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State of Florida v. J.E.A.

NEXT CASE ON THE COURT'S DOCKET IS THE STATE VERSUS J.E.A., WHICH MR. KIM BREL, I BELIEVE, IS GOING TO REPRESENT THE STATE THIS MORNING.

GOOD MORNING. I AM HERE, TODAY, TO REPRESENT THE STATE IN THE INTERESTS OF THE COURT OF APPEAL, WHICH IS AN ACTION TAKEN IN THE FIFTH DISTRICT COURT OF APPEAL VALIDATEING A \$15 MILLION BOND ISSUE BROUGHT BY THE JACKSONVILLE AUTHORITY. I THINK A GREAT DEAL OF WHAT WOULD NORMALLY BE THE APPELLATE'S PRESENTATION CAN BE DISPEBSED WITH. WE HAVE NO -- DISPENSED WITH. WE HAVE NO PROBLEM OF ANYTHING WITH A PROCEDURAL NATURE THAT HAPPENED IN THIS CASE. ALSO THIS IS NOT -- IT IS A FRIENDLY SUIT. J.E.A. DOES WORK G WORK. THEY HAVE AN EXCELLENT LEAPT TRACK -- AN EXCELLENT TRACK RECORD. HOW FAR, IN THIS PARTICULAR CASE, THE PEOPLE'S REPRESENTATIVES ARE OF THE OPINION THAT J.E.A. IS GOING A BIT FAR. JACKSONVILLE ELECTRIC AUTHORITY IS A CREATURE OF THE STATE OF FLORIDA. IS EMPOWERED BY STATUTE AND BY LAW, TO ISSUE BONDS, CERTAINLY.

LET ME ASK YOU THIS.

YES.

DOES J.E.A. HAVE ANY ROLE, OTHER THAN TO ADVANCE THE INTEREST OF ITS MEMBERS WHO, ARE MUNICIPAL UTILITIES? DOES IT SERVE ANY FUNCTION OTHER THAN THAT?

NO, SIR. ITS FUNCTION IS TO COORDINATE THE BUYING AND SELLING AND ACQUISITION AND PRODUCTION OF ELECTRIC POWER BY ITS MEMBERS, TO SELL POWER, TO BUY POWER FROM AGENCIES WHICH ARE NOT MEMBERS. IT IS A COORDINATING AGENCY, WHICH WAS CONSTRUCTED IN 1997, BY J.E.A., MR. SAM T COOPER OUT OF SOUTH CAROLINA, AND THE GEORGIA

--

WELL, ARE YOU AGREEING THAT IT IS AN INSTRUMENTALITY OF ITS MEMBERS?

YES, SIR.

YOU ARE?

THAT TEA IS AN INSTRUMENT INSTRUMENTALITY OF ITS MEMBERS?

YES. I AM NOT SURE I UNDERSTAND THE QUESTION.

IT WAS AN INSTRUMENTALITY OF ITS MEMBERS?

IT WAS CREATED, BY THEM, TO SERVE THEIR INTERESTS FORM.

YOU ARE SAYING THAT THE DEFAULT ON INTEREST OF THE JACKSONVILLE AUTHORITY MAY BE WHAT HAPPENED. IS THAT WHAT YOUR ISSUE IS?

THE BOTTOM LINE ON OUR CONCERN IS THAT, AT THE PRESENT TIME, TEA IS SEEKING TO EXPEND, TO BECOME A STRONGER PLAYER IN THE ELECTRICAL CURRENT ENERGY MARKET. AND IN DOING SO, IT IS SEEKING TO PERFORM THE SAME ROLE FOR WHAT ARE KNOWN AS RESOURCE

MANAGEMENT --

ARE THERE RESOURCE MANAGEMENT AGREEMENTS THAT YOU HAVE SOME ISSUE WITH? IS IT THE RESOURCE MANAGEMENT AGREEMENTS THAT MAY BE ENTERED INTO BETWEEN T.E.A. AND OTHER THAN MUNICIPAL GROUPS?

EXACTLY.

THAT IS YOUR WHOLE --

THAT IS OUR WHOLE PROBLEM.

AND AS YOU ENTER INTO THOSE KINDS OF AGREEMENTS WITH OTHER THAN MUNICIPAL PARTNERS, YOU ARE SAYING THAT JACKSONVILLE MAY BE, IN FACT, LIABLE TO PAY SOME OF THE BILLS OF THESE OTHER PARTNERS. IS THAT WHAT YOUR ARGUMENT, HERE, IS?

YES. YES.

IS IT BASED ON ON THE PERCENTAGE? BECAUSE YOU HAVE GOT ABOUT 20 PERCENT, AS I READ THE BRIEFS, THAT ARE INVOLVED FROM THE NONGOVERNMENTAL KIND EVENT ITS? IF WE WOULD HAVE 2 PERCENT, WOULD THAT MAKE A DIFFERENCE? WOULD THAT CHANGE IT INTO AN INSIDE DENIAL KIND OF BENEFIT, OR WOULD THAT, ALSO, BE VIOLATIVE, IF YOU HAVE ONLY ONE CONTRACT?

THE STATE'S POSITION IS THAT IT IS PARTICULAR TO THE AGENCY WITH WHICH YOU ARE DEALING. THAT, IF THE GREAT MAJORITY OF THE BENEFIT WERE DOWN TO THE INTEREST OF THE PUBLIC AND IT IS ONLY THAT PARTICULAR AGENCY, FINE, WHETHER THEY CONSTITUTE ONE OR 10 PERCENT OF THE TOTAL REVENUE THAT IS BROUGHT IN. BUT WE DON'T KNOW. THAT WE HAVE NO IDEA HOW FAR THIS COULD GO AND HOW FAR THE REVENUES PRODUCED COULD BE FROM PRIVATE SOURCES AND HOW MUCH THE LIABILITY OF THOSE PRIVATE SOURCES COULD BE.

WELL, IS THERE ANYTHING IN THE T.E.A. AGREEMENT, EITHER ITS OWN AGREEMENT OR WITH THE JACKSONVILLE ELECTRIC AUTHORITY, THAT LIMITS THE AMOUNT OF THIRD PARTY DEALING?

NOT THAT I KNOW OF.

AND J.E.A., THEY HAVE NO SAY IN HOW -- WHERE THOSE -- WHETHER THEY ARE DEALING WITH FINANCIALLY SOLVENT OR INSOLVENT ENTITIES?

I DON'T THINK SO, NO. THEY ARE A VOTING MEMBER.

AS PART OF THIS WHOLE SCHEME, AREN'T THEY REQUIRED TO GIVE THOSE GUARANTEES, OR IS IT A VOLUNTARY SITUATION?

THE VOLUNTARY GUARANTEES WERE GIVEN TO ATTRACT PARTICIPANTS IN THE SYSTEM.

BUT T.E.A. IS NOT REQUIRED TO GIVETARIAN TEASE?

I ONLY KNOW THAT JACKSONVILLE WAS, AND THAT -- I ONLY KNOW THAT JACKSONVILLE WAS. SAM T COOPER WAS, AND THE MUNICIPAL, THE GEORGIA --

I THOUGHT IT WAS A REQUIREMENT, I MEAN, THEY ARE A MEMBER, AND THAT WAS MADE AN ADDITIONAL REQUIREMENT OF THE MEMBERSHIP OR NOT?

I KNOW THAT OTHER MEMBERS WHO HAVE JOINED HAVE GIVEN -- I AM NOT SURE WHETHER IT WAS PART, AS A REQUIREMENT OF THE UNDERPINNING WRITTEN FORMAL AGREEMENT. SOME

HAVE GIVEN BONDS, HAVE GIVEN ASSURANCES, HAVE GIVEN GUARANTEES. BUT MY ONLY CONCERN, IN THIS, IS, WITH JACKSONVILLE HAVING DONE, IT AND THAT IS, REALLY, THE ONLY PART --

WOULD YOU DO TWO THINGS FOR ME. ONE WOULD BE WOULD YOU GIVE WHAT YOU PERCEIVE TO BE THE WORST CASE SCENARIO OF WHAT, POTENTIALLY, COULD HAPPEN IN THE FUTURE, UNDER THIS SITUATION, AND SECONDLY, THOUGH, COULD YOU ANSWER, FOR ME, WHY YOU REALLY HAVEN'T ALREADY CROSSED THIS BRIDGE, ONCE YOU AGREE THAT THERE IS NO PROBLEM WITH J.E.A. BEING A PART OF THIS GROUP, THAT AFTER THAT IT IS AN ISSUE OF HOW THE GROUP MANAGES ITSELF, ONCE YOU AGREE THEY CAN BE PART OF THE GROUP, BUT THOSE TWO, IN EITHER ORDER YOU WANT TO, BUT COULD YOU ADDRESS THOSE TWO.

OKAY. THE WORST SCENE SCENARIO, YOU HAVE ONE OF THESE -- I CANNOT REMEMBER THE NAME. RESOURCE MANAGEMENT PARTNERS. WHO BECOMES PART OF THE ORGANIZATION, FROM SIOUX CITY, IOWA, AND ANOTHER IS PART OF THE ORGANIZATION FROM SCHENECTADY, NEW YORK, AND BOTH OF THOSE ARE INDEPENDENT INDEPENDENTLY-OWNED POWER CORPORATIONS, PRIVATE CORPORATIONS, ONE TRADING ON THE AMERICAN STOCK EXCHANGE, ON ONE TRADING ON THE NEW YORK STOCK EXCHANGE.

BUT THEY ARE VOTING MEMBERS, ARE THEY NOT?

NONETHELESS THE T.E.A. WOULD BE COMMITTED TO FURNISH TO THEM. IF NEW YORK COMMITTED TO FURNISH POWER TO SIOUX CITY, IOWA, AND COULDN'T DO IT, T.E.A. WOULD HAVE TO COME IN, SINCE THEY ARE PART OF IT, AND T.E.A. HAS GUARANTEED IT, AND BACK UP WHAT NEW YORK COULD NOT FULFILL. STANDING BEHIND THAT WOULD BE J.E.A.'S \$15 MILLION BOND ISSUE, WHICH COULD GO TO SOLVE A PROBLEM BETWEEN TWO PRIVATE COMPANIES IN IOWA AND NEW YORK, AND THAT IS NOT CONTEMPLATED BY SECTION 7, ARTS KEL --

BUT THE MEMBERS COULD NOT VOTE TO -- ART COMMITTEES -- ARTICLES --

BUT T.E.A. COULDN'T VOTE TO DO THAT, COULD IT? IT WOULD HAVE TO BE THE MUNICIPAL UTILITIES, SO YOU WOULD BE VOTING TO DO IT, YOURSELF, IT IN THE WORST SCENE SCENARIO?

BUT THAT WORST CASE SCENARIO WOULD BE SET UP, FOLLOWING A PATTERN OF WHAT THE STATE CONSIDERS A VIOLATION OF STATE CONSTITUTION. YOU SHOULD NOT GET THAT FAR, THAT YOU WOULD HAVE THESE PRIVATE PEOPLE -- WE THINK WE ARE -- THEY ARE BARRED BY THE -- WE THINK THEY ARE BARRED BY THE UNITED STATES CONSTITUTION. THAT IS PERMITTING THE PUBLIC TO BE A PRIVATE CONCERN, AND THAT IS NOT WHAT WE ARE SUPPOSED TO BE DOING.

IS THIS \$15 MILLION BOND ISSUE JUST FOR THIS GUARANTEE, OR DOES IT, ALSO, REPRESENT THE MONIES THAT, I AS UP, J.E.A. WOULD HAVE TO PAY, TO THIS ORGANIZATION, ANYWAY, IN ORDER TO GET THEIR ELECTRICITY OR HELP DO ALL THOSE THINGS THAT THIS ORGANIZATION DOES FOR THEM?

THIS \$15 MILLION IS JUST FOR THIS PARTICULAR COMMITMENT, FOR THESE PARTICULAR GUARANTEES.

AND THIS GUARANTEE COULD NOT EXIST, IF WE HAD ALL GOVERNMENTAL ENTITIES IN THE POWER BUSINESS, AS PARTNERS, IS THAT THE CONCEPT? AND BECAUSE YOU HAVE BROUGHT IN PRIVATE OWNERSHIP, THERE IS A DEMAND FOR GOVERNMENTAL GUARANTEES. IS THAT THE WAY THIS IS BEING PRESENTED?

THERE IS A DEMAND FOR GOVERNMENTAL GUARANTEES. IF ALL OF THE PARTICIPANTS IN THIS ENTIRE SCENARIO WERE MUNICIPAL ORGANIZATIONS, I WOULDN'T BE HERE.

NOR WOULDN'T GUARANTEES BE THERE, IS WHAT YOU ARE SAYING.

I DON'T THINK SO.

ARE THERE, IN -- NOR WOULDN'T THE GUARANTEES BE THERE, IS WHAT YOU ARE SAYING.

NO.

I THOUGHT THIS WAS SOMETHING THAT WAS BEING CONTEMPLATED FOR THE FUTURE, BUT ARE THERE PRESENTLY NONMUNICIPAL PARTNERS?

TO MY KNOWLEDGE, THERE ARE NONE YET.

AND THEY WERE CONTEMPLATED THAT THERE WOULD BE OVER A CERTAIN PERCENTAGE. IS THAT --

CERTAIN PERCENTAGE. TWENTY PERCENT, AND THEY WOULD NEVER BE VOTING MEMBERS.

WHAT IS THE PERCENTAGE?

I THINK THEY ARE CONTEMPLATING 20 PERCENT OF THE GROSS RECEIPTS OF -- 20 PERCENT OF THE GROSS RECEIPTS OF T.E.A.. I DON'T KNOW HOW MANY MEMBERS THAT WOULD BE, BUT THEY ARE CONTEMPLATING THIS ON A --

SO THEY COULD NEVER SET POLICY, THE KNOB MUNICIPAL -- THE NONMUNICIPAL MEMBERS.

NO, SIR. THEY WOULD NEVER BE MEMBERS OF THE ORGANIZATION.

WHY WOULD YOU CROSS THAT BRIDGE, ONCE YOU AGREED THAT THEY HAD THE AUTHORITY, DESPITE THE CONSTITUTIONAL OR ANY STATUTORY RESTRICTIONS TO JOIN THIS ORGANIZATION AND BE A PARTNER IN IT?

WE HAVE NEVER AGREED THAT PRIVATE ORGANIZATIONS COULD JOIN THIS. T.E.A. IS CONTEMPLATING ALLOWING THEM TO. AND THAT IS WHERE THE RUB COMES. THERE IS NO PROBLEM, AS LONG AS THE PRIVATE SECTOR IS NOT A PART OF THIS. IT IS ALLOWING THE PRIVATE SECTOR TO BECOME A PART OF IT AND HAVING THE CAPITAL PLEDGE TO SOME SORT OF GUARANTEE SYSTEM TO WHAT COULD BE A PRIVATE --

IT IS THE BONDING SYSTEM THAT, REALLY, GOT YOU.

SIR?

IT IS THE GUARANTEE THAT GOT YOU INTO THE MIX.

YES YES, SIR.

WHY -- HOW DOES THIS RELATE TO THAT ORANGE COUNTY CASE THAT WE DEALT WITH LAST YEAR?

AS I RECALL, IT THE ORANGE COUNTY CASE HAD TO DO --

WELL, IT WAS THE CONVENTION CENTER, AND IT HAD AN INSIDE DENIAL PRIVATE USE. -- AN INCIDENTAL PRIVATE USE, AS DID THE HILLSBOROUGH COUNTY INCIDENT.

I THINK THE ONLY WAY IT WOULD RELATE TO OUR CASE IS IN THE SPLIT BETWEEN WHETHER IT IS FOR THE PUBLIC INTEREST, WITH INSIDE DENIAL BENEFIT TO A PRIVATE OR NOT, AND IN THIS

CASE, YOU HAVE THE POTENTIAL TO HAVE THE BENEFIT TOTALLY, TO A PRIVATE PARTY, BAILING OUT NEW YORK OR SIOUX CITY, AND NO BENEFIT TO T.E.A. OR J.E.A. AT ALL, EXCEPT THAT THEY LIVED UP TO THEIR OBLIGATION AND BAILED OUT SOMEBODY THEY SAID THEY WOULD.

ARE THERE ANY SIMILAR FACTUAL SCENARIOS? WE KNOW, CERTAINLY, THAT SOME MUNICIPALITIES AND GOVERNMENTAL ENTITIES HAVE THEIR OWN GENERATING PLANTS AND ALL OF THOSE KINDS OF THINGS AROUND THE STATE, WHERE THOSE ENTITIES HAVE ENGAGED IN CONTRACTUAL RELATIONSHIP WITH PRIVATE POWER SOURCES AROUND THE STATE, AND WE HAVE ADDRESSED A SIMILAR ISSUE, UNDER THOSE CIRCUMSTANCES, BECAUSE, CERTAINLY, ALL GOVERNMENTAL POWER SUPPLIERS DON'T GENERATE ALL OF THEIR OWN SUPPLY, AND THERE ARE THESE INTER-ELT RELATED -- INTER-RELATED AGREEMENTS, LET'S ASSUME, ACROSS THE STATE.

I AM NOT SURE THAT THERE IS INTER-RELATED AGREEMENTS ACROSS THE STATE. THERE IS TRUE THAT THERE IS A MARKET TO GO TO BUY ELECTRICITY OR TO SELL, BUT TO BECOME A PART OF A FORMAL ORGANIZATIONAL ORGANIZATIONAL STRUCTURE, WITH RULES, REGULAR -- ORGANIZATIONAL STRUCTURE, WITH RULES AND REGULATIONS, I DON'T KNOW OF ANY.

ISN'T THE PUBLIC HURT BY THIS CHEAPER TYPE OF ARRANGEMENT WITH T.E.A.. ISN'T THAT THE REAL PURPOSE OF IT?

IT WOULD BE, HOPEFULLY, YES.

WELL, ISN'T THAT A PRIMARY PUBLIC PURPOSE?

YES, SIR, THAT WOULD BE A PRIMARY PUBLIC PURPOSE, BUT I AM NOT SO SURE THAT THE BENEFIT TO THE PRIVATE SECTOR COULD BE CALLED ONLY INSIDE DENIAL, IF THEY MADE A TON OF MONEY OFF OF IT. AND THEY MIGHT.

I DON'T THINK YOU HAVE SHOWN ME WHERE IT WOULD BE MORE THAN AN INSIDE DENIAL.

NO, SIR. AS I UNDERSTAND IT --

IF THEY DO --

MY UNDERSTANDING IS THAT, WHAT J.E.A. NEEDED TO COME FORWARD WITH WAS, AND THIS IS FROM O'NEAL VERSUS BURNS, FLORIDA 1967, WAS CLEARLY IDENTIFIED IN CONCRETE PUBLIC PURPOSES, AS THE PRIMARY OBJECTIVE, AND A REASONABLE EXPECTATION OF SUCH PURPOSE WOULD BE SUBSTANTIALLY AND EFFECTIVELY ACCOMPLISHED, AND I DON'T KNOW OF ANY FACTS, FIGURES, DOLLARS OR BOTTOM LINES THAT HAVE BEEN SHOWN.

WITHOUT THE RESOURCE MANAGE MANAGEMENT ARRANGEMENT, YOU WOULD HAVE NO PROBLEM WITH THIS, IS THAT WHAT I UNDERSTAND?

THE STATE WOULD HAVE NO PROBLEM WITH IT. EVEN IF YOU BROUGHT IN THESE RESOURCE MANAGEMENT PARTIES, AS LONG AS THEY WERE MUNICIPALITIES, THERE WOULD STILL BE NO PROBLEM. THE PROBLEM, THE BOTTOM LINE, IS BRINGING IN PRIVATE PARTIES AND STATE OR PUBLIC FUNDS BEING PLEDGED TO SECURE DEBTS.

BEFORE YOU SIT DOWN, WHY IS THIS ANY DIFFERENT THAN THE J.E.A., EVEN WITHOUT THE OTHER ORGANIZATION OR WHATEVER, ANTICIPATING, FOR INSTANCE, A SUMMER POWER CRUNCH. AND THEREFORE ENTERING INTO A RELATIONSHIP WITH A PRIVATE UTILITY, BACKED UP WITH J.E.A.'S CREDIT AND EVERYTHING, TO COME ON LINE, AND WHEN WE HAVE THIS PEAK DEMAND, THAT PROVIDING 50 PERCENT OF THE POWER THAT DUVAL COUNTY OR JACKSONVILLE WOULD NEED, AND THEY ENTER INTO AN AGREEMENT, COMMITTING THEIR CREDIT AND THE WHOLE WORKS

KIND OF THING.

I DON'T THINK THERE WOULD BE ANY PROBLEM WITH COMMITTING THE CREDIT OR THE FUNDS, IN ORDER TO MAKE A DISCREET PURCHASE FROM A POWER COMPANY, BUT TO PLEDGE THE CREDIT AND THE RESOURCES OF J.E.A., WHICH IS A STATE AGENCY, A STATE CREATION, TO THE SUPPORT OF THE PRIVATE ORGANIZATION, NOT JUST A SIMPLE PURPOSE, BUT TO PLEDGE THEIR CONSTRUCTION FOR MANAGEMENT WOULD BE GOING IN VIOLATION OF THE CONSTITUTION.

ISN'T THE CLEAR PURPOSE OF ALL OF THIS TO GIVE MORE FLEXIBILITY AND, REALLY, TO PROVIDE MORE POTENTIAL, YOU KNOW, FOR PROBLEM-SOLVING, IF I CAN CALL IT THAT, IN TERMS OF THE - - HERE, YOU KNOW, WE HAVE THIS VISIBLE THING GOING ON OUT IN CALIFORNIA RIGHT NOW.

WE SURE DO.

WE CAN'T HELP BUT SORT OF SEE IN THE BACKGROUND, AND AT LEAST, YOU KNOW, IT IS DIFFICULT TO GET IT DOWN TO THE DETAILS, BUT IT LOOKS LIKE WHAT WE HAVE, HERE, IS A GROUP THAT IS TRAYING TO ACTIVELY ENGAGE IN WORK TO ANTICIPATE PROBLEMS AND BUILD IN AS MUCH FLEXIBILITY AS POSSIBLE, SO THAT THEY WILL HAVE MULTIPLE ARRAY OF SOLUTIONS TO PROBLEMS IN THE FUTURE. REALIZING THAT, OBVIOUSLY, THERE IS A LIMITATION.

WE WOULD BE DELIGHTED FOR THEM TO HAVE ALL OF THE FLEXIBILITY THAT THEY NEED OR WANT OR COULD USE, AS LONG AS THEY DON'T RUN AFOUL OF ARTICLE VII, SECTION 10.

WOULD IT BE A VIOLATION, IF THE JACKSONVILLE AUTHORITY ENTERED INTO A PURCHASE AGREEMENT, WITH A SMALLER GENERATING SOURCE, IN SOME LOCATION IN FLORIDA, THAT WAS GOING TO, THEN, ALSO PURCHASE POWER FROM A THIRD PARTY OR A THIRD PARTY SOURCE, AND THAT THIRD PARTY WOULD SAY, WELL, WE WANT THE GUARANTEE OF JACKSONVILLE J.E.A., BEFORE WE WILL ENTER THAT AGREEMENT. WOULD THAT BE PLEDGING OF THE CREDIT OF THE MUNICIPALITY, CONTRARY TO THAT CONSTITUTIONAL PROVISION? BECAUSE YOU ARE GUARANTEEING FOR THAT, FOR FLORIDA POWER, JUST IN THAT HYPOTHETICAL -- I DON'T KNOW IF IT EVER HAPPENED, BECAUSE THEY ARE GOING TO ACQUIRE THE POWER FROM SOME OTHER LOCATION, AND THAT THIRD PARTY WILL NOT ENTER THAT AGREEMENT, WITHOUT THE GUARANTEE. WHAT DO YOU THINK?

I THINK THAT THE GUARANTEE COULD BE GIVEN, IF IT WAS TO SUPPORT AN INDIVIDUAL DISCREET PURCHASE OF POWER. IF IT IS AN ONGOING THING, WHERE ONE INSTITUTION IS UNDERWRITING ANOTHER, AND PLEDGING ITS CREDIT TO UNDERWRITE THAT OTHER, I DON'T THINK THAT IS CONTEMPLATED AS BEING PROPER. BY THE CONSTITUTION.

YOU FR IN YOUR REBUTTAL TIME. -- YOU ARE IN YOUR REBUTTAL TIME.

I AM GOING TO SIT DOWN.

OKAY.

MR. REGANSDORF.

MAY IT PLEASE THE COURT. AT FIRST BLUSH IN CASE DOESN'T HAVE QUITE THE EMOTIONAL IMPACT OF THE ONE BEFORE OR THE SOCIAL CONSEQUENCES, PERHAPS, OF THE ONE YOU ARE GOING TO HEAR AFTER, BUT I SUGGEST THAT, WITH RESPECT TO THE YOUNG PEOPLE OF FLORIDA, SUCH AS ARE SITTING OUT HERE FROM SANDALWOOD HIGH SCHOOL, THIS ISSUE AND SOME OF THE THINGS THAT WE HAVE JUST BEEN TALKING ABOUT, IT IS ACTUALLY CRITICAL THAT WE MOVE FORWARD AND BUILD A SYSTEM OF ELECTRICAL DISTRIBUTION FOR TOMORROW, BECAUSE THE SYSTEM IS CHANGING. LET ME TRY TO RESPOND TO SEVERAL OF THE QUESTIONS. THE REAL ISSUE IS, HERE, THREE FOLD, AND FIRST OF ALL, IS THIS ARRANGEMENT A PLEDGING OF CREDIT

FOR A CORPORATION, ASSOCIATION, PARTNERSHIP OR INDIVIDUAL? AND I SAY NO, BECAUSE IT IS THE J.E.A., AND WE WILL GET TO THAT. I AM SORRY. THE T.E.A. WE WILL GET TO THAT IN A SECRETARY. THE SECOND IS, WHATEVER THAT ARRANGEMENT IS, IS THE PRINCIPLE ON OR PARAMOUNT PURPOSE FOR THIS A PUBLIC PURPOSE, SUCH THAT IF THERE IS A PRIVATE BENEFIT THAT, BENEFIT IS TRULY INSIDE DENIAL, AND THE ANSWER IS ABSOLUTELY. THE WHOLE PURPOSE OF THIS WAS PUBLIC, SO THAT THEY COULD GET BETTER AND MORE EFFICIENT PROVISION OF LEG -- OF ELECTRICAL SERVICES TO THE NATIVE CUSTOMERS OF J.E.A. AND, IN FACT, A LOT OF PEOPLE THROUGHOUT THE UNITED STATES, AND THEN THE THIRD IS THE CONSTITUTIONAL EXCEPTION, AND THAT IS THIS ARRANGEMENT THE ONE THAT FALLS WITHIN THE EXCEPTION TO ARTICLE VII, SECTION 10-D, WITH RESPECT TO THE OPERATION OF A GENERATING OR TRANSMISSION SYSTEM, AND THE ANSWER TO THAT, ALSO, IS YES.

ONCE YOU START GETTING PRIVATE COMPANIES TO BE THESE RESOURCE -- HAVE THESE RESOURCE MANAGEMENT ARRANGEMENTS, HOW FAR DOES IT HAVE TO GO TO GET BEYOND INSIDE DENIAL, IF, IN FACT, THE JACKSONVILLE LEG TALL THOUGHT ENDS UP HAVING TO PAY OUT MONIES, BECAUSE THESE PRIVATE PEOPLE DON'T -- JACKSONVILLE ELECTRICAL AUTHORITY ENDS UP HAVING TO PAY OUT MONIES, BECAUSE THESE PRIOR TO PEOPLE DON'T HAVE THE ELECTRICAL POWER.

THE ONLY OBLIGATION IS TO THE T.E.A. --

BUT THEY MAY HAVE TO PAY IT OUT.

THEY MAY VERY WELL, BECAUSE TO DEAL WITH THE MEGAWATTS OF TODAY'S ELECTRICAL SYSTEMS, PEOPLE BUYING ARE NOT NECESSARILY GOING TO RELY UPON THE SUFFICIENCY OF THE SYSTEM. THEY WANT PEOPLE BEHIND THEM, ALL OF WHICH IS IN THE MEMBERSHIP OF THE BYLAWS, IN THE MATERIAL BEFORE YOU, ARE REQUIRED TO BE MUNICIPALS, UNDER SECTION 115, PUBLIC UTILITIES OPERATED BY MUNIES PALS. NOW, AS FAR AS WHAT HAPPENS WITH THE RESOURCE MANAGEMENT PARTNERS, THAT THE ONLY PLACE THE PROBLEMS COME UP. THE GUARANTEES, JUSTICE LEWIS, ARE ALREADY IN EFFECT, BECAUSE THEY ARE DEALING IN POWER, ALREADY, RIGHT NOW, ON BEHALF OF MUNICIPALS, AND BECAUSE THE T.E.A. IS NOT AS BIG AS THE J.E.A., THE GUARANTEES ARE THERE. THE QUESTION IS, WHEN WE EXTEND INTO THE AREA YOU ARE TALKING ABOUT, AND THAT IS ADDING A SMALL COOP OR A LOCAL UTILITY THAT IS A INVESTOR-OWNED UTILITY, DO WE GET INTO A PROBLEM THERE, AND THE ANSWER IS THERE IS A POTENTIAL QUESTION, WITH RESPECT TO THAT PRIVATE UTILITY, AND FRANKLY THERE ARE TWOR_m WHERE THAT INSIDE DENIAL BENEFIT MAY SHOW UP. THE FIRST INSIDE DENIAL BENEFIT IS THE REASON WE ARE IN THIS IS SO THAT WE CAN EXPAND THE BASE IN THE NEW ELECTRICAL ENVIRONMENT AND BUY AND SELL POWER MORE EFFICIENTLY, AS DEREGULATION LOOMS ON THE HORIZON, WHATEVER THAT IS GOING TO BE, SO WE, THE MUNICIPALS, CAN SAVE MONEY FOR OUR NATIVE USERS IN JACKSONVILLE. WELL, WHEN A SMALL PRIVATE UTILITY SIGNS ON AS A RESOURCE MANAGEMENT PARTNER AND WE BEGIN TO OPERATE THAT SYSTEM, ALSO, WITH THEIR BUYING AND SELLING EXCESS CAPACITY, THEY ARE GOING TO SHARE SOMEWHAT, IN THE BENEFITS OF OUR BROADER BUYING POWER AND SELLING POWER. HOWEVER, THEY ARE, ALSO, GOING TO PAY A FEE TO THE T.E.A., FOR THAT SERVICE, SO HOW DOES -- WHAT DOES THE PUBLIC PURPOSE THERE? WELL, THE PUBLIC PURPOSE IS THAT WE, THE CITIZENS AND THE MUNIES PALS, BENEFIT TWICE. WE BENEFIT WITH THE BROADER BASE, BECAUSE WE GET OUR POWER BOUGHT AND SOLD AT MORE EFFECTIVE RATES FOR US, AND SECONDLY, WHEN WE DO SIGN ON THAT COOP OR THAT PRIVATE UTILITY, WE GET A FEE FOR THE BENEFIT THAT THEY GET AS WELL, SO THERE IS A -- SOMEWHAT OF AN INSIDE DENIAL BENEFIT AT THAT LEVEL, BUT IT IS THE BENEFIT THAT HAPPENS IN EVERY GOVERNMENTAL PROJECT OF ANY SORT.

ARE YOU REQUIRED TO GIVE A GUARANTEE, AS PART OF YOUR MEMBERSHIP?

YES, MA'AM. EVERY UTILITY, EVERY MUNICIPAL UTILITY, AND THAT IS ALL THAT THERE ARE

THAT ARE NOW MEMBERS, AND THERE ARE SIX IN THE T.E.A., IS REQUIRED, BY AGREEMENT, TO PROVIDE THESE GUARANTEES FOR ALL OF THE OBLIGATIONS OF THE T.E.A..

SO WHAT HAPPENS IF WE WERE TO DISAPPROVE THE BONDS? WHAT WOULD, AS A PRACTICAL MATTER, WHAT WOULD HAPPEN?

AS A PRACTICAL MATTER, REALIZE THE BOND WOULD ONLY AFFECT THE ISSUANCE OF GUARANTEES, IF IT GOES TO THE PRIVATE BENEFIT, BECAUSE AS I THINK IS READILY CONCEDED, IF WE NEVER DEALT WITH ANYBODY BUT MUNICIPALS, THERE IS NO POTENTIAL SOURCE OF ANY PRIVATE BENEFIT, NO MATTER HOW INSIDE DENIAL, AT ANY LEVEL.

IS THERE A WAY THAT THAT HAS BEEN SEPARATED OUT IN THE RECORD?

IT IS NOT SEPARATED, BECAUSE AT THIS POINT THERE IS NO POWER THAT IS BEING DEALT WITH, OTHER THAN FOR MUNICIPALS.

BUT THERE MUST BE A POINT AT WHICH YOU WOULD CROSS THE BRIGHT-LINE, IF YOU WILL, IF A MUNICIPAL POWER SUPPLIER WOULD ENTER INTO ONE OF THESE AGREEMENTS AND YOU HAD 20 OTHER PRIVATE SUPPLIERS IN THIS AGREEMENT, CERTAINLY IT WOULD SATISFY ALL OF THE OTHER ELEMENTS THAT YOU ARE TALKING ABOUT, BUT THE OTHER PLAYERS, AT SOME POINT, WOULD BECOME DOMINANT. YOU SEE WHAT -- WHAT IF WE HAD 20 PERCENT. WHAT IF IT GETS UP TO THAT WE HAVE OUR SMALL LITTLE GROUP IN T.E.A. THAT IS MUNICIPAL, BUT NOW WE EXPAND IT TO 500 OTHER SUPPLIERS, AND IT BECOMING THE DOMINANT ECONOMIC FORCE IN THIS ISSUE. WHAT WOULD IT THEN DO?

FIRST OF ALL, IT WOULD NEVER BECOME THE DOMINANT FORCE, BECAUSE THE T.E.A. IS CONTROLLED BY AND ALL OF THE BENEFITS WOULD FLOW TO THE MUNICIPALS. THAT IS POINT -- MUNICIPALS. THAT IS THE POINT. NOW, IN MATERIALS OF A PARAMOUNT PURPOSE, NOW, WHEN A CITY GOES OUT AND BUYS LAND FOR A FACTORY, THE -- FOR A FACTORY, THE ONLY PURPOSE OF THAT IS FINANCIAL AND FOR EXAMPLE THE OSCEOLA CASE, TO BACK 1983, WHERE THEY WERE GOING TO DO A TELEVISION STATION, THEY SAID THAT, AGAIN, IS PRINCIPALLY FOR THE BENEFIT OF THE TELEVISION STATION. LOOK AT THE DAYTONA BEACH SPEEDWAY CASE, WHERE THE PUBLIC MONEY WENT IN AND SIX MONTHS OF THE USE OF THAT FACILITY WAS GIVEN OVER TO A PRIVATE ENTITY. STILL THE PREDOMINANT PUBLIC PURPOSE WAS SUFFICIENT TO AUTHORIZE THE ISSUANCE OF THOSE BONDS. I THINK, MATHEMATICALLY, AND I HAVEN'T, REALLY, THOUGHT THIS THROUGH, BUT I BELIEVE THAT, IF THIS ORGANIZATION KEPT GETTING BIGGER AND BIGGER AND IT ONLY GREW ON THE NONMUNICIPAL SIDE, THE BENEFIT, THE PURPOSE IS STILL TO BENEFIT THE CUSTOMERS OF THE CITY OF JACKSONVILLE, WHO WOULD CONTINUE TO GET THE BENEFITS, BECAUSE THE POWER PRICES WOULD CONTINUE TO DROP. THE FEES PAID WOULD CONTINUE TO BENEFIT ONLY THE MUNICIPALS IN THE ORGANIZATION, BUT -- THE MUNICIPALS IN THE ORGANIZATION, BUT AS I SET OUT IN THE RECORD, THE ANTICIPATED MAGNITUDE OF PRIVATE RESOURCE MANAGEMENT PARTNERSHIP WOULD NEVER EXCEED 20 PERCENT.

WOULD YOU ANSWER THE QUESTION THAT I WAS ASKING, WHICH IS, IF YOU HAVE THE GUARANTEES THAT ARE ALREADY IN PLACE, WHAT IS THE PRACTICAL EFFECT OF NOT HAVING THE BONDS? YOU WERE RESPONDING THAT THE ONLY PART OF THE BONDS THAT WOULD BE INAPPROPRIATE WOULD BE THOSE THAT MIGHT GUARANTEE THE NONMUNICIPAL RESOURCE, BUT I WANT TO UNDERSTAND, PRACTICALLY, LET'S JUST ASSUME AS TO HOWEVER THAT WORKS WHAT IS THE PRACTICAL EFFECT OF NOT HAVING THE BONDS?

I AM NOT SURE I UNDERSTAND. LET ME TRY TO ADDRESS YOUR QUESTION. IF, TODAY, A DEFAULT OCCURRED SOMEWHERE IN THE T.E.A. DELIVERY AND PURCHASE AND ACQUISITION OF POWER, AND THE T.E.A. COULD NOT HANDLE THAT DEFAULT, AND A DEMAND WERE PLACED, TODAY, AGAINST J.E.A., UNDER ITS EXISTING GUARANTEES, THERE ARE NO BONDS IN PLACE, TODAY, TO HONOR THAT. IT WOULD BE A MUNICIPAL OBLIGATION, BECAUSE THE ONLY PEOPLE WE ARE

DEALING WITH, AT THE T.E.A. LEVEL, ARE MUNIES PALS, AND SOMEWHERE J.E.A. OR GEORGIA OR SOUTH CAROLINA OR NEBRASKA OR MISSOURI OR THE CITY OF GAINESVILLE, SOMEONE IS GOING TO HAVE TO COME UP WITH CASH OUT OF HAND, SO THAT WOULD HAVE TO BE DONE. TOMORROW, IF YOUR HONORS WERE TO, AND I CERTAINLY HOPE YOU DO NOT, BUT IF YOU WERE TO SAY WE REJECT THIS, BECAUSE IT DOESN'T PASS ANY OF THE THREE REASONS MR. REAGENDORF HAS SUGGESTED, WOULD ISSUE THOSE ADDITIONAL BONDS, BUT IF THEY ARE NECESSARY SOLELY TO LIMIT THE EXPOSURE THAT THE MUNICIPAL MIGHT EXPERIENCE --

BUT YOU WOULD RUN AFOUL WITH ANY CONSTITUTIONAL PROVISION, TO GUARANTEE THESE OBLIGATIONS, EVEN IF THEY ARE WITH NONMUNICIPALITIES.

RIGHT NOW, TODAY, J.E.A. HAS EXISTING GARB TEASE -- GUARANTEES, WITH RESPECT TO THE OBLIGATIONS OF T.E.A., BECAUSE OTHERWISE T.E.A. CANNOT FUNCTION IN THE EXPANDING ELECTRIC POWER --

BECAUSE THE PRIVATE ENTITIES WOULD NOT BE WILLING TO DEAL WITH IT?

WE ARE NOT DEALING WITH PRIVATE ENTITIES, YET, AS RESOURCE PARTNERS. THE PEOPLE IN THE MARKETPLACE, THE MUNICIPALS THAT WE DEAL WITH, WOULD NOT ACCEPT, UNIVERSALLY, THE CREDIT OF T.E.A.. THEY WOULD LIKE TO HAVE THE BACKING OF GEORGIA AND THESE OTHER ENTITIES, SO THERE ARE RULES IN PLACE, TODAY, WITH THE TRULY MUNICIPAL ORGANIZATIONS, BUT TODAY WE ARE SUGGESTING THAT A NONMUNICIPALITY, AS JUSTICE QUINCE SUGGESTED, COULD BE A PROBLEM. IS IT AN INFINITY PURPOSE? I THINK IT IS CLEARLY INSIDE DENIAL.

AGAIN, THAT WOULD, IF YOU HAD TO PAY IT OUT OF YOUR OWN RESOURCES, THAT WOULD HAVE, PROBABLY, THAT WOULD HAVE A MORE NEGATIVE EFFECT ON THE OPERATION OF THE J.E.A..

NO QUESTION. NOW WE ARE TALKING ABOUT AN UNPLANNED CASH REQUIREMENT COMING OUT OF DAY-TO-DAY OPERATING EXPENSES, AS OPPOSED TO A FUNDED PUBLIC REVENUE BOND-TYPE OF EXPENSE, WHICH IS WHAT J.E.A. IS TRYING TO DO. IN 1974, WHEN THIS CONSTITUTIONAL PROVISION WAS PUT IN, MUCH MORE OF THE POWER INDUSTRY CONSISTED OF THE SMALL ENTITY, THE COOP, THE MUNICIPAL, WHATEVER, THAT GENERATED ITS OWN POWER, DISTRIBUTED ITS OWN POWER OVER ITS TRANSMISSION LINES AND DOWNLOADED IT TO VARIOUS CUSTOMERS RIGHT THERE. THERE WAS VERY LITTLE OF THE LINKING THAT NOW OCCURS.

GOING BACK TO THAT, WHICH IS ASKING A BROADER QUESTION.

YES, SIR.

DO YOU THINK THE DRAFTERS OF THAT PROVISION AND SOME OF THE STATUTORY PROVISIONS WE ARE TALKING ABOUT, HERE, EVER ANTICIPATED THAT A FLORIDA GOVERNMENTAL BODY WOULD BE GOING OUT OF THE STATE AND ENTERING INTO ORGANIZATIONS WITH OTHER GOVERNMENTAL BODIES AND OTHER STATES AND THAT, REALLY, THAT WAS CONTEMPLATED BY ANY OF THE LANGUAGE IN THIS PROVISION OF THE CONSTITUTION? THAT IS THAT I AM -- I MUST SAY, WHEN I SAW THIS INITIALLY, IT STRUCK ME AS HIGHLY OUT OF CONSIDERATION OF ANY OF THE DRAFTERS, THAT THEY WOULD BE GOING OUT OF THE STATE OF FLORIDA AND REALIZING THAT THERE IS, REALLY, NO CHALLENGE TO THAT, BUT I HAVE A CONCERN, AND NOW WHAT WE ARE TALKING ABOUT IS NOT -- IS POTENTIALLY AN EXTENSION OF THAT PAST ENTERING INTO RELATIONSHIPS WITH FOREIGN GOVERNMENTAL BODIES, FOREIGN OUTSIDE THE STATE OF FLORIDA, AND, NOW, PRIVATE BODIES AS WELL, IN SOME WAY, AND SO THIS THING HAS, REALLY, GROWN, AND I AM WONDERING IF THAT ISN'T, REALLY, WAY OUTSIDE THE CONTEMPLATION OF ANY OF THE DRAFTERS OF THAT CONSTITUTIONAL PROVISION.

INTERESTING QUESTION. A COUPLE OF RESPONSES. FIRST OF ALL, AS YOU POINT OUT, THERE IS NO CHALLENGE BELOW NOR HERE, TO THAT ASPECT OF IT, BECAUSE THE ATTORNEY GENERAL'S

OPINIONS, IN CASES WE HAVE RELIED UPON, SET FORTH THAT A SUBDIVISION OF NOT ONLY THIS STATE BUT ANY STATE IS NOT A CORPORATION PARTNERSHIP ASSOCIATION OR INDIVIDUAL, WITHIN THE PRO DESCRIPTIONS OF ARTICLE -- PROSCRIPTIONS OF ARTICLE VII, SECTION 10, SO WHILE I UNDERSTAND THAT IT IS A 1980 PERSPECTIVE TO HAVE THIS GOING ON, I THINK THE LAW, WITH RESPECT TO OUR FOREIGN STATES, WITHIN THE PROSCRIPTION OF FOREIGN STATE, I THINK IT IS NOT. NUMBER TWO, DO I THINK THAT THE LEGISLATURE WAS THINKING ABOUT THE ELECTRICAL PROSCRIPTION IN 2001, I DOUBT, IT BECAUSE THE WORLD OF DISTRIBUTION HAS COMPLETELY CHANGE. AS ONE OF YOU SAID, AND I FORGET WHO IT WAS AND I APOLOGIZE, THIS IS A GROUP OF ORGANIZATIONS, LEG TRICK UTILITIES -- ELECTRIC UTILITIES, WHO ARE TRYING TO AVOID THE PROBLEMS OF THE 2000 YEARS. THIS ISN'T FLORIDA POWER & LIGHT COMPANY. THIS IS THE J.E.A. AND OTHER MUNICIPALS LIKE THAT, TRYING TO BAND TOGETHER, AS MUNICIPALS, TO SAY HOW CAN WE SURVIVE THE NEXT CHANGE, AND ONE OF THE WAYS THAT WE THINK WE CAN IS TO BROADEN THE BASE. WILL IT INCLUDE SOME PRIVATE ENTITIES? WE THINK SO, BECAUSE TO GET THE AYES UP TO WHERE WE -- TO GET THE SIZE UP TO WHERE WE NEED TO SURVIVE IN TOMORROW'S ELECTRICAL WORLD, WE NEED TO DO THAT ACROSS STATE LINES. WAS IT CONTEMPLATED IN 1974? I CAN'T HONESTLY SAY THAT IT WAS. I AM SORE, JUSTICE QUINCE.

THIS -- I AM SORRY, JUSTICE QUINCE.

THIS \$15 MILLION BOND, HOW OBVIOUS IS IT CONTEMPLATED THAT YOU WOULD HAVE THESE KINDS OF BONDS, OR IS THIS SUPPOSED TO LAST FOR A CERTAIN PERIOD OF TIME OR JUST WHAT?

I WOULD HOPE THAT NEVER MORE THAN ONCE. PUBLIC UTILITIES, AS A GENERAL RULE, AREN'T ON THE LIST EVENT ITS GOING BELLY-UP DAY-TO-DAY. NOW, CALIFORNIA IS ADMITTEDLY HAVING SOME PROBLEMS RIGHT NOW, BUT WITH GUARANTEED RATES OF RETURN BY REGULATED INDUSTRIES IN VARIOUS STATES, THERE AREN'T MANY OF THESE THAT AREN'T HONORING THEIR OBLIGATIONS, SO AT PRESENT, YOU KNOW, \$15 MILLION IS AN ESTIMATE OF THE POSSIBLE NEED FOR SOMETHING LIKE THIS. COULD IT BE LARGER? SURE. COULD IT BE SMALLER? ABSOLUTELY. WE WOULD CERTAINLY HOPE THAT IT WOULD BE. BUT I DON'T THINK --

YOU ARE CONTEMPLATING THIS AS AN ONE-TIME --

I CAN'T SAY THAT WE ARE CONTEMPLATING THAT BECAUSE OF THE PRESENT. WE DON'T KNOW HOW BIG THIS IS GOING TO GET, BUT I DON'T BELIEVE THERE IS ANY RECORD SUPPORT FOR THIS IS JUST A CAP HE WILL'S NOSE UNDER THE TENT AND TOMORROW THERE IS GOING TO BE \$100 MILLION BOND OFFERS. I DON'T BELIEVE THAT THAT IS, AT ALL, THE CONTEMPLATION OF THE PARTIES.

WHAT SAFEGUARDS ARE IN PLACE TO MAKE SURE THAT DOESN'T HAPPEN?

BECAUSE THIS SYSTEM IS MANAGED BY THE UTILITIES, THEMSELVES, THE MUNICIPAL UTILITIES. THE WHOLE IDEA IS THAT, AS PUBLIC REPRESENTATIVES, YOU KNOW, MUCH AS MR. KIM BREL IS HERE -- MR. KIMBRELL IS HERE, THEY ARE CHARGED WITH PROTECTING THEIR CUSTOMERS FIRST. THE CHARGE OF UTILITIES IS TO PROVIDE LOW-COST POWER TO ITS PEOPLE.

BUT THIS IS APPROVED.

YES, SIR.

AS TO MEETING CONSTITUTIONAL MUSTER, THERE IS, IN EFFECT, THAT IS LEFT UP TO THE POLITICAL DECISIONS OF THESE MUNICIPALITIES, CORRECT?

I MEAN, THERE ISN'T ANY STATUTORY RESTRAINT.

NO. THERE IS NO STATUTORY RESTRAINT. THERE IS GOOD STATUTORY SUPPORT, BY WAY OF

CONSTRUCTION OF THE '74 AMENDMENT, IN CHAPTER 163, THE INTERLOCAL COOPERATIVE ACT, WHICH DOES TAKE THE 1974 LANGAND CONSTRUCTION OF THE ORIGINAL CONSTITUTIONAL PROVISION, AND INTERPRET IT.

HOW MANY MEMBERS OF T.E.A., NOW, SIX?

OF THE T.E.A., THERE ARE SIX MEMBERS, TODAY, I BELIEVE.

AND J.E.A. IS JUST ONE.

J.E.A. IS JUST ONE.

ALREADY THE BALANCE OF POWER IS NOT WITH J.E.A.. AND SO THE CONTROL IS NOT, REALLY, WITH J.E.A. AT ALL, ANYWAY, IS IT?

I CAN'T -- I DON'T KNOW THE RELATIVE SIZE OF ALL OF THE ENTITIES. A SECOND ENTITY IN FLORIDA IS THE CITY OF GAINESVILLE'S MUNICIPAL ELECTRICAL FACILITY. THE OTHER FOUR MEMBERS ARE OUT-OF-STATE. MISSOURI, NEBRASKA, GEORGIA AND SOUTH CAROLINA, AND I DON'T -- CERTAINLY THE RECORD DOESN'T SUGGEST AND I DON'T FEEL COMFORTABLE WITH TELLING YOU PRECISELY WHAT THE CONTROL POWER IS, BUT, NO, WE ARE NOT HERE BEFORE YOU TO SAY THAT THIS IS J.E.A.'S BABY. WE ARE SIMPLY HEAR HERE BECAUSE, AS ONE OF THE MEMBERS OF T.E.A., WE HAVE BEEN CALLED UPON BY THE MARKET AND BY OUR OWN AGREEMENT AMONG OURSELVES, TO PUT UP GUARANTEES. THEY ARE IN PLACE TODAY. WE ARE LOOKING AT TOMORROW AND SAYING THAT, IF THIS ENTITY IS GOING TO GROW AND PROVIDE POWER FOR THE YUK PEOPLE OF FOR -- FOR THE YOUNG PEOPLE OF FLORIDA, AS THEY GROW IN FLORIDA.

IS THIS COMMON? THAT IS, ARE THERE OTHER ARRANGEMENTS LIKE THIS ACROSS THE COUNTRY THAT HAVE A TRACK RECORD?

I KNOW OF NONE. BY NO MEANS IS THIS WAY OUT THERE IN LEFT FIELD, BUT I THINK IT IS A SMALL STEP FROM WHERE WE ARE TODAY. I DO NOT KNOW OF ANY COMPARABLE FLORIDA ORGANIZATION THAT IS --

SO THIS IS AN ONGOING CREATIVE WAY TO RESPOND TO THE NEEDS OF THE CITY. IS THAT --

NO QUESTION. I THINK, IN 1997, WHEN 24 CONCEPT BEGAN, THE T.E.A. -- WHETHER THIS CONCEPT BEGAN, THE T.E.A. CONCEPT, I DON'T THINK THEY PLANNED TO DO WHAT THEY ARE DOING NOW, IT THIS WHEELING OF POWER, THIS OPERATION OF THE DISTRIBUTION SIDE OF THE SYSTEM, BY TAKING EXCESS POWER AND SEEING WHO HAS EXCESS NEEDS AND DEALING WITH IT. I DON'T BELIEVE THAT WAS IN THE PLAN, SO IT IS IN THE PROCESS.

WHAT TYPE OF LEGAL ENTITY IS T.E.A.?

T.E.A. IS A NONMEMBERSHIP, NONCORPORATE GEORGIA CORPORATION, SOMEWHAT LIKE A NONPROFIT CORPORATION.

IT IS A CORPORATION. IT IS REGISTERED AS A CORPORATION IN GEORGIA, YOU SAY?

YES, SIR. IT IS A GEORGIA CORPORATION. THAT'S CORRECT. IT IS NOT A STOCK CORPORATION, BUT IT IS A MEMBERSHIP CORPORATION. IN OTHER WORDS, THE T.E.A. IS A MEMBER OF THIS ENTITY. THE BYLAWS OF THE ORGANIZATION ARE IN THE MATERIALS ATTACHED TO THE COMPLAINT, AND IT IS A RECOGNIZED GEORGIA CORPORATION. AGAIN, RESPECTFULLY, WITHOUT A WHOLE LOT OF CONTROVERSY, AN INSTRUMENTALITY OF ITS MEMBERS, THE MEMBERS, ALL, BEING MUNIES PALS, THE INSTRUMENTALITY, I.E. THE T.E.A., TAKES ON THAT SAME POSITION.

YOU WOULD AGREE, DESPITE OF THE FACT THAT THE ARRANGEMENT STARTED OUT NOT IN VIOLATION OF THE CONSTITUTION, BUT THAT, BY REASON OF SOME CHANGE IN THE STRUCTURE, BY LAWS OR WHATEVER, BECAME IN VIOLATION OF THE CONSTITUTIONAL PROVISION, THAT THE VIOLATION WOULD BE JUST AS EFFECTIVE, IN TERMS OF PROHIBITING THE PARTICIPATION BY J.E.A..

I THINK WE ARE SAYING EXACTLY SAME THING. YES. IF, TOMORROW, IF YOU VALIDATE THESE BONDS AND APPROVE THIS, TODAY, AND TOMORROW THE T.E.A. TAKES ON A TOTALLY DIFFERENT CHARACTER, AND IS NO LONGER A -- WELL, LET ME BACK UP. IT MAY, VERY WELL, RESULT IN A DIFFERENT LOOINGS. -- DIFFERENT CONCLUSION. CERTAINLY THE FIRST PRONG OF THE ARGUMENT, THE ONE THAT YOU HAVE SPOKEN ABOUT, AND THAT IS WHO ARE WE EXTENDING OUR CREDIT TO, AND THE ANSWER IS THE T.E.A., A GOVERNMENTAL ENTITY. THAT ARGUMENT WOULD DISAPPEAR, IF THE T.E.A., TOMORROW, BECAME A PRIVATE CORPORATION ON THE NEW YORK STOCK EXCHANGE, WITHOUT QUESTION. IT WOULD NOT NECESSARILY, HOWEVER, CHANGE THE SECOND PRONG, WHICH IS THE PARAMOUNT PURPOSE BEING THE BENEFIT OF THE MUNICIPALITIES, AND CERTAINLY IT WOULD NOT CHANGE THE THIRD, WHICH IS THAT THIS IS, UNDER THE CONSTITUTION, ARTICLE VII, SECTION 10-D, THE JOINT OPERATION OF THIS ELECTRICAL ENERGY FACILITY.

THANK YOU, MR. REAGANSDORF. YOUR TIME IS UP. REBUTTAL?

I LISTENED TO MR. REAGANSDORF, AND I JUST HAVE A COUPLE OF POINTS THALED LIKE TO MAKE. WITH REGARD TO THE GUARANTEES AND THE QUESTIONS THAT WERE RAISED ABOUT THEM, IT IS NOT MY UNDERSTANDING THAT THE GUARANTEES WERE EVER A PART OF THE ORIGINAL REQUIREMENT OF THE DOCUMENTS AND THE CHARTERS AND SO FORTH THAT CREATED T.E.A.. THIS WAS SOMETHING THAT T.E.A. CAME UP WITH AND DECIDED, VOLUNTARILY, THAT THEY WOULD PUT FORWARD THESE GUARANTEES, IN ORDER TO ATTRACT BUSINESS.

BUT THAT WAS THE INDIVIDUAL MEMBERS OF T.E.A., WHO HAD TO AGREE TO --

THEY DID, BUT MY POINT IS --

-- THESE GUARANTEES.

-- INSOFAR AS J.E.A. WENT ALONG WITH THIS, J.E.A. COMMITTED ITSELF TO THE GUARANTEES, WITHOUT, FIRST, HAVING THE BOND ISSUE TO BACK UP THE GUARANTEE. THERE WAS A QUESTION AS TO WHAT WOULD HAPPEN, IF THE BOND ISSUE WERE NOT APPROVED. MR. REAGANSDORF INDICATED THAT SOMEBODY WOULD HAVE TO COME FORWARD WITH CASH, TO DO THE BACKING UP, INSTEAD OF THE BONDS.

WHAT WERE THE ORIGINAL -- AS I UNDERSTAND, THERE WAS AN ORIGINAL BOND ISSUE OF \$500,000?

YES, MA'AM.

AND THAT WAS FOR WHAT PURPOSE?

IT WAS, REALLY, JUST TO FUND A NORMAL DAY-TO-DAY CREATION OF THE T.E.A., TO GET IT OFF THE GROUND, TO GET IT STARTED, SET UP OFFICES AND SO FORTH. AND IT WAS NEVER I SHOULD. - - IT WAS NEVER ISSUED. J.E.A. MANAGED TO COME UP WITH THE FUNDS, CASH AND PETTY CASH, TO DO THAT. SO AS FAR AS THE BONDS, THE BONDS WERE APPROVED, BUT THEY NEVER HIT THE STREET. THE STATE WOULD HAVE JUST ABOUT AS MUCH PROBLEM WITH COMING UP WITH \$15 MILLION CASH OUT OF J.E.A., TO BACK UP AND SECURE ABRUPT PRIVATE CORPORATION IN NEW YORK OR -- TO SECURE A ABRUPT CORPORATION IN NEW YORK. IT WOULD HAVE TO PROVIDE THE BONDS.

WOULD THAT BE UNDER THE SAME CONSTITUTION PROVISION THAT IS WE ARE DEALING WITH, IF THEY CAME IN AND OBJECTED TO THAT?

IT WOULD AND DERIVATIVE OF THE TAXING POWER OF THE STATE. ARTICLE VII, SECTION 10, FORGIVES THE LENDING OR USEFUL THE STATE'S TAXING POWER TORO TORO-PROHIBITS ANY LENDING OR USE OF THE STATE'S TAXING POWER. IT WOULD BE SOUGHT TO BE TRANSFERRED FROM JACKSONVILLE TO NEW YORK, TO BACK UP A ABRUPT PRIVATE CORPORATION.

THANK YOU. THE COURT WILL TAKE A FIVE FIVE-MINUTE RECESS AT THIS POINT, AND OUR NEXT CASE, FOLLOWING THE FIVE-MINUTE RECESS, WILL BE PERRY VERSUS STATE. THE MARSHAL: PLEASE RISE.