

**JEA**  
**BOARD MINUTES**  
August 18, 2015

**The JEA Board held a Pre-Board Meeting at 12:30 PM on Tuesday, August 18, 2015, in the Conference Room on the 8<sup>th</sup> Floor, 21 W. Church Street, Jacksonville, Florida. Present were Helen Albee, Peter Bower, Wyman Winbush, Lisa Weatherby, Husein Cumber, John Hirabayashi, Robert Heekin, Paul McElroy, Bill Gulliford, JEA City Council Liaison, Jody Brooks, Office of General Counsel (OGC), and Nate Monroe, Florida Times-Union. Also present were JEA staff Angie Hiers, Jane Upton, and Gerri Boyce.**

The Pre-Board discussion consisted of the following topics:

1. Board Retreat Follow-up – Mr. Heekin presented he will be meeting with Paul McElroy, CEO and Jody Brooks, OGC on August 19, 2015, to review the JEA Bylaws and Board Governance and Policy Manual. Ms. Brooks stated this is a fact finding committee and the revised documents will be brought to the Board for discussion and approval.
2. CEO Scorecard – Paul McElroy provided Board Members with a draft FY2015 CEO Scorecard, Market Analysis of CEO Compensation dated February 2015, and his resume. Mr. McElroy stated a final version of the scorecard will be provided to Board Members at the September 15, 2015 meeting. Board Members will provide their scoring to Jody Brooks and discussions will take place at the October Board Meeting. Mr. McElroy advised Board Members that items highlighted in yellow will be measured by each Board Member's subjective analysis. Mr. McElroy also provided the J.D. Power Residential Wave 1 results ranking JEA third in the nation and number 1 in the South Midsize Region, as well as the state of Florida for Overall Satisfaction Ranking.
3. JEA Budget Presentation to City Council – Mr. McElroy invited Board Members to attend JEA's budget presentation to the City Council on August 21, 2015 at 9:00 AM. Mr. McElroy provided Board Members with a document outlining important budget highlights.
4. Today's Meeting – Mr. McElroy provided Board Members with a schedule of today's meetings and presentations.

*Council Member Gulliford entered at 12:53 PM.*

***With no action taken and no further business claiming the attention of the Board, the Pre-Board Meeting was adjourned at 12:55 PM and the Board moved to the 8<sup>th</sup> Floor Board Meeting Room for the regularly scheduled meeting.***

**The JEA Board met in regular session on Tuesday, August 18, 2015, in the 8<sup>th</sup> Floor Board Meeting Room, 21 W. Church Street, Jacksonville, Florida. Present were Helen Albee, Peter Bower, Wyman Winbush, Lisa Weatherby, Husein Cumber, John Hirabayashi, and Robert Heekin.**

**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 Mr. Winbush.
- D. **Adoption of Agenda** – The amended agenda was approved on **motion** by Ms. Weatherby and second by Mr. Winbush.
- E. The **Safety Briefing** was given by Alan McElroy, Manager, Fleet Services.

*Agenda Item II. A. was presented out of order; however the minutes reflect the original order of the agenda.*

**Agenda Item II – Presentations and Comments**

- A. **Northeast Florida Community Action Agency, Inc. (NFCAA), NFCAA’s Innovative Partner Award for JEA’s Senior Day Initiative** – Monica Whiting, Chief Customer Officer introduced Bernethia McNair, Executive Director, NFCAA. Ms. McNair stated the NFCAA currently provides services to 18,000 individuals each year. Fifty percent of the services provided go directly to customers of JEA. JEA and NFCAA have been partners for many years. This year, JEA and NFCAA partnered with United Way to launch “Senior Day” to assist seniors who were unable to pay their utility bills. Ms. McNair thanked JEA for employing staff like Sheila Pressley and Elizabeth Paulson that are truly concerned for the people that JEA serves. On behalf of the NFCAA Board of Directors, Michelle Godfrey, Treasurer, NFCAA congratulated JEA and the Board Directors for being the recipients of the 2015 NFCAA Innovative Partner Award.
- B. **Comments from the Public**
  - 1. Bill Cameron, 1639 Harrington Park Drive, Jacksonville, FL 32225, addressed the Board regarding residential sewer billing.
  - 2. Cornelius R. Lockett, Jr., 12624 Weeping Branch Circle, Jacksonville, FL 32218, addressed the Board regarding transformer noise.
- C. **Council Liaison’s Comments** – The Honorable Bill Gulliford stated that he looked forward to JEA’s budget presentation on August 21, 2015.

**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. On **motion** by Mr. Hirabayashi and second by Ms. Weatherby, items 1 through 3 on the Consent Agenda was unanimously approved and items 4 through 7 were received for information.
  - 1. Approval of Board Meeting Minutes July 21, 2015 – approved
  - 2. Authorization of Board Members’ Travel – Rating Agency Presentations – approved
  - 3. Authorization for Board Member Education and Development – American Association of Blacks in Energy (AABE) Board Meetings – approved
  - 4. Monthly JEA Operations Report – received for information

5. Monthly JEA Financial Statements – received for information
6. Monthly FY15 Communications & Community Engagement Update – received for information
7. Monthly FY15 Community Engagement Calendar – received for information

## **B. Strategic Discussions/Action**

1. CEO Contract Extension – Chair Albee stated beginning in February 2015, she conducted research in order to negotiate Mr. McElroy’s contract. Many hours were spent on a deliberative process to ensure that the negotiations are fair, open, and transparent. In preparation for the final negotiations, Chair Albee spoke with an industry compensation expert, examined the comprehensive review of the Market Analysis of CEO Compensation report from February 2015, had several meetings with Paul McElroy, and examined JEA’s compensation policy and philosophy. When considering compensation, Chair Albee not only considered fair compensation for Mr. McElroy’s performance, but also looked at the salary range, responsibilities, and challenges of the position for the future. Chair Albee stated it is important to recruit and retain top level executives now and in the future. Chair Albee highlighted a few of Mr. McElroy’s accomplishments as CEO over the last three years. 1) JEA achieved first quartile rankings by both residential and commercial customers in the J.D. Power Customer Satisfaction surveys. On the residential study, JEA moved up more than 100 points and were the most improved in the nation under Mr. McElroy’s leadership over the last three years. 2) JEA has improved electric reliability as a result of a concentration on CEMI-5 (Customers Experiencing More Than Five Outages of one minute or more in the past year). JEA was one of only six utilities nationwide to earn the American Public Power Association’s Reliable Public Power Award, Diamond Designation in FY14. 3) On the financial side, Mr. McElroy has held JEA’s operating costs to the 2012 level when he became CEO, while simultaneously increasing reliability and quality of services. 4) He led the effort to find new ways to grow revenue to offset declining sales and help keep rates stable and JEA financially strong. Those efforts include timber harvest, dark fiber leasing, wireless co-location leasing, and the sale of natural gas. 5) A by-product of this efficiency was our ability to return \$111 million to our customers in fuel savings over the past three years. 6) Mr. McElroy has been able to maintain JEA’s bond rating in the face of the higher than peer debt-to-asset ratio. All Board Members echoed Chair Albee’s congratulatory remarks. Mr. Cumber expressed a concern about the process for approving the CEO contract extension, requesting a market analysis to be completed outside of JEA staff. Chair Albee agreed to evaluate the process for future contracts. Board Members held additional discussions related to the CEO contract extension process. On **motion** by Mr. Bower and second by Mr. Winbush, Mr. Heekin requested to amend the motion to create a committee to conduct an independent exploration of compensation, but withdrew his request and offered to defer until the New Business portion of the agenda. The **motion** passed 6-1, with Mr. Cumber voting no. Mr. Cumber noted after the vote was taken that he voted against the CEO contract due to process and not on the contract extension itself.
2. Bi-Monthly Finance Presentation Melissa Dykes, Chief Financial Officer provided a presentation highlighting key financial metrics and results of JEA’s Electric and Water and Sewer systems ending July 31, 2015.

- C. Other New Business** – Mr. Heekin moved to establish an ad hoc committee to address executive compensation. This committee will convene when necessary. On **motion** by Mr. Bower and second by Ms. Weatherby, the Board approved to unanimously approve the establishment of the ad hoc committee on executive compensation.
- D. Old Business** – none

#### **Agenda Item IV – Reports**

*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 Bower reviewed the Finance and Audit Committee meeting held on August 10, 2015, 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 May 11, 2015 Committee Meeting minutes.  
*Committee Chair Bower reviewed agenda items IV. A. 2. a - g, 3 – 5. a-b, and 9-10. a-b, 11-14.*
  2. Audit/ERM Annual Approvals & Quarterly Update
    - a. Audit Services Quality Assessment Review – received for information
    - b. Annual Statement of Auditor Independence – received for information
    - c. Adoption of Changes to the Finance & Audit Committee Policy – On **motion** by Ms. Weatherby and second by Mr. Winbush, the Finance & Audit Committee Policy was unanimously approved as amended.
    - d. Approval of Annual Internal Audit Plan – On **motion** by Mr. Winbush and second by Ms. Weatherby, the FY2016 Annual Internal Audit Plan was unanimously approved.
    - e. Annual Approval of Audit Services Charter – On **motion** by Ms. Weatherby and second by Chair Albee, the Audit Services' Charter was unanimously approved.
    - f. ERM and Audit Quarterly Update – received for information
    - g. Finance & Audit Committee Self-Assessment – received for information
  3. Director of Audit Services Succession Plan – received for information
  4. Ethics Officer Quarterly Report – received for information
  5. External Auditors
    - a. Schedule of Expenditures of Federal Awards – received for information
    - b. FY2015 E&Y Financial Statements Audit Plan – received for information
  6. Regulatory Actions Approval and Policy Revisions – Melissa Dykes, Chief Financial Officer, presented the Finance and Audit Committee reviewed and approved regulatory accounting items and changes to the Pricing Policy that were related to accounting changes. This included the creation of regulatory actions including: 1) depositing \$26 million of current year revenues in the Non-Fuel Purchased Power rate stabilization fund; 2) annual amortization of prior year bond

refunding gains and losses to be included as a cost in developing the annual revenue requirements. Also, any gains or losses on future debt refunding to be included in setting revenue requirements for the establishment of customer rates; 3) the deferral and amortization of debt issuance costs incurred in fiscal year 2015 and any future debt issuance costs. In addition, staff recommends that the amortization of debt issuance costs be included in determining future revenue requirements as they are incurred; 4) recovery through the Environmental Charge, the cost of certain projects that had costs incurred prior to the current fiscal year net of monies already collected through the Environmental Charge over a 10-year period beginning in fiscal year 2016; 5) deferral of changes in the related Net Pension Liability (NPL) and that the annual pension contributions (funding) be included as a cost in developing the annual revenue requirements for the establishment of customer rates. On **motion** by Mr. Hirabayashi and second by Ms. Weatherby, the regulatory items and the changes to the Pricing Policy was unanimously approved.

7. Rate Structure Project Plan – Melissa Dykes, Chief Financial Officer, presented a brief presentation on JEA’s initiative to continually update and realign its rate structure and options, providing customers new and enhanced rate options, providing JEA and in turn its customers long-term rate stability, and to help drive system efficiencies. Ms. Dykes stated staff has engaged Black and Veatch to assist in planning, developing, and executing this pilot. The pilot is scheduled to be implemented in mid-2016. Mr. Bower stated the pilot will run for approximately 18 months, but wishes to receive information earlier. Chair Albee commented that new business models are needed to integrate higher levels of distributed energy resources, take advantage of new technologies, meet environmental goals, and address changing customer needs and expectations. Chair Albee added that JEA has an ongoing plan to update and expand its rate options to provide customers with more rate choices for their utility services. In doing this, JEA will strive to balance three goals: 1) improve the efficiency of the electric system; 2) maintain revenue stability to ensure JEA remains financially strong to serve the community; and 3) minimize impacts to customer bills. The recommended pilot program is a way to test and evaluate the effectiveness of implementing a new rate structure for residential customers. If JEA moves forward with a pilot, it will be a partnership between JEA and consumers who are interested in voluntarily participating and learning along with us. Chair Albee thanked those customers in advance who will partner with JEA on the rate pilot program. While this agenda item was prepared for information only, on **motion** by Mr. Cumber and second by Ms. Weatherby, the Board unanimously approved the Rate Structure Project Plan.
8. Downtown Campus Comprehensive Plan – Melissa Dykes, Chief Financial Officer, provided a presentation on the downtown campus’ need of major upgrades due to the condition of the existing buildings and building systems. The Finance and Audit Committee approved the Downtown Campus Comprehensive Plan with the following framework: no overall increase in JEA’s headcount, a significant decrease in square footage of the downtown campus, a significant decrease in the operating costs of the downtown campus, and engagement with JEA’s customers in the process. Staff will present a conceptual plan and a feasibility study to the Finance and Audit Committee prior to proceeding with work. On **motion** by Ms. Weatherby and second by Mr. Heekin, after discussion with Board Members and Mr. McElroy in regards to the spending authorization of the master plan, Ms. Weatherby withdrew

the motion. **On motion** by Mr. Cumber and second by Mr. Heekin the Board unanimously approved to proceed with development of a comprehensive plan for the downtown campus, with a spending authorization of \$1 million.

9. Chief Information Officer Report – received for information

10. Treasury

- a. Electric System and Water and Sewer System Reserve Fund Quarterly Report – received for information
- b. Recap of Recent JEA Electric System Fixed Rate Debt Refunding Delegated Transactions – received for information
- c. Resolutions Amendment for Electrical System 2008B and 2008D Direct Purchase Variable Rate Index Bonds – Joe Orfano, Treasurer, presented staff is pursuing renewal of JEA’s existing Continuing Covenant Agreements (“CCAs”) with Wells Fargo Bank, N.A. relating to the direct purchase of certain variable rate Electric System bonds under authorization provided by Resolution No. 2012-20. Mr. Orfano stated the reduction in borrowing represents \$456,000 in annual debt service savings. Ms. Weatherby declared a conflict of interest and filed Form 8B Memorandum of Voting Conflict for County, Municipal, and other Local Public Officers. A signed copy is in the meeting file. **On motion** by Mr. Heekin and second by Mr. Cumber, Resolution No. 2015-04 modifying Section 503.1 of Resolutions No. 2010-11 and No. 2010-12 was unanimously approved.

11. JEA Energy Market Risk Management Policy Report – received for information

12. Office of General Counsel Legal Brief – received for information

13. Announcements

- a. Next Meeting, January 6, 2015, 8:00 AM

14. Committee Discussion Sessions

- a. The Committee met with Mike Pattillo, John DiSanto, and Chris Edmunds, Ernest & Young.
- b. The Committee met with Doris Champ, Director Audit Services.
- c. Council Auditor’s Office representatives were not present to meet with the Committee.

**B.** Environmental Committee Report – Committee Chair Cumber reviewed the August 10, 2015 Environmental Committee Agenda, bringing items to the Board for action and information. The Committee was attended by Committee Chair Cumber, Ms. Weatherby, Mr. Winbush, and Mr. Hirabayashi. Chair Albee attended telephonically.

1. Approval of Minutes from the May 19, 2015 meeting – **On motion** by Ms. Weatherby and second by Mr. Winbush, the minutes were unanimously approved.
2. Update on Clean Power Plan – Jay Worley, Senior Executive, provided an update on the Environmental Protection Agency’s (EPA) proposed Clean Power Plan for Existing Plants 111(d). Mr. Worley stated the proposed rule was published on June 2, 2014. The EPA received 4.3 million comments during the comment period, and released the final pre-publication rule on August 3, 2015. It is anticipated the plan

will be published in the Federal Register in September 2015. Mr. Worley stated that an early review of the final rule indicates some relief from some requirements from the proposed rule. A State Plan will be developed by the Florida Department of Environmental Protection (FDEP). JEA subject matter experts and associated utility organizations continue to review and analyze the plan for interpretation of impacts and opportunities. Legal reviews from those associations and other groups are in process. Mr. Worley reviewed Building Blocks 1 through 4 in both the proposed and final versions and highlighted the following items: 1) the EPA has granted a two-year extension to 2022 to commence reductions, 2) Florida's final goal was increased from 740 lbs. CO<sub>2</sub>/MWh to 919 lbs. CO<sub>2</sub>/MWh, 3) movement towards a mass-based (tons) goal versus rate (lbs./MWh) goal appears to be favored, 4) nuclear units under construction may be included toward goal compliance, 5) a more aggressive renewable goal is included, 6) specific approved energy efficiency programs may be included toward goal compliance, and 7) development of the State Plan by the Florida Department of Environmental Protection will be critical to determine final compliance requirements. JEA will interface closely with the FDEP and with other electric utility companies within the state, as well as organizations to promote a fair and equitable State plan. This presentation was received for information.

3. State Water Supply Planning – Paul Steinbrecher, Director Permitting and Regulatory Conformance, provided a presentation on State Water Supply Planning for information. Mr. Steinbrecher presented the Water Management Districts are statutorily required to develop water supply plans. The purpose of the water supply plans are to: 1) identify sustainable quantities of groundwater, 2) develop strategies to meet projected demands, and 3) ensure consistency between adjoining districts. The St. Johns Water Management District has decided to move from a single plan to a regional plan. Regional plans recognize that different areas have different water issues and opportunities. Regional plans also allow for more focused engagement by stakeholders. Mr. Steinbrecher also presented how JEA's water supply can be affected by local and regional issues including how minimum flows and levels (MFLs) protect natural systems and can limit pumping in North Florida. JEA participates with the North Florida Utility Group in Regional Plan Development by ensuring conservation and reuse efforts are adequately included to reduce future utility demands, providing technical resources to review groundwater model development, conservation potential for other use classes and MFLs, and proposes potential project options and strategies if needed to address shortfalls. Mr. Steinbrecher shared that if the water supply plans are developed properly, the interests of utilities and Water Management Districts will be aligned which provide: sustainability and availability of water resources, protection of the environment, and future development of alternative sources. Additionally, water supply plans help to focus State, Districts, and Utilities on effective investments. This presentation was received for information.
4. Other Business – none
5. Schedule Next Meeting as Appropriate – Committee Chair Cumber stated the next meeting will be held on January 6, 2016 meeting. Additionally, the Environmental Committee will hold a joint meeting with the Finance and Audit Committee on January 6, 2015 to discuss the financial impact of the Clean Power Plan.

- C.** Managing Director/CEO's Report – Mr. McElroy thanked Board Members for their vote of confidence by approving the extension of the CEO contract. Mr. McElroy thanked the JEA team for their outstanding performance, commitment and passion to achieving the mission, vision, and goals that have been laid out, and stated he is truly honored to be in the position of CEO, leading and working with all throughout JEA. Mr. McElroy restated J.D. Power released their Wave 1 results for Business Customer Satisfaction, JEA has moved to number three nationally, number one in the state, and number 1 in the region. These scores show what our commercial customers perceive of our basket of services which include pricing, community commitment, billing and payment, and conservation that we have been successful at providing. Mr. McElroy thanked the Board for providing the strong direction to and to JEA staff for delivering those expectations.
- D.** Chair's Report – Chair Albee stated that she was honored to attend JEA's United Way Campaign Kick-Off luncheon last week. Chair Albee stated the generosity of JEA's employees is truly a wonderful thing. Currently 38% of JEA employees makes a gift to the United Way; it puts JEA among the top 15 United Way corporate givers in the Northeast Florida. Chair Albee challenged employees who aren't currently giving to consider giving only \$2 a month, which would increase JEA's total contribution by as much as \$65,000. Each dollar donated impacts and improves our local community many times. Chair Albee thanked Board Members to their service to JEA and the community.

**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 3:02 PM.*

APPROVED BY:

\_\_\_\_\_  
SECRETARY

DATE: \_\_\_\_\_

Board Meeting recorded by:

\_\_\_\_\_  
Melissa M. Charleroy  
Executive Assistant