statement that it is crucial for independent agencies, including JEA, to pay attention to how to best serve the city. Any decision with JEA will need to keep promises to employees, maintain a stable supply of electricity and clean water at reasonable rates, and respect taxpayers.

"For more than a year at JEA they have undertaken a comprehensive strategic assessment," Curry said. "I welcome their wisdom and expertise, and that includes their assessment that there are significant challenges to moving forward with the status quo. Moving forward I hope they continue to apply this wisdom and expertise as they explore alternatives to these challenges."

### COMPANY REFERENCED IN THIS ARTICLE:

[JEA](#)

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## Plenty of 'heat' surrounding FERC order barring PJM capacity market auction

by [Glen Boshart](#)

With three of its four members chiming in with their own separate statements, the Federal Energy Regulatory Commission on July 25 told the PJM Interconnection that it cannot hold a capacity auction that was supposed to have taken place in May before being pushed back to Aug. 14.

"We believe that in the circumstances presented here, on balance, delaying the auction until the commission establishes a replacement rate will provide greater certainty to the market than conducting the auction under the existing rules," the agency reasoned.

FERC in June 2018 determined that PJM's capacity market rules were unjust and unreasonable because they failed to protect the market from the price-suppressive impacts of out-of-market support being provided by states to certain resources, such as renewable and nuclear generation.

The same order rejected two options the grid operator asked FERC to choose between for fixing the problem. Instead, the agency floated its own proposed solution to ensure the rates produced by PJM's capacity auctions are just and reasonable, referred to as a replacement rate. It also instituted a paper hearing to determine the appropriate way to move ahead.

The commissioners' votes on the June 2018 order broke along party lines; FERC's two Democrats dissented from the decision approved by the agency's three Republicans. The majority's preferred solution would eliminate virtually all exemptions to PJM's minimum offer price rule designed to prevent resources from gaming the system by bidding under their cost of production. In doing so, the Democrats maintained that the solution would not allow states to exercise of their exclusive authority over electric generation facilities.

Since June 2018, however, one of the Republicans left the agency and another died and only one of those two has been replaced, leaving the commission with two Republican and two Democratic members. And the agency has appeared deadlocked 2-2 on the issue, including on a subsequent PJM effort to adjust its capacity market rules to account for state-subsidized resources.

As a result, FERC allowed PJM to delay its May capacity auction for the 2023 delivery year to Aug. 14. But given the commission's inaction on the matter and time running out, PJM in April asked FERC to allow it to conduct the August auction under its existing rules. It also asked the commission to clarify that any replacement rate ultimately adopted in the proceeding would only be applied prospectively and therefore not impact the results of the August auction.

### A lot of 'heat' at the agency

FERC's brief July 25 order rejected PJM's requests, citing the need to provide certainty to the market. But emotions have been running high on the issue given the three separate concurrences and with Commissioner Cheryl LaFleur remarking on Twitter that "the overall tenor of the concurrences suggests the level of heat around these issues @FERC."

In her concurrence, LaFleur explained that she voted for the order to give PJM clarity so it could avoid running an auction that may ultimately be found unjust and unreasonable. However, the Democrat repeated the arguments she made in her dissent to the June 2018 order and said the commission was wrong to assume a 90-day paper hearing would be sufficient "to build a record, receive feedback from