

**JEA**  
**BOARD MINUTES**  
January 19, 2016

**The JEA Board met in regular session on Tuesday, January 16, 2016, in the 8<sup>th</sup> Floor Board Meeting Room, 21 W. Church Street, Jacksonville, Florida. Present were Tom Petway, Ed Burr, Delores Kesler, Husein Cumber, Kelly Flanagan, and Warren Jones. Mr. G. Alan Howard attended in observance.**

**Agenda Item I – Welcome**

- A.** The meeting was **called to order** at 12:00 PM by Chair Petway. Chair Petway welcomed Mr. Alan Howard and stated Mr. Howard will be observing the meeting today until he is confirmed as a Board Member prior to the February Board Meeting.
- B.** A **Moment of Reflection** was observed by all.
- C.** The **Pledge of Allegiance** was led by Chair Petway.
- D.** **Adoption of Agenda** – The agenda was approved on **motion** by Mr. Cumber and second by Vice Chair Burr.
- E.** The **Safety Briefing** was given by Paul McElroy, Managing Director/Chief Executive Officer.

**Agenda Item II – Presentations and Comments**

- A. Comments from the Public –**
  - 1. Mr. Carnell Oliver, 8527 Oak Leaf Road, Jacksonville, FL 32208, addressed the Board regarding the Clean Power Plan.
- B. Council Liaison's Comments** – The Honorable Bill Gulliford was not in attendance due to City Council business.
- C. Office of the Mayor Liaison's Comment** – Dr. Johnny Gaffney had no comments.
- D. 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 II. D. of the Board package.
- E. J. D. Power Business Customer Satisfaction Results** – Monica Whiting, Chief Customer Officer – On behalf of Paul McElroy, CEO, Senior Leadership Team, all JEA employees, and JEA's business customers, Ms. Whiting presented the J. D. Power 2016 Business Customer Satisfaction Award and results. Paul McElroy stated JEA started at the bottom of the fourth quartile in 2012, and through the hard work and dedication of all employees, JEA earned the highest score amongst all 86 utilities surveyed throughout the country, was the highest ranked in the state, and number 1 in the South Mid-Size region in all six drivers. Ms. Whiting announced JEA has received the award for the "Highest Customer Satisfaction with Business Electric Service in the South Among Midsize Utilities". JEA has risen from the bottom of the fourth quartile in 2012 to number 1 in the first quartile in 2016. JEA's score of 754 was 20 points higher than the second place utility in the South Mid-Size region. Ms. Whiting provided an overview of JEA's historical improvement in every driver of satisfaction which includes: Power Quality and

Reliability, Billing and Payment, Corporate Citizenship, Price, Communications, and Customer Service. Other notable improvements included: e-Bill brand, online First Contact Resolution, and price. Ms. Whiting provided a snapshot of direct comments from business customers. Ms. Whiting thanked Mike Brost, Vice President/General Manager, Electric Systems, as well as Brian Roche, Vice President/General Manager, Water and Wastewater Systems and all of their employees, as their work and improvements drive the most important driver of satisfaction. Chair Petway provided accolades to all 2,200 JEA employees. Mr. McElroy thanked Chair Petway for attending the January 12, 2016 J. D. Power webcast announcing the results. JEA will be reaching out to business customers to show appreciation for recognizing the hard work of JEA employees. This presentation was received for information.

### **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 Vice Chair Burr and second by Mr. Jones, item 1 on the Consent Agenda was unanimously approved and items 2 through 8 were received for information.
1. Approval of Board Meeting Minutes December 15, 2015 – approved
  2. Electric System and Water and Sewer System Reserve Fund Quarterly Report – received for information
  3. Fitch 2016 Outlook: U.S. Public Power and Electric Cooperative Sector – received for information
  4. JEA Energy Market Risk Management Policy Report – received for information
  5. Monthly JEA Financial Review & Statements – received for information
  6. Monthly FY16 Communications & Engagement Calendar and Plan Update – received for information
  7. Real Estate Acquisition Status Report – received for information
  8. Sole Source & Emergency Procurement/Procurement Appeals Board Report – received for information
- B. Strategic Discussions/Action**
1. JEA's Role in Economic Development – Melissa Dykes, Chief Financial Officer – Paul McElroy stated this presentation is provided in response to discussions at a previous Board Meeting. Mr. McElroy recognized Jerry Mallot, President, JAXUSA Partnership, Aaron Bowman, Senior Vice President, Business Development, JAXUSA Partnership, and Kirk Wendland, Executive Director, City of Jacksonville, Office of Economic Development. Ms. Dykes presented in 2015 under the direction of Mayor Curry, a local coalition was formed to coordinate economic development efforts. Ms. Dykes stated energy availability and costs are common factors considered in the site selection process. Research indicates reliability and customer service are as critical as absolute price. Ms. Dykes stated JEA is more than 99.985% reliable, earning the American Public Power Association (APPA) Reliable Public Power Award, Diamond Designation in FY2014 for providing the highest degree of reliable and safe electric service, and J. D. Power's "Highest Customer Satisfaction with Business Electric Service in the South Among Midsize Utilities". JEA has

invested more than \$187 million in the electric system in the past 5 years for capacity related projects and to improve reliability. Additionally, JEA is one of the few municipals in the country tracking and improving customer reliability at the individual customer level. Ms. Dykes reviewed the various rate programs designed to support economic development including the Economic Development Option, Incremental Economic Development Option, and the High Load Factor. Ms. Dykes stated JEA is uniquely positioned to work with the City of Jacksonville's Economic Development Office to assist in attracting companies to Jacksonville with the latest in infrastructure technology such as Google Fiber, the Jacksonville Network Access Point (NAP), and the latest in small-cell wireless cellphone and WIFI technologies. Mr. Mallot and Mr. Bowman provided comments stating JEA is a good economic development partner. This presentation was received for information.

2. Fuel Charge Reduction Recommendation – Melissa Dykes, Chief Financial Officer, presented JEA has a separate rate to recover fuel and energy costs. These costs are a pass-through to our customers and are broken out on the bill as the Fuel Charge. According to Federal and State regulatory guidelines, these funds cannot be diverted for any other uses. Ms. Dykes provided the history of the fuel mix from 1970 through the forecast of 2016, as well as the Board approved Pricing Policy. The Pricing Policy stipulates that the Fuel Charge be set annually during the budget process to be effective October 1 of the upcoming year. The Fuel Charge is based on the forward twelve-month energy cost projection and is structured to fully recover all expected fuel-related costs, as well as any requirement for the Fuel Stabilization Fund over the coming year. Ms. Dykes stated as of September 30, 2015 the Fuel Reserve was 24% of the maximum 12-month historical fuel expense, and is projected to reach 35% at the end of the fiscal year, if fuel expenses continue to be favorable. Ms. Dykes provided the Board with the recommendation to decrease the Fuel Charge from the current rate of \$43.60/MWh to \$36.75/MWh, a decrease of \$6.85/MWh to be effective February 1, 2016. The new charge will continue to recover fuel and energy costs while reducing the projected Fuel Reserve closer to the policy target. On **motion** by Mr. Cumber second by Mr. Jones, Board Members held discussions and approved staff's recommendations to lower the current Fuel Charge of \$43.60/MWh to \$36.75/MWh effective February 1, 2016.
3. Ernst & Young FY2015 Annual Financial Audit Plan, External Audit Report and Management Letter – Mike Pattillo, Ernst & Young (E&Y), introduced the E&Y team including Chris Edmunds, Senior Manager, Johan Flostrand, Audit Senior, and Jennifer Rinaberger, Audit Senior. Mr. Pattillo provided a review of E&Y's services and deliverables, the Executive Summary including the status, scope as presented at the August 10, 2015 Finance & Audit Committee, and the results of their Independent Auditor's Report on the financial audit of JEA on December 9, 2015. Ms. Dykes stated as a formality, it is requested the Board take action on the FY2015 Annual Audit Plan to comply with JEA's Finance and Audit Committee Policy. On **motion** by Vice Chair Burr and second by Mr. Cumber, the Board approved the FY2015 Annual Audit Plan.
4. External Auditors Evaluation 2015 – Melissa Dykes, Chief Financial Officer, presented the current contract with E&Y, which expires on June 30, 2016. Best practice is that auditors should be evaluated annually and a determination made by the Board on whether to retain their services. Each year the Board evaluates the performance of the external auditor and decides whether to extend the auditor's

engagement agreement for an additional year. This is typically completed by the Finance and Audit Committee who recommends an action to the Board, but is being presented to the full Board for FY2016. An auditor assessment tool was provided in the Board package to assist the Board in its evaluation. On **motion** by Mr. Jones and second by Mr. Cumber, the Board approved the option for a one-year extension of the contract with E&Y.

5. St. John's River Power Park (SJRPP) System Employees' Retirement Plan Restatement & Letter of Determination – Angie Hiers, Chief Human Resources Officer, provided a review of the December 15, 2015 Board presentation stating as a result of the Board approved amendments made to the St. Johns River Power Park System Employees' Retirement Plan between 2003 – 2015, a Plan restatement is being completed to include amendments one through six and inclusion of regulatory/technical amendments required by IRS regulations. The restated Plan will further be submitted to the IRS for a Letter of Determination on the tax qualified status of the Plan in January 2016. On **motion** by Mr. Jones and second by Ms. Flanagan, the Board approved Resolutions 2016-01, 2016-02, 2016-04, 2016-05, 2016-06, 2016-07 for amendments 7-11, the restated Plan document, and the restated Trustee Agreement, and authorizes JEA's Managing Director/CEO to execute all implementing documents.
6. Bi-Monthly Operations Presentation – Brian Roche, Vice President/General Manager, Water/Wastewater Systems, Mike Brost, Vice President/General Manager, Electric Systems, and Monica Whiting, Chief Customer Officer – Mr. Roche reviewed safety metrics, water/wastewater performance objectives, environmental compliance, financial performance, and water/wastewater rates in Florida. Mr. Brost reviewed electric systems performance objectives, FY2016 fuel revenue and expense, financial performance, and residential electric bill comparison information. Ms. Whiting provided an overview of JEA's approach to customer satisfaction highlighting JEA's record movement from 4<sup>th</sup> quartile to 1<sup>st</sup> quartile nationally for both residential and commercial customer satisfaction as measured by J.D. Power, as well as being the most improved utility in overall customer satisfaction from 2010-2015. Ms. Whiting presented the six key drivers in customer satisfaction and stated JEA continues to improve in each driver year-over-year. This presentation was provided for information.

C. **Other New Business** – none

D. **Old Business** – none

#### **Agenda Item IV – Reports**

A. Compensation Committee Report – Delores Kesler, Committee Chair

*The Compensation Committee agenda items were presented as listed on the agenda, but approved at the conclusion of the report. Committee Chair Kesler thanked Committee Members Tom Petway and Kelly Flanagan for their work.*

1. Minutes from December 15, 2015 – received for information
2. Compensation Committee Charter – On **motion** by Vice Chair Burr and second by Mr. Jones, the Board approved and adopted the Compensation Committee Charter.

3. **Market Definition – Angie Hiers, Chief Human Resources Officer –** As a follow-up item to the Compensation Committee, Ms. Hiers presented JEA conducts a robust review of the total compensation package in order to aid JEA in attracting, recruiting, and developing employees. Ms. Hiers provided the Board with an overview of the market used for compensation purposes. JEA's established or accepted rate of pay for a particular job or job class considers: similar or same work performed, similar region where work is performed, and the number of people available in the employers' locale to perform the work. Ms. Hiers stated with using market reference points when comparing and analyzing compensation, it is important to: select survey sources that are appropriate for the positions being examined, match the right job, right geographic area, right company size, and use job description content as opposed to title only. JEA defines its market as local utilities and similar industries in the immediate area, utilities and similar industries in adjacent areas, other municipalities in the area, and local companies that are in different lines of business but have the same or similar jobs. JEA utilizes industry-recognized data sets from Towers Watson, Mercer, Western Management, American Public Power Association, American Water Works Association, Large Public Power Council, and other neighboring local municipalities and others to develop the 50<sup>th</sup> percentile figures around which compensation structures are built. Committee Chair Kesler added that JEA employs over 2,000 employees, in over 160 different job classes. This presentation was received for information.
4. **FY2016 Pay for Performance Plan: Goals and Compensation – Angie Hiers, Chief Human Resources Officer** thanked the Compensation Committee for the review of materials provided. Ms. Hiers presented that the total compensation package, including the Pay for Performance program, is used to incent exceptional performance as measured against pre-established goals. In FY2016, JEA will continue to focus on the company's strategic initiatives and five key areas of focus including: Customer Satisfaction, Safety, and Cost per unit of Electricity delivered (Kwh), Cost per unit of Water delivered (Kgal) and Cost per unit of Wastewater collected (Kgal). In Customer Satisfaction, the FY2016 customer satisfaction goal is to maintain lower 25% of first quartile in the J. D. Power residential survey, while improving at least one position. The safety performance goal for FY2016 is to improve to a Recordable Incident Rate of 1.2. In the area of Cost Control, the cost per unit of electricity delivered (Kwh) must not increase from FY2015 baseline of \$49.44, the cost per unit of water delivered (Kgal) must not increase from FY2015 baseline of \$3.98, and the cost per unit of wastewater collected must not increase from FY2015 baseline of \$7.26. Ms. Hiers noted a payout may only occur if the actual corporate savings minus the earned payout exceeds the amount of any payout, and there is sufficient increased operating cash flow to cover any payout. On **motion** by Vice Chair Burr and second by Mr. Jones, the Board approved the FY2016 Pay for Performance Program which incorporates changes from the FY2015 plan including: removing any payout for less than 100% achievement, lowering cost targets to prior years' actual, and reducing targeted pay maximums for the Executive Leadership Team and the Senior Leadership Team.
5. **FY2016 CEO Goals – Paul McElroy, Chief Executive Officer** stated the FY2016 CEO Goals were provided to the Board at the October 30 and November 30, 2015 Board Meetings for review and feedback. The Board Member's comments have been incorporated into the goals. Mr. McElroy distributed a revised FY2016 CEO



Goals adding gradation for each goal. On **motion** by Vice Chair Burr and second by Mr. Jones, the Board approved the FY2016 CEO Goals, but referred the gradation to the Compensation Committee for further review, which will be brought back to the Board at the February 16, 2015 Board Meeting.

*Vice Chair Burr left the meeting at 2:33 PM.*

**B. Managing Director/CEO's Report – Mr. McElroy reviewed the following items:**

- Public comments which can be found in section II. A.
- Staff will provide a presentation on the Clean Power Plan at the March 15, 2016 JEA Board Meeting.
- On January 4 – 14, 2016 Town Hall Meetings were conducted across the organization. Employee concerns included pension, Clean Power Plan, General Counsel's opinion regarding the governing body of Collective Bargaining Agreements, and residency requirements.
- At the February 16, 2016 JEA Board Meeting, staff will provide an overview of JEA's strategic plan to ensure the strategy is in alignment with the Board's direction.
- Preparations are being made to conduct a Board Workshop in the spring.

**C. Chair's Report – Chair Petway reviewed the following items:**

- General Counsel's opinion regarding the governing body over Collective Bargaining Unit agreements.
- Pension activities
- The next Board Meeting will be held on February 16, 2016 at 9:30 AM.
- Compensation Committee will meet prior to the February 16, 2016 Board Meeting.

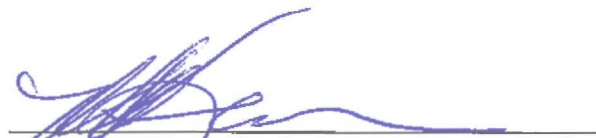
**Agenda Item V – Closing Considerations**

**A. Announcements – none**

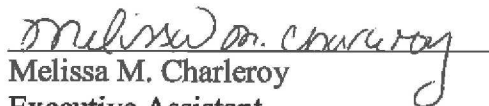
**B. Adjournment**

***With no further business claiming the attention of the Board, Chair Petway adjourned the meeting at 2:43PM.***

APPROVED BY:

  
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SECRETARY  
DATE: 2-16-16

Board Meeting recorded by:

  
Melissa M. Charleroy  
Executive Assistant