

JEA
BOARD MINUTES
August 21, 2018

The JEA Board met in regular session on Tuesday, August 21, 2018, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Vice Chair Husein Cumber, Secretary Frederick Newbill, Kelly Flanagan, Camille Johnson and John Campion. Board Chair Alan Howard attended telephonically. April Green was absent and excused. The Board Meeting was led by Board Vice Chair Cumber.

Agenda Item I – Welcome

- A.** The meeting was **called to order** at 12:00 PM by Vice Chair Cumber.
- B.** A **Moment of Reflection** was observed by all.
- C.** The **Pledge of Allegiance** was led by Vice Chair Cumber.

At this time, Board Vice Chair Cumber welcomed Council Liaison Matt Schellenberg at the table in observance and clarified the Council Liaison will not be voting.

- D.** **Adoption of Agenda** – The agenda was approved on **motion** by Ms. Flanagan and second by Ms. Johnson.
- E.** The **Safety Briefing** was given by Aaron Zahn, Interim 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 – Public Hearing

Public Hearing to request an extension of the Economic Development Program (EDP) application date by one year to September 30, 2019, which will allow for additional customers to grow and expand in Northeast Florida.

Vice Chair Cumber suspended the JEA regular Board Meeting at 12:04 PM.

The JEA Board held a public hearing on August 21, 2018, as duly noticed in the Florida Times-Union to consider, as advertised:

1. Modifications to the JEA Electric Tariff Documentation extending the availability of the Economic Development Rider.
- A.** **Call to Order and Comments from the Chair – The Public Hearing was called to order at 12:04 PM by Vice Chair Cumber.**
 - B.** **Staff Presentation and Board Discussion** – Ryan Wannemacher, Interim Chief Financial Officer, presented an overview of the Economic Development Program and the current status, and requested the Board to extend the program application date by one year to September 30, 2019, which will allow for additional customers to grow and expand in Northeast Florida.
 - C.** **Comments from the Public** – Jerry Mallot, JAXUSA Partnership, addressed the Board regarding an extension of the Economic Development Rider to three years.

Vice Chair Cumber adjourned the Public Hearing at 12:11 PM.

Agenda Item III – Action on Public Hearing

- A. Public Hearing to Modify the Electric Tariff Documentation and Rate Document –** On **motion** by Ms. Flanagan and second by Mr. Campion, Board Members held discussions. With the proposed friendly amendment by Vice Chair Cumber and second by Ms. Flanagan, Board Members unanimously approved to extend the Economic Development Rider to three years to September 30, 2021 and authorized staff to take any necessary administrative actions to implement the approved JEA Electric Tariff Documentation modifications.

RESOLUTION 2018-06

A RESOLUTION REGARDING RATE SCHEDULE CHANGES AND ADDITIONS TO THE EXISTING ELECTRIC TARIFF DOCUMENTATION AND WATER AND SEWER RATE DOCUMENT; CONDUCTING A PUBLIC HEARING AND FINDING THE MODIFICATIONS OF THE TARIFF DOCUMENTATION AND RATE DOCUMENT TO BE REASONABLE; IMPOSING THESE MODIFICATIONS FOLLOWING THE PUBLIC HEARING; PROVIDING FOR THE IMPLEMENTATION OF THESE MODIFICATIONS, AND PROVIDING FOR AN EFFECTIVE DATE.

Agenda Item IV – Comments/Presentations

Frederick Newbill arrived at 12:18 PM.

- A. Comments from the Public –**
1. David Bruderly addressed the Board regarding economic development.
- B. Council Liaison’s Comments –** The Honorable Matt Schellenberg thanked Mr. Zahn, Mr. Wannemacher and Mr. Pope for meeting with him regarding the financial commitment to the City of Jacksonville for septic tank phase-out.
- C. Office of the Mayor Liaison’s Comment –** Dr. Johnny Gaffney was not in attendance.

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 Secretary Newbill and second by Ms. Green, Appendix A was unanimously approved and Appendix B and C were received for information.

Appendix A: Board Meeting Minutes July 30, 2018 – approved

Appendix B: Monthly Financial Statements – received for information

Appendix C: Monthly FY18 Communications & Engagement Calendar and Plan Update – received for information

- B. 2019 Proposed Board of Directors Meeting Schedule –** Mr. Zahn, Interim Managing Director/Chief Executive Officer, presented two options for the 2019 JEA Board

Meeting schedule. On **motion** by Mr. Campion and second by Ms. Johnson, the Board unanimously approved Plan B, which would schedule Board Meetings on the fourth Tuesday of each month, with the exception of the November and December meetings. Additionally, Finance and Audit Committee Meetings will be scheduled accordingly to follow Plan B.

- C. Strategic Framework** – Aaron Zahn, Interim Managing Director/Chief Executive Officer, presented as a follow-up to the May, June, and July Board Meetings, the strategic framework was created to align the Board, City Council, and Mayor, as it is critical to JEA’s success. Mr. Zahn stated the strategy will be guided by and evaluated against four basic corporate measures of JEA’s value including: value to the customer, financial value, community impact value, and environmental value. Mr. Zahn added that within the areas of corporate measures, JEA can define quantitative measures that can be used to create internal and external alignment, while being transparent about JEA’s performance. Mr. Zahn extended his appreciation to the Board for their input, as well as the Senior Leadership Team. Board Chair Howard noted the Strategic Framework has been revised and input received from multiple Board Members and the entire Senior Leadership Team over the last few months. On **motion** by Secretary Newbill, and second by Ms. Flanagan, the Board unanimously approved the Strategic Framework.
- D. Southside Capital Allocation** – Aaron Zahn, Interim Managing Director/Chief Executive Officer, was joined by Ryan Wannemacher, Interim Chief Financial Officer. Mr. Zahn stated staff has reviewed multiple avenues for the utilization of proceeds from the sale of the Southside Generating Station. Staff has completed the analysis of various options to utilize the proceeds including early debt retirement and Capital Improvement Program. The recommended contribution of \$15 million for water and wastewater expansion is aligned with JEA’s four core areas of value including: value to the customer, financial value, community impact value, and environmental value. Mr. Zahn provided an overview of the impact of contributing \$15 million to expand the water and wastewater business including a 2.5% return, increasing in JEA’s customer base, addressing a long standing issue, improving nutrient pollution and driving growth to the business. Mr. Zahn noted this recommendation has been reviewed with the rating agencies. A review of the Contribution Agreement and the Inter-agency Agreement with the City of Jacksonville was provided. On **motion** by Secretary Newbill and second by Ms. Johnson, Board Members held discussions and unanimously approved the draft resolution. Council Liaison Schellenberg stated he is working with Mayor Curry to make certain an ordinance is in place to ensure the proceeds are completely dedicated to the water and wastewater expansion. Council Liaison thanked JEA, City of Jacksonville administration, and the City of Jacksonville Public Works for their contribution.

RESOLUTION 2018 – 12

A RESOLUTION OF JEA AUTHORIZING MANAGEMENT TO PREPARE AN INTERAGENCY AGREEMENT BETWEEN JEA AND THE CITY OF JACKSONVILLE (“CITY”) FOR A ONE TIME CONTRIBUTION OF \$15,000,000 OF THE PROCEEDS FROM THE DECOMMISSIONED SOUTHSIDE GENERATING STATION REAL ESTATE TRANSACTION FROM JEA TO THE CITY; NEGOTIATE CONTRIBUTION AGREEMENT EXTENSION; PROVIDING AN EFFECTIVE DATE.

- E. Monthly Financial and Operations Report** – Melissa Dykes, President/Chief Operations Officer and Ryan Wannemacher, Interim Chief Financial Officer, presented the monthly Financial and Operations Report. Ms. Dykes reviewed the operations scorecard, financial results and cost metrics, sales and safety metrics for the electric systems and water and wastewater systems, as well as J.D. Power results. Mr. Wannemacher provided a financial update including key financial metrics, financial results and cost metrics. This presentation was received for information.

Agenda Item VI – Strategy (Discussion Only)

- A. Corporate Headquarters** – Melissa Dykes, President/Chief Operations Officer stated this is a follow-up to the July 20, 2018 presentation. Within the Board package, staff provided a proposed criteria and weighting based on feedback provided at the July Board meeting. Ms. Dykes noted this revised scorecard incorporates the recommendations from last month's Board meeting. Board Members held discussions and provided feedback on the JEA Campus Criteria Summary. Ms. Flanagan recused herself from discussions.
- B. Transition Plan Update** – Aaron Zahn, Interim Managing Director/CEO provided an update on the transition plan. Mr. Zahn stated now that the strategic framework is approved, the next step is to engage a strategic consultant to initiate the strategic plan process. Staff has gone out to bid and has received responses. Staff will review the proposals, award the bid, and bring back to the Board at the September 18, 2018 JEA Board Meeting. Mr. Zahn reviewed the points of progress and concern and expressed appreciation to staff. This presentation was received for information.

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

- A. Integrated Distributed Energy Resources (iDER)** – Mike Brost, Vice President/General Manager, Electric Systems & Lucas McIntosh, Burns & McDonnell, provided a presentation on Integrated Distributed Energy Resources. Mr. Brost reviewed the difference between a traditional generation and distribution utility versus an iDER Generation and Distribution utility, as well as the potential impact of solar photovoltaic to net income, a review of current iDER customers, the evolution of iDER at JEA, rate approaches, grid modernization customer choices and strategic planning. Mr. Brost introduced Lucas McIntosh with Burns McDonnell.

Due to a scheduling conflict, Chair Howard provided the Chair's Report and exited the call at 1:22 PM. Chair Howard's comments are noted under agenda item IX. F within the minutes.

Mr. McDonnell reviewed integrated distributed energy resources, load management, price incentives, distributed generation and utility challenges with distributed energy resources. This presentation was received for information.

Mr. Campion exited the meeting at 1:54 PM.

Agenda Item VI – Committee Reports

- A. Finance & Audit Committee** – Kelly Flanagan, Committee Chair reviewed the Finance and Audit Committee meeting held on August 13, 2018.
1. Approval of Minutes – May 7, 2018 – On **motion** by Ms. Flanagan and second by Secretary Newbill, the minutes were approved.
 2. Approval of Annual Internal Audit Plan – On **motion** by Ms. Flanagan and second by Secretary Newbill, the annual internal audit plan was approved.
 3. Annual Approval of Internal Audit Charter – On **motion** by Ms. Flanagan and second by Secretary Newbill, the internal audit charter was approved.
 4. Quarterly Audit Services Update – received for information
 5. Ethics Officer Quarterly Report – received for information
 6. Ernst & Young FY2018 Annual Financial Audit Plan – On **motion** by Ms. Flanagan and second by Secretary Newbill, the FY2018 Annual Financial Audit Plan was approved.
 7. Electric System and Water and Sewer System Reserve Fund Quarterly Report – received for information
 8. JEA Investment Policy – Revision to Authorized Investment – On **motion** by Ms. Flanagan and second by Secretary Newbill, the JEA Investment Policy was approved.
 9. JEA Energy Market Risk Management Policy Report – received for information
 10. Next Meeting, December 3, 2018
 11. Committee Discussion Session
 - a. Ernst & Young – John DiSanto
 - b. Director, Audit Services – Steve Tuten
 - c. Council Auditor’s Office – Jeff Rodda

Agenda Item IX – Other Business

- A. Old Business – None**
- B. Other New Business** – Secretary Newbill reported the first annual Jacksonville Small and Emerging Business (JSEB) Summit was held on August 16, 2018 and was a great success. Secretary Newbill thanked Mr. Zahn for moving forward with the effort to improve the community with the expansion of the water and wastewater services.
- C. Open Discussion – None**
- D. Interim Managing Director/CEO’s Report** – Mr. Zahn provided a review of the following items:
- a. Jacksonville Small and Emerging Business Program
 - b. August is Linemen Appreciation Month
 - c. Employee Appreciation Day at the Jumbo Shrimp game

- d. Blacksford Wastewater Treatment Plant is up and running. Mr. Zahn extended appreciation to Raynetta Marshall, Director Water/Wastewater Planning & Development and her team for their great work.
- e. Plant Vogtle Letter

E. Chair’s Report – Chair Howard provided an update of the Board Committee structure including:

Finance & Audit Committee: Kelly Flanagan (Chair), Husein Cumber, and John Campion

Compensation Committee: John Campion (Chair), Camille Johnson, and April Green

Government, Legal and Real Estate Affairs Committee: April Green (Chair), Camille Johnson, and Frederick Newbill

Nominating Committee: Alan Howard (Chair), Husein Cumber, Kelly Flanagan, and Frederick Newbill

CEO Search Committee: Husein Cumber (Chair), Alan Howard, John Campion and April Green.

Board Chair Howard mentioned the Purchase Power Agreement with MEAG for Plant Vogtle and that Mr. Zahn, Paul McElroy and the Senior Leadership Team have been actively engaged, seeking to mitigate JEA’s exposure.

Agenda Item VIII – Closing Considerations

A. Announcements – Next Board Meeting – September 18, 2018

Mr. Cumber provided an update on the CEO Search Committee, stating interviews have been scheduled for the week of October 7, 2018, with a follow-up meeting on October 17, 2018.

B. Adjournment

With no further business claiming the attention of the Board, Vice Chair Cumber adjourned the meeting at 2:47 PM.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Melissa M. Charleroy
Executive Assistant