

JEA BOARD AGENDA

DATE: June 17, 2008

TIME: 10:00 AM

PLACE: JEA
21 West Church Street
8th Floor Meeting Room

I. OPENING CONSIDERATIONS

- A. Call to Order
- B. Invocation
- C. Pledge to Flag
- D. Safety Briefing – Susan Hughes, Chief Human Resources Officer
- E. Adoption of Agenda
- F. Approval of Minutes
 - 1. Regular meeting held May 20, 2008

II. PRESENTATIONS & COMMENTS

- A. Customer Service Expanding Excellence Award – Marlene Murphy-Roach, Vice President Customer Relationships
- B. APWA 2008 Technical & Management Innovation Award – Jon Eckenbach, Vice President Engineering & Construction Services
- C. Comments from the Public
- D. Council Liaison's Comments

III. FOR BOARD CONSIDERATION

- A. New Business
 - 1. Plant Scherer Ad Valorem Tax Litigation – Settlement – action required.
 - 2. Government Accounting Standards Board (GASB) 45 – Other Post Employment Benefits (OPEB) – information only.

3. Resolution Authorizing the Issuance of Additional Electric System Refunding Debt – action required.
 4. Resolution and Declaration of Official Intent for State Revolving Funds Program – action required.
 5. JEA’s Fuel Rate Adjustments Compared with Other Florida Utilities – information only.
 6. Variable Fuel Rate Adjustment – July 1, 2008 – action required.
 7. Budget Amendment Appropriating Additional Revenues for Fiscal Year (FY) 2008 – Electric System – action required.
 8. Variable Fuel Rate Adjustment – October 1, 2008 – action required.
 9. Proposed Fiscal Year (FY) 2009 Operating and Capital Budgets – action required.
 10. Operations Report – May 2008 – information only.
 11. Monthly Financial Statements – May 2008 – information only.
- B. Old Business – none

IV. REPORTS & COMMENTS

- A. Committee Reports
 1. Audit Committee – Ron Townsend, Chair
- B. Managing Director’s Report
- C. Chair’s Report

V. CLOSING CONSIDERATIONS

- A. Announcements
- B. Adjournment

A. If you have a disability that requires reasonable accommodations to participate in the above meeting, please call **665-7550** by **8:30 AM** the day before the meeting and we will provide reasonable assistance for you.

B. If a person decides to appeal any decision made by the JEA Board with respect to any matter considered at this meeting, that person will need a record of the proceedings, and, for such purpose needs to ensure that verbatim record of the proceedings is made, which record includes the evidence and testimony upon which the appeal is to be based.

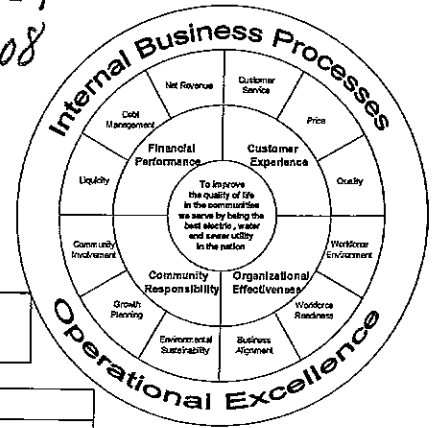


Building Community

AGENDA ITEM SUMMARY

III-A-1
6-17-08

June 9, 2008



SUBJECT: PLANT SCHERER AD VALOREM TAX LITIGATION -- SETTLEMENT

Purpose	Circle of Excellence Impact
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance Net Revenue
<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Customer Experience
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness
	<input type="checkbox"/> Community Responsibility

Issue:
Ad valorem tax litigation between JEA and Monroe County, Georgia, relating to JEA's fractional ownership of Plant Scherer -- whether to accept a settlement offer by Monroe County, Georgia, for a tax refund to JEA of \$520,000, to be taken as two \$260,000 credits against JEA's payment of 2008 and 2009 ad valorem taxes.

Significance:
JEA will receive \$520,000 settlement to be applied as two separate \$260,000 credits against JEA's 2008 and 2009 taxes for Plant Scherer.

Who/what is affected: JEA's net revenue and budgets for FY 07/08 and FY 08/09.

Background: JEA has a total of seven cases pending in Georgia, for the 2003 through 2007 tax years, appealing both the valuation process and the equalization ratio applied to Plant Scherer.

Background Examples:
N/A

Cost to company/community:
N/A. JEA will be receiving a tax credit toward payment of future ad valorem taxes.

Recommended course of action:
Accept settlement offer of \$520,000 tax refund by Monroe County, Georgia.

Why?
All other Plant Scherer owners have settled, agreeing to accept Monroe County's 40% equalization ratio. JEA will be fully funding any litigation going forward (currently six cases are unresolved). Combined with the risky outcome of trials in Monroe County, Georgia, and lengthy appeals, it is anticipated that going forward with litigation in lieu of settlement would result in diminished returns to JEA.

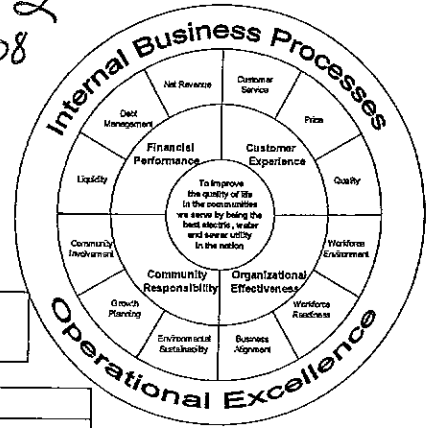
Recommended Board action:
Approve settlement offer in the amount of \$520,000 tax refund to JEA and authorize attorneys and Managing Director/CEO to finalize and execute the necessary documents.



Building Community

AGENDA ITEM SUMMARY

III-A-2
6-17-08



June 9, 2008

SUBJECT:	GASB 45 - OTHER POST EMPLOYMENT BENEFITS (OPEB)
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Purpose	Circle of Excellence Impact
<input checked="" type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance Net Revenue
<input type="checkbox"/> Action Required	<input type="checkbox"/> Customer Experience
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness
	<input type="checkbox"/> Community Responsibility

Issue: GASB 45, Other Post Employment Benefits (OPEB), addresses new accounting requirements for public agencies to report their costs and obligations pertaining to health and other post retirement benefits for current and future employees. It requires a change from the "pay as you go" method that JEA currently uses to an accrual basis.

Significance: This strategy allows JEA to take advantage of investment returns to pay for some of the future benefits and record a lower OPEB expense. GASB 45 will increase current period costs for state and local governments, as well as public agencies.

Who/what is affected: Net Revenues for the Electric and Water and Sewer System, as well as cash, because in order to receive the most favorable current period cost treatment, the OPEB liability must be funded.

Background: A new accounting standard was issued, GASB 45, Other Post Employment Benefits (OPEB), which requires public agencies to report their costs and obligations pertaining to health and other post retirement benefits for current and future employees on an accrual basis.

Background Examples: Staff's recommended strategy to comply with GASB 45 requires establishing an OPEB Trust that will be funded with a "Five Year Step-Up to the Annual Required Contribution" and utilize the investment management services of the Florida League of Cities, Inc for JEA's OPEB Trust.

Cost to company/community: Annual Required Contribution (expense) is \$5.6 million annually if funded vs. \$11.9 million annually if unfunded.

Recommended course of action: No action is requested at this time. Document drafts needed for implementing the proposed strategy are attached for review and action at the scheduled July 2008 meeting.

Why? To maintain compliance with GASB 45.

Recommended Board action: None, see recommended course of action above.

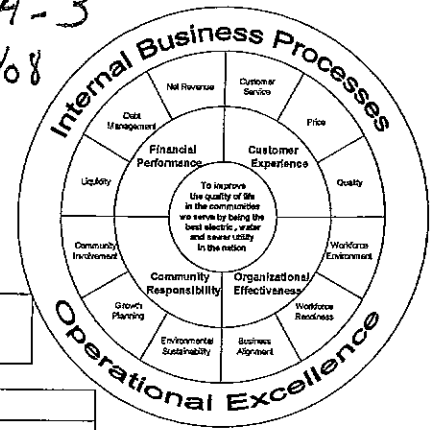
Submitted by: Helen Kehrt



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AGENDA ITEM SUMMARY

III - A - 3
6/17/08



June 9, 2008

SUBJECT:	RESOLUTION AUTHORIZING THE ISSUANCE OF ADDITIONAL ELECTRIC SYSTEM REFUNDING DEBT
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Purpose	Circle of Excellence Impact
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance Debt Management
<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Customer Experience
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness
	<input type="checkbox"/> Community Responsibility

Issue: Unless specifically excluded from the JEA Charter, no bonds or revenue certificates may be issued unless the total aggregate amount of such bonds or revenue certificates shall have been previously approved by ordinance of the City Council. The approval of this resolution is needed in order to secure the additional refunding bond authorization from City Council as required under the Charter.

Significance: Since February, JEA has issued over \$1 billion in Electric System bonds to refund the variable rate debt that had been severely impacted by the liquidity problems in the credit market. As a result of those refundings, JEA has been able to restructure its portfolio of variable rate debt to minimize its exposure to the problems that have recently occurred in the market. The consequences of all the refundings are that JEA has exhausted most of its senior refunding authorization and has been left at a level less than desirable if refunding opportunities occur in the market. Staff feels that JEA has reached the point where additional Electric System refunding bond authorization should be requested from City Council.

Who/what is affected: JEA's ability to issue bonds to refund previously issued debt.

Background: From time to time JEA has requested additional authorization from City Council for the purpose of having adequate capacity to issue refunding bonds in the event that refunding opportunities arose to secure debt service savings or meet other JEA objectives.

Background Examples: Bond refunding driven by market opportunities and JEA's debt management policy have saved JEA \$36.6 million, and \$17.1 million in FY 2007 and FY 2006 on a present value basis.

Cost to company/community: The inability to issue refunding bonds will prevent JEA from realizing lower debt service costs which could lead to either increasing electric rates.

Recommended course of action: Approve the attached resolution.

Why? The ability to issue refundings bonds is a vital tool used by JEA in its debt management.

Recommended Board action: Approve the attached resolution.

Submitted by: Michael Edwards

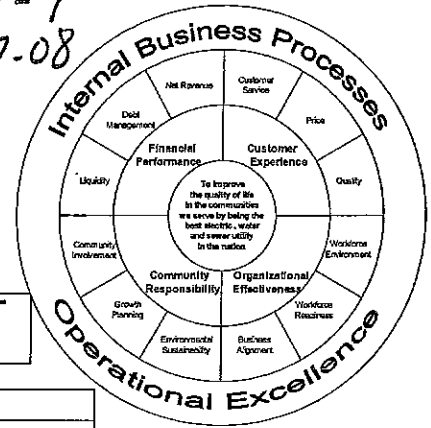
III-A-4
6-17-08



Building Community

AGENDA ITEM SUMMARY

June 9, 2008



SUBJECT: RESOLUTION AND DECLARATION OF OFFICIAL INTENT FOR STATE REVOLVING FUNDS PROGRAM

Purpose	Circle of Excellence Impact	
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance	Debt Management
<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Customer Experience	
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness	
	<input type="checkbox"/> Community Responsibility	

Issue: Florida Department of Environmental Protection (FDEP) anticipates a bond issuance to make available additional State Revolving Funds (SRF) loan funding.

Significance: JEA intends to pursue approximately \$3.0 million in funding through the FDEP SRF program, which provides favorable financing rates.

Who/what is affected: Water and Sewer System Capital Program and rate payers

Background: The Board approved the use of State Revolving Funds to be utilized to finance qualifying capital projects for water, wastewater and reclaimed water services.

Background Examples: State Revolving Funds have been used for the Main Street Water Treatment facility and some JEA facilities in Nocatee.

Cost to company/community: None

Recommended course of action: To pursue funding through the FDEP SRF program.

Why? To obtain favorable financing rates and keep customer rates competitive with others in the state.

Recommended Board action: The Board grant approval to the Managing Director/CEO to sign the Resolution and Declaration of Intent forms as the Authorized Officer for JEA.

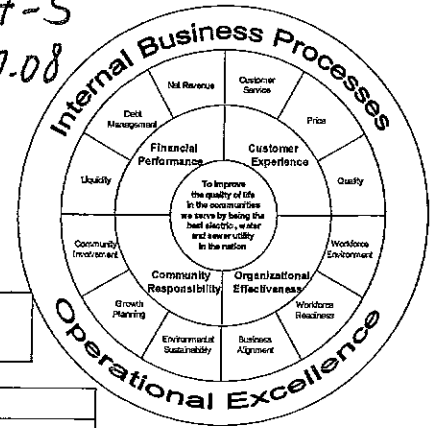
Submitted by: S. Goss

III-A-5
6-17-08



Building Community
AGENDA ITEM SUMMARY

June 9, 2008



SUBJECT: JEA'S FUEL RATE ADJUSTMENTS COMPARED WITH OTHER FLORIDA UTILITIES

Purpose	Circle of Excellence Impact	
<input checked="" type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance	Net Revenue
<input type="checkbox"/> Action Required	<input checked="" type="checkbox"/> Customer Experience	Price
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness	
	<input type="checkbox"/> Community Responsibility	

Issue: Last month the Board approved adjustments to the Variable Fuel Rate effective July 1, 2008 and October 1, 2008 reflecting the increase in global energy commodity costs. As result of this action, JEA prosperspectively moved from the lowest residential rate to the mid-range when compared to our overall benchmark peer group. In the last month other Florida utilities have also made fuel rate increase announcements.

Significance: With the recent fuel adjustment announcements made by the other major Florida utilities, including the two largest Investor Owned Utilities (IOU's), JEA will remain favorable when compared to the overall benchmark peer group. See attached benchmark chart for rate comparisons.

Who/what is affected: All JEA customers will be affected by the fuel rates. As a result of the other Florida utilities' recent announcements, the majority of Florida citizens will also see increased electric rates reflecting the increase in global energy commodity costs.

Background: N/A

Background Examples: N/A

Cost to company/community: N/A

Recommended course of action: For informational purposes only, no action required.

Why? N/A

Recommended Board action: N/A

Submitted by: bjr/shd

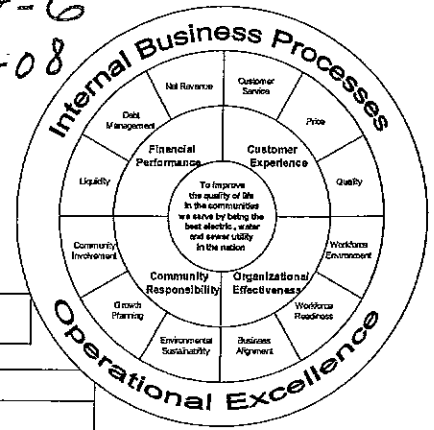
III-A-6
6-17-08



Building Community

AGENDA ITEM SUMMARY

June 4, 2008



SUBJECT: VARIABLE FUEL RATE ADJUSTMENT - JULY 1, 2008

Purpose	Circle of Excellence Impact	
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance	Liquidity
<input checked="" type="checkbox"/> Action Required	<input checked="" type="checkbox"/> Customer Experience	Price
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness	
	<input type="checkbox"/> Community Responsibility	

Issue: Cost of fuel and purchased power has increased significantly necessitating an increase in the current FY2008 variable fuel rate.

Significance: High. Projected fuel expense has increased and additional revenues are needed to cover the additional expense.

Who/what is affected: Customers through the rates they pay for JEA services, as well as JEA's financial objectives.

Background: On May 20, 2008 the Board approved Staff's recommendation to adjust the current FY2008 variable fuel rate from \$36.27/kWh to \$51.27/kWh, an increase of \$15.00/kWh effective July 1, 2008.

Background Examples: The variable fuel rate is calculated using the projected mWh sales and the known projected cost of each fuel commodity.

Cost to company/community: The projected fuel fund deficit is \$61.0M before the FY2008 variable fuel rate adjustment of \$15.00/kWh.

Recommended course of action: The Board ratifies its action of May 20, 2008 approving the variable fuel rate adjustment effective July 1, 2008.

Why? The approval of Staff's recommendation was by motion and vote. The ratification provides a formal document of the Board's action.

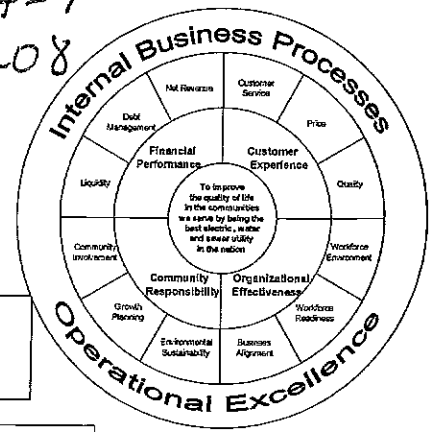
Recommended Board action: The Board ratifies its action of May 20, 2008 approving the variable fuel rate adjustment effective July 1, 2008.

Submitted by: NCR

III-A-7
6-17-08



Building Community
AGENDA ITEM SUMMARY



June 9, 2008

SUBJECT: BUDGET AMENDMENT APPROPRIATING ADDITIONAL REVENUES FOR FISCAL YEAR (FY) 2008 - ELECTRIC SYSTEM

Purpose	Circle of Excellence Impact	
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance	Liquidity
<input checked="" type="checkbox"/> Action Required	<input type="checkbox"/> Customer Experience	
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness	
	<input type="checkbox"/> Community Responsibility	

Issue: Cost of fuel and purchased power has increased significantly. The FY 2008 variable fuel rate was increased, effective July 1, 2008 and, by process and City Ordinance any additional funds (in excess of the original budget approval) must be appropriated in order to be spent.

Significance: High. The additional revenues must be appropriated and spent to pay for higher than budgeted fuel costs.

Who/what is affected: Customers through the rates they pay for JEA services, as well as JEA's financial objectives.

Background: On June 19, 2007, the Board approved the FY2008 O & M Budget that was enacted by City Council on September 25, 2007. On May 20, 2008, the Board approved an increase in the FY 2008 variable fuel rate thereby increasing FY 2008 revenues above what was initially approved.

Background Examples: While this is the first mid-year, variable fuel rate budget amendment, in past years JEA has routinely filed budget amendments for such things as budget surplus or deficits.

Cost to company/community: The projected fuel fund deficit is \$61.0M before the FY 2008 variable fuel rate adjustment of \$15.00/kWh.

Recommended course of action: The Board approve the proposed budget amendment to appropriate additional funds for fuel and purchased power.

Why? The revenues generated by the variable fuel rate adjustment must be appropriated in order to be spent for higher than budgeted fuel costs.

Recommended Board action: The Board authorize the Managing Director/CEO to take any and all actions to request a FY 2008 budget amendment to appropriate additional fuel and purchased power revenues and expenses in the amount of \$61.0M.

Submitted by: NCR

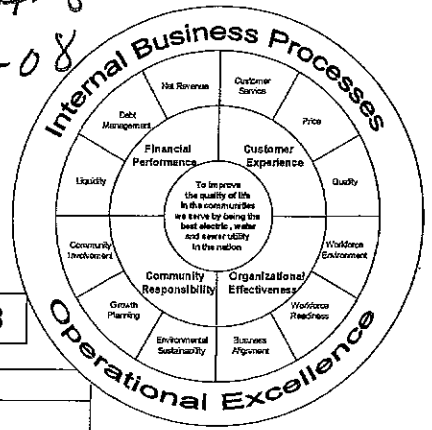


Building Community

AGENDA ITEM SUMMARY

June 4, 2008

III-A-8
6-17-08



SUBJECT: VARIABLE FUEL RATE ADJUSTMENT-OCTOBER 1, 2008

Purpose	Circle of Excellence Impact	
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance	Liquidity
<input checked="" type="checkbox"/> Action Required	<input checked="" type="checkbox"/> Customer Experience	Price
<input type="checkbox"/> Advice/Direction	<input type="checkbox"/> Organizational Effectiveness	
	<input type="checkbox"/> Community Responsibility	

Issue: The pricing philosophy states that the variable fuel rate will be set annually during the budget process.

Significance: High. The Rates Tariff states that the fuel and purchased power rate is normally calculated annually, for the billing period October through September and is adjusted to incorporate changes in costs from one period to the next using a method approved by the Board.

Who/what is affected: Customers through the rates they pay for JEA services, as well as JEA's financial objectives.

Background: On May 20, 2008 the Board approved Staff's recommendation to adjust the variable fuel rate for FY2009 from \$51.27/kWh to \$45.12/kWh, a decrease of \$6.15/kWh effective October 1, 2008.

Background Examples: The variable fuel rate is calculated using the projected mWh sales and cost of each fuel commodity.

Cost to company/community: The current projection for fuel and purchased power for FY2009 is \$633.2M

Recommended course of action: The Board ratifies its action of May 20, 2008 approving the FY2009 variable fuel rate of \$45.12/kWh effective October 1, 2008.

Why? The approval of Staff's recommendation was by motion and vote. The ratification provides a formal document of the Board's action.

Recommended Board action: The Board ratifies its action of May 20, 2008 approving the FY 2009 variable fuel rate of \$45.12/kWh effective October 1, 2008.

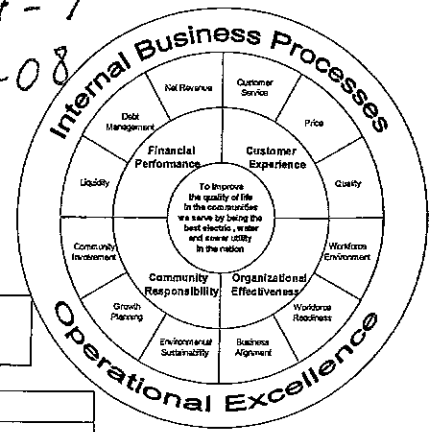
Submitted by: NCR

III-A-9
6-17-08



Building Community
AGENDA ITEM SUMMARY

June 9, 2008



SUBJECT: PROPOSED FY 2009 OPERATING AND CAPITAL BUDGETS

Purpose	Circle of Excellence Impact	
<input type="checkbox"/> Information Only	<input checked="" type="checkbox"/> Financial Performance	Liquidity
<input checked="" type="checkbox"/> Action Required	<input checked="" type="checkbox"/> Customer Experience	Price
<input type="checkbox"/> Advice/Direction	<input checked="" type="checkbox"/> Organizational Effectiveness	Business Alignment
	<input checked="" type="checkbox"/> Community Responsibility	Environmental Sustainability

Issue: JEA must submit its proposed budget to the City Council by July 1 each year.

Significance: High. The budget is the plan and basis for appropriating revenues and expenses, as well as capital expenditures and debt financing.

Who/what is affected: Customers and the City of Jacksonville, as well as JEA's financial metrics.

Background: Annually, JEA staff recommends and, after JEA Board's review and action, transmits JEA's recommended operating and capital budgets to the Jacksonville City Council for final action.

Background Examples: The prior years' budgets were approved by the JEA Board and enacted by City Council.

Cost to company/community: \$1.7 Billion

Recommended course of action: The Board approve the budget for transmittal to City Council.

Why? By law, JEA must submit its proposed budget to City Council by July 1.

Recommended Board action: Approve the proposed FY 2009 operating and capital budgets, authorize staff to transmit to City Council and authorize the Managing Director/CEO to adjust for the most up to date energy costs and to make minor modifications within the total approved amounts, if necessary.

Submitted by: NCR