

JEA
BOARD MINUTES
March 17, 2015

The JEA Board held a Pre-Board Meeting at 12:01 PM on Tuesday, March 17, 2015, in the Conference Room on the 8th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Helen Albee, Peter Bower, Wyman Winbush, Lisa Weatherby, Husein Cumber, John Hirabayashi, Paul McElroy, Bill Bishop, JEA City Council Liaison, Jody Brooks, Office of General Counsel, Robert Campbell, Council Auditors Office, Dan Deaton, Nixon Peabody, Elizabeth Columbo, Nixon Peabody and Nate Monroe, Florida Times-Union. Also present were JEA staff Angie Hiers, Melissa Dykes, Joseph Orfano, and Gerri Boyce. *Joe Orfano, Jody Brooks, Melissa Dykes, Dan Deaton and Elizabeth Columbo left the room 12:25 PM.*

The Pre-Board discussion consisted of the following topics:

1. Investors Disclosure – Dan Deaton and Elizabeth Columbo, Nixon Peabody discussed the importance of disclosure. Mr. Deaton acknowledged JEA for being on the forefront with regard to self-imposed policies.
2. CEO Goals – FY2015 – Evaluation Process
3. CEO Contract Negotiations
4. Board Retreat – May 4, 2015 – Location: TBD
5. APPA National Conference – Minneapolis, MN June 5-10, 2015
6. Controlled Substance Testing – May 19, 2015
7. Today's Meeting – Mr. McElroy provided the Board Members with a schedule of today's meetings and presentations.

With no action taken and no further business claiming the attention of the Board, the Pre-Board Meeting was adjourned at 12:45 PM and the Board moved to the 8th Floor Board Meeting Room for the regularly scheduled meeting.

The JEA Board met in regular session on Tuesday, March 17, 2015, in the 8th Floor Board Meeting Room, 21 W. Church Street, Jacksonville, Florida. Present were Helen Albee, Peter Bower, Wyman Winbush, Husein Cumber, Lisa Weatherby, and John Hirabayashi.

Agenda Item I – Welcome

- A. The meeting was **called to order** at 1:00 PM by Chair Albee.
- B. A **Moment of Reflection** was observed by all.
- C. The **Pledge of Allegiance** was led by Secretary Winbush.
- D. **Adoption of Agenda** – The agenda was approved on **motion** by Lisa Weatherby and second by Secretary Winbush.
- E. The **Safety Briefing** was given by Jeremy Mathews, Interim Director, Electric Distribution Construction & Maintenance.

Agenda Item II – Presentations and Comments

- A. **Customer Assistance Programs** – Sheila Pressley, Director Customer Revenue – Ms. Pressley reviewed some of the various assistance programs that exist in an effort to provide relief for the approximately 50,000 families in the greater Jacksonville living below the poverty level. Twelve percent of the families in the JEA service territory are eligible for low income utility assistance. Ms. Pressley reviewed some of the efforts JEA is undertaking, including development of partnerships with other agencies to reduce at risk disconnections.
- B. **Comments from the Public** – None
- C. **Council Liaison's Comments** – Council Member Bill Bishop was not in attendance.

Agenda Item III – For Board Consideration

- A. **Consent Agenda** – used for items that require no explanation, discussion or presentation and are approved by one motion and vote. Upon **motion** by Mr. Cumber and second by Secretary Winbush, items 1 and 2 on the Consent Agenda were unanimously approved and items 3, 4, 5, 6, and 7 were received for information.
 - 1. Approval of Board Meeting Minutes February 17, 2015 – approved.
 - 2. Authorization for Board Member Education and Development – approved.
 - 3. JEA Annual Disclosure Reports – received for information.
 - 4. Monthly JEA Operations Report – received for information.
 - 5. Monthly JEA Financial Review & Statements – received for information.
 - 6. FY15 Communications & Community Engagement February/March Update – received for information.
 - 7. JEA Community Engagement Calendar – March – May 2015 – received for information.
- B. **Strategic Discussions/Action**
 - 1. Electric System –Ten Year Site Plan – Steve McInall, Director Electric Production Resource Planning – Mr. McInall provided the Electric System Ten Year Site Plan, as required by the Florida Public Service Commission. Mr. McInall noted that the current plan includes the planned reserve storage (2016) and retirement (2019) of Northside Unit 3, the seasonal purchases from The Energy Authority (TEA), the St. Johns River Power Park (SJRPP) sales suspension in summer 2019, and the nuclear power purchase agreement with the Municipal Electric Authority of Georgia (MEAG) for JEA's portion of the new Plant Vogtle Units 3 and 4 currently under construction. The FY2015 plan recommends no new generation resources, and does not address any system changes that may be mandated for the EPA Clean Power Plan Proposed Rule. The presentation was provided to the Board for information.
 - 2. Bi-Monthly Operations Presentation – Mike Brost, Vice President/General Manager, Electric Systems, Raynetta Marshall, Director, Water/Wastewater Grid Project Engineering & Construction, and Monica Whiting, Chief Customer Officer – Mr. Brost reviewed electric systems performance objectives, FY2015 fuel revenue and expense, financial performance, and residential electric bill comparison information.

Ms. Marshall reviewed safety metrics, water/wastewater performance objectives, water/wastewater capital expenditures, environmental compliance, financial performance, and water/wastewater rates in Florida. Ms. Whiting presented the J.D. Power Customer Satisfaction Index, increased participation in key customer solutions, billing and payment solutions, first contact resolution, JEA corporate citizenship initiatives, including the new JEA Ambassador program, customer education, receivables – net write offs, and continuous improvement efforts. The presentation was provided for information.

3. **CEO Goals – FY2015 – Peter Bower, Vice Chair** – Mr. Bower outlined the proposed FY2015 CEO Goals, and advised the Board that the goals are focused on executing JEA's strategic plan. Mr. Bower stated that Paul McElroy's performance would be measured by the organizations performance in the strategic plans three areas of focus: Develop an Unbeatable Team, Earn Customer Loyalty and Deliver Business Excellence. Objectives and measurements for each of the areas were provided to the Board. Upon **motion** by Mr. Bower and second by Mr. Cumber, the Board unanimously approved the CEO goals for FY2015, as well as the process to evaluate the CEO's performance.

C. Other New Business – none

D. Old Business – none

Agenda Item IV – Reports

In the interest of time, Committee Chair Bower reordered various agenda items; however the minutes reflect the original order of the agenda.

- A. Finance and Audit Committee Report** – Committee Chair, Peter Bower reviewed the Finance and Audit Committee meeting held on March 9, 2014, bringing items to the Board for action and information.
 1. Upon **motion** by Mr. Cumber and second by Mr. Winbush, the Board unanimously approved the December 10, 2014 and February 5, 2015 Committee meeting minutes.
 2. **Audit Services**
 - a. **Audit Services Quality Assessment Review – Consultant Selection** – Committee Chair Bower advised the Board that, in accordance with the requirements of the Institute of Internal Auditors (IIA), Honkamp Krueger has been selected to provide an independent assessment of JEA's Audit services. Upon **motion** by Ms. Weatherby and second by Mr. Cumber, the Board unanimously approved the selection of Honkamp Krueger to perform the full, external Quality Assessment Review of JEA Audit services for 2015.
 - b. **Quarterly ERM/Audit Update** – received for information.
 3. **Ethics Officer Quarterly Report** – received for information.
 4. **Pricing Policy Changes and Adoption of Regulatory Accounting** – Melissa Dykes, Chief Financial Officer, provided information to the Board regarding proposed pricing changes and changes in regulatory accounting. Upon **motion** by Mr. Cumber and second by Ms. Weatherby, the Board unanimously approved changing its rate setting methodology from cash basis to utility basis, adopted the changes to the Pricing Policy.

5. Update on Rates Restructuring Initiative – Melissa Dykes, Chief Financial Officer, stated the Finance and Audit Committee was provided an update in August 2014 on rate structure challenges and discussed the need to shift from variable to fixed charges for the electric residential rate. A cross-functional rates strategy team was assembled and has analyzed many different options to address this challenge. Staff has conducted customer research to determine how customers perceive value and to gain customer input on preferences for the electric rate restructuring. Rate options were considered which balance revenue stability, customer impact, and efficient system utilization. Staff will complete tariff change analytics and submit changes to the Florida Public Service Commission. Staff will also engage with key community stakeholder groups. This agenda item was received for information.
6. FY2016 Budget Assumptions – Melissa Dykes, Chief Financial Officer, announced that the budget is lower for the fourth consecutive year. Ms. Dykes noted that the full budget will be provided during the May Board meeting. This agenda item was received for information.
7. Plant Vogtle Power Purchase Agreement Update – Schedule delays and associated additional project capital costs are expected to result in \$3-\$5 million in additional annual expense under the Power Purchase Agreement after the Commercial Operation Date, depending on the final total project cost. The Board received the update for information, and acknowledged that approved item IV.A.4. included a recommendation for an increase in the target funding amount in the purchased Power Stabilization Fund to approximately \$38 million to cushion the impact of the additional schedule delay.
8. Natural Gas Sales to Commercial & Industrial Customers – received for information.
9. Treasury
 - a. Resolution Determining the Sufficiency of Revenues – SJRPP – Upon **motion** by Mr. Cumber and second by Board Chair Albee, the Board unanimously approved the adoption of Resolution No. 2015-2, determining that the estimated revenues for the Fiscal Year ending September 30, 2016, will be sufficient for their intended purposes.
 - b. Recap of recent JEA Electric System Fixed Rate Debt Refunding Delegated Transactions – received for information.
 - c. Electric System and Water and Sewer System Reserve Fund Quarterly Report – received for information.
10. JEA Energy Market Risk Management Policy Report – received for information.
11. Fuel Credit Recommendation – Committee Chair Bower called upon Melissa Dykes, Chief Financial Officer, to present recommendations regarding fuel credits. Ms. Dykes advised the Board that the Fuel Reserve is currently at 19% of the maximum 12-month historical fuel cost. JEA's Pricing Policy specifies a target of 15% of the maximum. Ms. Dykes also outlined how the fuel charge credit will be communicated to customers. JEA will utilize social media, digital billboards, bill inserts, radio shows, and various newsletters. Upon **motion** by Mr. Cumber and second by Ms. Weatherby, the Board unanimously adopted the recommendation to refund the approximate \$50 million overfunded portion of the Fuel Reserve to JEA customers by providing a Fuel Charge credit in April 2015. Committee Chair Bower noted this is the third year JEA has provided a fuel charge credit to its customers.

12. Independent Audit Services Contract Renewal – Upon **motion** by Ms. Weatherby and second by Board Chair Albee, the Board unanimously approved the contract extension with Ernst & Young through June 30, 2016, with the negotiated rate.

13. Announcements

- a. Next Meeting, May 11, 2015, 8:00-10:30 AM

14. Committee Discussion Sessions

- a. Director, Audit Services – information
- b. Ernst & Young – information
- c. Council Auditor's Office – information

B. Managing Director/CEO's Report – Mr. McElroy announced a recently launched company-wide Customer Satisfaction and Engagement program. He also advised the Board that he has had several individual meetings with City Council Members which have been well received. Mr. McElroy will also be meeting with City Council regarding Nitrogen Trading Credits.

C. Chair's Report – Chair Albee thanked her fellow Board Members for electing her as Chair, and thanked staff for their continuing support.

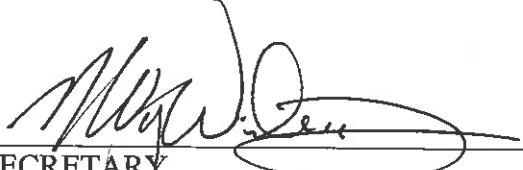
Agenda Item V – Closing Considerations

A. Announcements – none

B. Adjournment


With no further business claiming the attention of the Board, Chair Albee adjourned the meeting at 2:37 PM.

APPROVED BY:



SECRETARY
DATE: 21 APR 2015

Board Meeting recorded by:



Gina A. Kyle
Executive Assistant