

**JEA BOARD
MINUTES
January 22, 2019**

The JEA Board met in regular session on Tuesday, January 22, 2019, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Alan Howard, Frederick Newbill, Kelly Flanagan, April Green and Camille Johnson. John Campion was absent and excused.

Agenda Item I – Welcome

- A. The meeting was **called to order** at 12:01 PM by Chair Howard.
- B. A **Moment of Reflection** was observed by all.
- C. The **Pledge of Allegiance** was led by Chair Howard.
- D. **Adoption of Agenda** – The agenda was approved on **motion** by Ms. Johnson and second by Secretary Newbill.
- E. The **Safety Briefing** was given by Aaron Zahn, Managing Director/Chief Executive Officer.
- F. **Sunshine Law/Public Records Statement** – Jody Brooks, Office of General Counsel (OGC), stated this Board Meeting is being held in compliance with Florida’s Government in the Sunshine Law, §286.011. The complete statement can be found in section I. F. of the Board package.

Agenda Item II – Presentations and Comments

- A. **Comments from the Public** - none
- B. **Council Liaison’s Comments** – Council Member Schellenberg stated Aaron Zahn and Ryan Wannemacher met with him and had a great discussion, looking forward to more in the future.

Agenda Item III – Operations (Discussion / Action)

- A. **Consent Agenda** – used for items that require no explanation, discussion or presentation and are approved by one motion and vote. On **motion** by Ms. Green and second by Secretary Newbill, Appendix A and D were unanimously approved and Appendix B, C, E and F were received for information.

Appendix A: Board Meeting Minutes, December 11, 2018 – approved

Appendix B: Monthly Financial Statements – received for information

Appendix C: Monthly FY19 Communications & Engagement Calendar and Plan Update – received for information

Appendix D: Guiding Principles – approved

Appendix E: Sole Source & Emergency Procurement/Procurement Appeals Board Report – received for information

Appendix F: Protection of JEA Infrastructure from Third Party Damage – received for information

B. Dashboard – Melissa Dykes, President & Chief Operating Officer presented the financial results and focused on the highlights from the report, those being:

- JEA achieved 1st quartile ranking in the JD Power Customer Satisfaction Index for business and residential customers for the first quarter of 2019.
- Grid performance for the electric and water systems have been outstanding over the last month.
- Referring back to the consent agenda, Appendix F is in response to Board Member questions related to damage to JEA infrastructure by 3rd party vendors and Ms. Dykes will take any questions from Board Members on the report.
- Generation Fleet Reliability is listed in the area of Financial Values as it allows us to optimize fuel spend. Currently, JEA is not on track due to Northside Unit 2 not operating at full capacity and issues are being worked.
- Under Community Impact Value, safety has improved year over year, but lagging behind the 1.2 target set for the year.
- Environmental Impact has been mostly good as nitrogen discharge performance is good; the number of sanitary sewer overflows (SSOs) are higher than desired, but total volume is down almost 90% over last year.
- After some initial concern, it now seems that mild winter weather has helped the electric fuel fund to remain at a level sufficient enough to negate a need for a rate increase.

This item was received for information by the Board.

C. Corporate Headquarter – Campus Update – Nancy Kilgo, Director Government Affairs, Chair Howard advised this is for information purposes only and advised the Board to refrain from questions or discussions at this point. The Chair also discussed the procedures for the February 5th Special Board Meeting and advised that the shortlist would be provided today and JEA would ask the candidates to provide documentation that could be shared publicly, which is out of the ordinary procurement process. Chair Howard also advised there would be a time of public comment at the beginning of the February 5th Special Board Meeting. Ms. Kilgo advised that JEA evaluated proposals from six bidders seeking the opportunity to develop JEA's new downtown campus. Ms. Kilgo also advised that, after evaluation by staff, including input from JEA subject matter experts, three bidders have been chosen to continue the procurement process and provided the short list of bidders and locations, which are:

- Jacksonville 1-C Parcel One Holding Company – Lot J, Bay Street
- Kings Avenue Station P3, LLC – Kings Avenue Station
- Ryan Companies US, Inc. – 325 West Adams Street

Ms. Kilgo advised of the process going forward in anticipation of the February 5th meeting. This item was received for information by the Board.

D. JEA's Procurement and Jacksonville Small and Emerging Business (JSEB) Programs Report – John McCarthy, VP & Chief Supply Chain Officer, thanked the JEA team for the excellent results he reports today. Mr. McCarthy reported that JEA exceeded its total procurement savings goal with a savings of \$10.5 million vs. a goal of \$7.5 million and advised of total cost savings and total sourcing savings results. Mr. McCarthy report JSEB spend of \$15.8 million vs. a goal of \$13.0 million and advised

that JEA will be looking to our successful JSEB companies to support and help facilitate opportunities for other aspiring new and smaller JSEBS. JEA needs to bring in new JSEB companies in order to continue to see the JSEB spend trend upward. Mr. McCarthy advised of targeted outreach to enhance the pool of potential JSEB bidders for FY19 opportunities. This item was received for information by the Board.

Agenda Item IV – Strategy (Discussion Only)

A. Strategic Planning – Aaron Zahn, Managing Director & CEO, introduced Anton Derkach from McKinsey & Company and gave an overview of the purpose and groundwork for the strategic planning for JEA. Mr. Derkach advised that changes in technology, public policy, customer preferences and capital markets are bringing significant impact to the entire utility industry and to JEA. Mr. Derkach advised that JEA will be compelled to make internal changes and he presented the 7 core principles to create an effective strategic plan. He provided the five-phase plan and indicated the proposed dates and JEA’s current status. The phases of JEA’s strategic plan are:

- Stabilize JEA, develop framework and guiding principles (completed)
- Establish current state of “baseline”, develop aspirational goals
- Develop portfolio of initiatives to meet targets
- Finalize executable plan with near term actions and long term options
- Align JEA, stakeholders and Charter with long term plan

Mr. Derkach advised an economic baseline is not sufficient, but JEA must also have a baseline on organizational health and that organizational health must be managed with the same rigor as performance. He described McKinsey’s proprietary survey, the extent it has been used internationally and advised the Board there is currently over 70% participation in the survey. The results of the survey will allow JEA staff to provide a complete report as to the health of the company on a regular basis to the Board. This item was received for information by the Board.

Agenda Item V – Subject Matter Exploration (Opportunities & Risks – Presentation)

A. Demand Pricing Pilot Update – The Future Platform – Ryan Wannemacher, CFO and Kerri Stewart, VP & Chief Customer Officer, presented that the JEA Demand Pricing initiative is the services pricing platform that will align JEA with the new and emerging energy technologies and customer preference of the future. Mr. Wannemacher advised that existing electric pricing platforms throughout the industry recover the fixed costs associated with the capital-intensive electric service infrastructure via a variable, consumption-based charge, which is neither optimal nor equitable because it does not adequately allocate costs to the cost causers. He further advised that recovering infrastructure-related costs through a demand charge allows higher costs be levied on customers that place a higher demand on the infrastructure. Ms. Stewart provided examples of demand pricing including Starbucks, Ticketmaster, miles on Delta or Florida resident discount passes at Disney; however, JD Power has found when rates are forced on customer, satisfaction can be impacted, but with proactive communication and customer control this can become a positive. Mr. Wannemacher reviewed the demand pricing model and the historical importance of using demand now vs. the consumption model of the past and presented key learnings from the demand rate pilot program. Ms. Stewart went over next steps and invited Board Members to participate in the program to gain feedback on rate and the new technology.

Mr. Wannemacher presented the program timeline, the opt-out and other future initiatives. The Board held discussions with staff regarding this program. This item was received for information by the Board.

Agenda Item VI – Committee Reports

- A. Compensation Committee** – Ms. Johnson, Interim Chair provided the report for the Compensation Committee meeting and provided an introduction for the JEA Total Compensation Philosophy and its importance to the organization.
- 1. Approval of Minutes** – May 14, 2018 – received for information
 - 2. JEA Total Compensation Philosophy (TCP)** – Aaron Zahn, Managing Director/CEO, presented the goal of the Total Compensation Philosophy is to align results with JEA corporate values: Customer Value, Financial Value, Community Impact Value and Environmental Value. Mr. Zahn advised that the Guiding Principles and the Corporate Values will be used to drive behaviors and create metrics for each person in the organization. He further advised that every person's performance is now tied to the dashboard, therefore, review of the dashboard is a review of the performance of every employee. The TCP will seek to elevate the entire team, ensuring the compensation philosophy is aligned with JEA's Guiding Principles, encouraging long-term culture of value creation, establishing a formal compensation policy to align behavior to the four corporate measures of value and market-based compensation and to ensuring policy promotes collaboration to drive vision and mission. Mr. Zahn provided a definition for total compensation and a re-evaluation of the Board policy to incentivize values and advised that the compensation would still be in the 50th percentile, but will include short term and long term incentives to attract and retain talent. Upon **motion** by Interim Committee Chair Johnson and second by Ms. Flanagan, the Board held discussions around the philosophy and voted unanimously to adopt the revised Board Policy Manual, policy 2.7 as included in the materials.
 - 3. 5-to-5 Innovation Program** – Melissa Dykes, President & Chief Operating Officer, presented the 5-to-5 Innovation Incentive Program, which is designed to empower employees to make ideas a reality, to incentivize behavior around ideas and to align ideas with JEA's corporate measures. Ms. Dykes described the program and advised the Board on the process and the incentives, which range from \$500 to \$5,000 for implemented ideas, based on scope, cost savings, and/or revenue generation.
 - 4. Executive Contract** – Ms. Johnson, Interim Chair advised the Board of Aaron Zahn's contract, which is due to expire, and a red-line extension contract with substantially the same language to be put into place until such time as the new compensation structure is in place. The Board Members held discussions regarding the contract with the CEO executive search firm and deferring Mr. Zahn's contract. Chair Howard advised the Board that, based on a conversation with the firm, they are holding their contract open pending finalization of Mr. Zahn's contract. Upon **motion** by Interim Committee Chair Johnson and second by Ms. Green, the Board voted unanimously to extend Mr. Zahn's present contract to July 31, 2019. *At this time, Committee Chair Johnson also presented a motion on the Total Compensation Philosophy, which will be documented at the original location within the agenda.*

5. Next Meeting- Schedule As Appropriate

Agenda Item VII – Other Business

A. Old Business – N/A

B. Other New Business – N/A

C. Open Discussion –

1) Ms. Brooks advised Chair Howard has upcoming travel for the ratings agency, which requires Board approval. Upon **motion** by Secretary Newbill and second by Ms. Green, the Board unanimously approved Chair Howard’s upcoming travel.

D. Managing Director/CEO’s Report – Aaron Zahn, Managing Director/CEO

Mr. Zahn advised that JEA had an untimely loss of an employee and, while it was not in the course of JEA business, it is a loss to the JEA family and a moment of silence was requested and observed.

E. Chair’s Report – Chair Howard advised that we are saddened to receive Vice Chair Cumber’s resignation, as his wife is running unopposed for City Council and he wishes to eliminate any perceived conflict of interest. Chair Howard further reported that Mr. Champion’s health is improving and he could return soon. Ms. Stewart was asked to summarize JEA programs which can assist customers in times of need, especially given the federal shutdown. Chair Howard thanked JEA for its sponsorship of “Free Day at the Cumber” and advised that over 1,000 people had participated. He further advised the Board that, after a quick survey, it has been noted that the Board Members would prefer earlier Board times and announced future regular Board meetings would occur from 9:00-12:00. The Chair turned the mic over to Melissa Dykes to introduce Caren Anders, VP/General Manager, Energy, who gave her background and indicated it is honor to work with the team. Mr. Zahn advised of the new addition of Julio Romero Aguero, new Chief of Innovation and Transformation, who will begin on February 4th.

Agenda Item VIII – Closing Considerations

A. Announcements – Special Board Meeting – February 5, 2019

Regular Board Meeting – February 26, 2019

B. Adjournment

With no further business claiming the attention of the Board, Chair Howard adjourned the meeting at 1:41 PM.

APPROVED BY:

SECRETARY
DATE: _____

Board Meeting recorded by:

Cheryl W. Mock, Executive Assistant