

JEA FINANCE & AUDIT COMMITTEE MINUTES
May 12, 2014

The Finance & Audit Committee of JEA met on Monday, May 12, 2014, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Chair Peter Bower called the meeting to order at 8:04 AM with Members, Helen Albee, Wyman Winbush, and Husein Cumber in attendance. Lisa Strange Weatherby was also present as an observer. Others in attendance were Paul McElroy, Mike Brost, Brian Roche, Melissa Dykes, Ted Hobson, Bud Para, Nancy Kilgo, Janice Nelson, Doris Champ, Joe Orfano, John McCarthy, David Jolley, Walette Stanford, and Gerri Boyce. Jody Brooks, Office of General Counsel, Nate Monroe, Florida–Times Union, along with Mike Pattillo and Justin Threet, Ernst & Young, were also in attendance.
- B. Adoption of Agenda – The agenda was adopted on **motion** by Mrs. Albee and second by Mr. Winbush.
- C. Approval of Minutes – The March 10, 2014 Minutes were unanimously approved on **motion** by Mr. Cumber and second by Mrs. Albee.

Agenda Item II – New Business

- A. FY2015 Budget Presentation – The FY2015 Proposed Budget was presented by Melissa Dykes, Chief Financial Officer. The Committee provided feedback and direction regarding the key strategic issues and major budget assumptions used in preparing the FY2015 operating and capital budgets including revenue, O&M expense levels, interest rates and debt structure, and financial metrics. The Proposed FY2015 Budget presentation, including an executive summary, will be included in the May Board meeting package for information and discussion by the full Board. The FY2015 Budget will be presented to the Board for final approval at the June meeting. This item was received for information.
- B. Fuel Credit Recommendation – Melissa Dykes, Chief Financial Officer, led a review and discussion on the historical and current balance in the Fuel Reserve. The discussion included the advantage of a Fuel Charge Credit, in lieu of lowering the Variable Fuel Rate, to better mitigate the risk of rising fuel prices which could prompt a subsequent increase in the Variable Fuel Rate. Upon **motion** by Mr. Cumber and second by Mrs. Albee, the Committee unanimously approved staff's recommendation, and recommends the Board approve refunding the approximate \$26 million overfunded portion of the Fuel Reserve to our customers by providing a Fuel Charge Credit in the summer of 2014. This credit of approximately \$32 per average residential customer will reduce the projected Fuel Reserve to the policy target as of September 2014.
- C. Present Results of Updated Water and Sewer Cost of Service Study and Recommendation to Call a Public Hearing to Add New Commercial Rate Options to JEA's Electric Tariff Documentation and Implement Administrative Changes to JEA's District Energy System Rate Document – Melissa Dykes, Chief Financial Officer, advised the Committee that per JEA's Pricing Policy, a comprehensive cost of service study by customer class of the water and sewer system has been completed. Copies will be distributed to Board Members prior to the May meeting. The results of the study show that JEA's existing rates for the water and sewer systems, on a combined basis, are adequate to recover the System revenue requirements.

Mrs. Dykes also reviewed proposed changes to the Electric Rate Tariff, for the addition of four new rates: Interruptible Service – Extra Large Demand (ISXLD), Standby/Supplemental Service (SS), Supplemental Only Service (SU) and High Load Factor Rate (HLF). Upon **motion** by Mrs. Albee and second by Mr. Winbush, the Committee unanimously recommends the Board take action at the May 20, 2014 Board meeting and call a public hearing to occur during the regularly scheduled June 17, 2014 meeting.

- D. Update on Work Plan in Response to Police and Fire Pension Fund Proposal – As a follow-up to the March 2014 agenda item, Melissa Dykes, Chief Financial Officer, provided an update on the status of the work plan, which was received for information.
- E. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the quarterly reserve fund report which was received for information.
- F. Quarterly ERM/Audit Update – The Quarterly Update, reviewed by Doris Champ, Director Audit Services, was received for information. Ms. Champ provided information on the Enterprise Risk Management (ERM) Trending Report, ERM Board Report, Audit Project Report, Summary of Audits Quality Indicators, Ethics Hotline Reports, and the Action Plan Status.
- G. Ethics Officer Quarterly Report –The Ethics Officer Quarterly Report review was provided by Walette Stanford, Director Workforce Strategies, and was received for information. JEA's Business Ethics Refresher Training was recently updated and pushed out to employees in March of this year. 99% of employees have taken the training within 90 days of the due date. There have been 19 inquiries this fiscal year.
- H. JEA Energy Market Risk Management Policy Report – Mike Brost, Vice President/ General Manager Electric Systems, reviewed the initial Energy Market Risk Management Report, which was received for information.
- I. Update on SGS Property RFP Process – Nancy Kilgo, Director Government Affairs, provided a brief update on the RFP process for the SGS Property. This update was received for information. The deadline for responses to the Request for Proposal (RFP) was extended from May 6, 2014, to July 1, 2014, in order to answer questions submitted by interested parties. Beginning July 1, staff will evaluate the proposals with the results to be presented to the Board for consideration at a workshop on July 15, 2014.
- J. Proposed Access and Land Swap Agreement for SGS Property Access – Nancy Kilgo, Director Government Affairs, provided an update on the Proposed Access and Land Swap Agreement for SGS Property Access which was received for information. Ms. Kilgo distributed copies of maps showing potential solutions for access to the SGS site, including improvements to existing roadways and/or extending Prudential Drive. Copies of handouts are in the meeting file.
- K. Announcements
 - 1. The next Finance and Audit Committee meeting will be held on August 11, 2014, at 8:00 AM.
- L. Committee Discussion Sessions
 - 1. Ernst & Young –At 9:55 AM, Mr. Bower dismissed staff, and following a quick break the Committee held a general conversation with Mike Pattillo and Justin Threet at 9:58 AM.
 - 2. Director, Audit Services – At 10:07 AM, the Committee held a general conversation with Doris Champ, Director Audit Services.
 - 3. Council Auditor's Office – Mr. Campbell was not present for discussion with the Committee.

Agenda Item III – Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 10:12 AM.

APPROVED BY:

A handwritten signature in black ink, appearing to read "Peter Bower", written over a horizontal line.

Peter Bower, Committee Chair

Date: August 19, 2014

Submitted by:

A handwritten signature in blue ink, appearing to read "Jeanne E. Ryan", written over a horizontal line.

Jeanne Ryan
Executive Assistant