

JEA
BOARD MINUTES
March 15, 2016

The JEA Board met in regular session on Tuesday, March 15, 2016, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Tom Petway, Delores Kesler, Husein Cumber, Kelly Flanagan, Warren Jones, and Alan Howard. Mr. Ed Burr was absent and excused.

Agenda Item I – Welcome

- A. The meeting was called to order at 9:34 AM by Chair Petway.
- 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. Jones and second by Ms. Flanagan.
- E. The Safety Briefing was given by Paul McElroy, Managing Director/Chief Executive Officer.
- F. 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 I. F. of the Board package.

Agenda Item II – Presentations and Comments

At the request of Board Chair Petway, Paul McElroy provided the CEO Report comments one through three; however, the minutes reflect the original order of the agenda. Mr. McElroy provided comment four during the regularly scheduled CEO Report period.

Secretary Kesler arrived at 9:39 AM due to a previous business commitment.

A. Comments from the Public –

- 1. David E. Bruderly, 1221 Molokai Road, Jacksonville, FL 32256, addressed the Board regarding climate change and recommended a 50% green energy commitment by 2030.
- 2. Sarah Boren, 388 8th Street, Jacksonville, FL 32206, addressed the Board regarding solar.

Board Chair Petway acknowledged Art Graham, Commissioner, Florida Public Service Commission and thanked him for his attendance.

- B. Council Liaison's Comments – The Honorable Bill Gulliford thanked Paul McElroy and Melissa Dykes, Chief Financial Officer, for their partnership on the Interagency Agreement. Council Member Gulliford stated he looked forward to working with Mr. McElroy and Ms. Dykes on future community and joint efforts.
- C. Office of the Mayor Liaison's Comment – Dr. Johnny Gaffney had no comments.
- D. Nassau County's Ex-Officio Representative – Mike Mullin – Mr. Mike Mullin 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. On **motion** by Secretary Kesler and second by Mr. Cumber, item 1 on the Consent Agenda was unanimously approved and items 2 through 4 were received for information.
1. Approval of Board Meeting Minutes February 16, 2016 – approved
 2. Annual Report on JEA’s Jacksonville Small and Emerging Business (JSEB) Program – received for information
 3. Monthly JEA Financial Statements – received for information
 4. Monthly FY16 Communications & Engagement Calendar and Plan Update – received for information
- B. Strategic Discussions/Action**
1. Postponement of JEA Board of Directors Workshop on Solar Strategies – Paul McElroy, Chief Executive Officer, presented that during the February 16, 2016 JEA Board Meeting, the Board unanimously approved staff to conduct a workshop on solar strategies at the March 15, 2016 JEA Board Meeting. Due to scheduling conflicts, postponing the Board Workshop to April 7, 2016 will allow for increased participation by Board Members and will allow staff to provide additional information. On **motion** by Mr. Howard and second by Mr. Cumber, the Board unanimously approved the postponement of the JEA Board Workshop on solar strategies from March 15, 2016 to April 7, 2016.
 2. Electric System – Ten Year Site Plan – Steve McNall, Director Electric Production Resource Planning, presented the Electric System Ten Year Site Plan as required by the Florida Public Service Commission. Mr. McNall noted that the current plan includes the planned reserve storage (2017) and retirement (2019) of Northside Unit 3, seasonal purchases from The Energy Authority (TEA) in 2017 and 2018, 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 FY2016 plan recommends no new generation resources, and does not address any system changes that may be mandated for the Environmental Protection Agency (EPA) Clean Power Plan. The presentation was provided for information.
 3. Clean Power Plan (CPP) Update – Jay Worley, Senior Executive, presented the CPP was first proposed by the EPA in June 2014, and is a rule aimed at reducing the amount of carbon emissions from the electric sector. The final rule was published on October 23, 2015. As a result of litigation, the U.S. Supreme Court granted a stay on February 9, 2016. Mr. Worley stated while the stay will have an impact on the state’s implementation timeline, due to the recentness of the stay, those impacts are not yet known. During the stay, JEA will continue to interface closely with the Florida Department of Environmental Protection (FDEP), state utility companies, and utility organizations to remain positioned through the judicial review to promote a fair and equitable plan throughout the state. Mr. Worley provided information regarding the CPP regulatory timelines for the United States, as well as the state of Florida. Information was also presented on greenhouse gas, United States CO₂ output by sector, and 2030 goal for total emissions reduction. Mr. Worley

stated JEA's goal is to maintain affordability and reliability. This presentation was received for information.

4. Bi-Monthly Operations Presentation – Mike Brost, Vice-President/General Manager, Electric Systems, Brian Roche, Vice-President/General Manager, Water/Wastewater Systems, and Monica Whiting, Chief Customer Officer – Mr. Brost reviewed safety, electric systems performance objectives, FY2016 fuel revenue and expense, financial performance, and residential electric bill comparison information. Mr. Roche reviewed water/wastewater performance objectives, environmental compliance, financial performance, and water/wastewater rates in Florida. Ms. Whiting provided an overview of JEA's transactional volume, first contact resolution, power quality and reliability outage communication, and customer communication information. Ms. Whiting reviewed JEA's billing and payment customer solutions and provided a video highlighting JEA's MyWay program. Ms. Whiting also provided information regarding JEA's environmental responsibility programs including the Museum of Science and History (MOSH) events, on-site efficiency assessments, and electric vehicle charging stations. Ms. Whiting provided a video highlighting JEA's electric vehicle programs, including JEA's partnership with community organizations for the installation of 25 ChargeWell charging stations. Ms. Whiting presented information regarding JEA's partnership with local agencies in support of customer assistance funding programs including Senior Day. Ms. Whiting stated 3,715 customers have received agency and federal assistance in FY16 year-to-date in the amount of \$1,126,861. This presentation was received for information.
5. JEA Charter Changes and Interagency Agreement – Melissa Dykes, Chief Financial Officer, presented the City and representatives from JEA met over the last year through a Special Committee, to establish a revised calculation for the annual JEA contribution to the City. Ms. Dykes thanked Board Chair Petway for his engagement and leadership throughout the process, Council Member Gulliford for his leadership of the Special Committee, and Jody Brooks, Office of General Counsel for her support. Upon completion of the negotiation process, the Special Committee recommended legislation and City Council approved a bill that amends the City Charter Article 21 – JEA Ordinance 2015-764, and establishes a revised contribution calculation for the next five years, in addition to the other language changes in Article 21. A copy of the legislation, along with a summary of the Charter changes is included in the Board package. Ms. Dykes stated, in addition to the Charter changes, the City and JEA negotiated terms to an Interagency Agreement that provides for a one-time additional contribution of \$15,000,000 from JEA to the City; the conveyance of Basin Management Action Plan (“BMAP”) water quality credits from JEA to the City until 2023; and cooperative efforts and responsibilities regarding City sewer projects. On **motion** by Mr. Cumber and second by Secretary Kesler, Board Members held discussions, and unanimously voted to approve the Interagency Agreement. Chair Petway thanked Council President Anderson, Council Member and Special Committee Chair Gulliford, the full City Council, Mayor Curry and staff, and also Paul McElroy and the Senior Leadership Team.
6. JEA FY2015 Annual Disclosure Reports – Melissa Dykes, Chief Financial Officer, presented Board Members have been provided with drafts of the Annual Disclosure Reports (ADR) for the fiscal year ended September 30, 2015 for the (i) Electric Utility System and (ii) the Water and Sewer System and District Energy System for comment prior to requesting authorization and approval of the reports at the

April 19, 2016 Board Meeting. Ms. Dykes stated the filing and use of the ADR is required in order to comply with JEA's continuing disclosure undertakings for its bonds and various credit agreements. Ms. Dykes informed the Board that the United States Securities and Exchange Commission (SEC) has stated that Board Members may reasonably rely on the work of employees in the disclosure context. Board Members are not required to read each page of the disclosure document before approving it. Ms. Dykes provided an overview of the Board Members' responsibility and the establishment of reasonable reliance. This item was presented for information. Staff will request the Board to take action at the April 19, 2016 Board Meeting.

C. **Other New Business** – none

D. **Old Business** – Board Members held discussions regarding the time of future Board Meetings. Staff will take a poll to determine the Board Meeting time for future meetings. Secretary Kesler offered concerns regarding Board Members providing individual comments to the media. Board Chair Petway reiterated that the Board Chair will take the lead on providing comments on behalf of the JEA Board of Directors.

Agenda Item IV – Reports

- A. **Finance and Audit Committee Report** – Kelly Flanagan, Committee Chair reviewed the Finance and Audit Committee meeting held on March 2, 2016, bringing items to the Board for action and information.
1. **Approval of Minutes from August 10, 2015** – On **motion** by Mr. Howard and second by Mr. Jones, the minutes were unanimously approved.
 2. **FY2017 Budget Assumptions** – Committee Chair Flanagan recognized staff for their diligence, professionalism, and access to information. Ms. Dykes provided an overview of the FY2017 Budget Assumptions. Ms. Dykes stated staff will provide a completed budget to the Finance and Audit Committee at the May 9, 2016 meeting. Staff will provide a presentation and request feedback at the May 17, 2016 JEA Board Meeting. The feedback will be incorporated into the budget and presented to the Board for approval at the June 21, 2016 Board Meeting. Following the Board's approval, the budget will be sent to City Council for review and approval. The presentation included information on key strategic issues, risks, challenges, and assumptions and was received for information.
 3. **Audit Services & Enterprise Risk Management (ERM) Report** – received for information.
 4. **External Auditors Contract Extension** – Melissa Dykes, Chief Financial Officer, reviewed the current contract with Ernst & Young (E&Y) expires on June 30, 2016. On January 19, 2016, Board Members approved a one-year extension of the contract with E&Y. At the request of the Finance & Audit Committee, a supplemental fee schedule comparing the FY2015 auditor fees to the negotiated fee for FY2016 was included in the Board package. Ms. Dykes stated the negotiated base audit fee for FY2016 is \$355,000, and together, with additional work as listed on the fee schedule, results in a total estimated cost of \$426,988 for the FY2016 contract. Committee Chair Flanagan stated with the change of the Board composition year-over-year, it was important to maintain the stability of the incumbent auditors during the current audit cycle; however, staff will evaluate and issue a Request for Proposal for services for the next fiscal year. On **motion** by Mr. Jones and second by

Secretary Kesler, the Board unanimously approved the audit fee schedule and scope for the one-year E&Y contract extension, as outlined in the supplemental fee schedule included in the Board package.

5. Report from COJ Auditors Regarding JEA GERP Pension Liability – received for information
 6. Resolution Determining the Sufficiency of Revenues – St. Johns River Power Park (SJRPP) – Melissa Dykes, Chief Financial Officer, presented an annual requirement under the St. Johns River Power Park Bond Resolution for JEA to determine that for the upcoming fiscal year, the Electric System's revenues will be sufficient to make all required payments under the bond resolution. At the direction of the Finance & Audit Committee, the SJRPP Schedule of Debt Service Coverage for FY2015 is provided in the Board package. On **motion** by Mr. Cumber and second by Secretary Kesler, the Board unanimously approved and adopted Resolution No. 2016-8 determining the estimated revenues for the Fiscal Year ending September 30, 2017, will be sufficient for their intended purposes.
 7. JEA Annual Disclosure Policy Report – received for information
 8. Ethics Officer Report – received for information
 9. JEA Energy Market Risk Management Policy Report – received for information
 10. Treasury Services Activities
 - a. Electric System and Water and Sewer System Reserve Fund Quarterly Report – received for information
 11. Announcements
 - a. Next Meeting – May 9, 2016, 8:00 – 10:00 AM
 12. Committee Discussion Sessions
 - a. The Committee met with Mike Pattillo and Chris Edmunds, Ernst & Young
 - b. The Committee met with Steve Tuten, Director, Audit Services
 - c. The Committee met with Robert Campbell, Council Auditor's Office
- B. Managing Director/CEO's Report – Mr. McElroy reviewed the following items:**
1. One-Stop Pole Attachment – Mr. McElroy stated JEA is working closely with the City of Jacksonville to expedite the pole attachment process for all wireless and broadband participants that attach lines and devices to the City of Jacksonville's poles. Mr. McElroy stated JEA supports the City of Jacksonville and believes this is a positive step in expanding our capacity as a community to deliver broadband to homes.
 2. Mr. McElroy presented the 2016 Florida Municipal Electric Association (FMEA) Lineman Competition took place on March 11-12, 2016 in Orlando, Florida. Mr. McElroy offered congratulations to the linemen. A presentation will be provided at the April 19, 2016 Board Meeting.
 3. Solar – Mr. McElroy provided an update on JEA's recent solar activities including:
 - a. Catalogued and analyzed comments taken at the last Board Meeting
 - b. Reviewed a variety of research initiatives
 - c. Attended the solar industry participants open forum


- d. Responded to various communications, including offering to make senior staff available to meet with solar industry participants
 - e. Scheduled a Board Workshop to discuss staff's solar proposal and begin the 2-year discussion on a potential residential demand rate structure
 - f. JEA continues to believe the solar proposals are on the right track
 - g. JEA continues to hear feedback mostly about harmonizing what JEA will pay for electricity generated from solar resources
 - h. Discussed the impact storage will have on our grid
 - i. Received customer feedback from large industrials, commercial accounts and the non-profit sector
 - j. Mr. McElroy provided an overview of the April 19, 2016 JEA Board Meeting and Rate Hearing.
4. Ethics Training for Board Members – Mr. McElroy stated as required by the City of Jacksonville Ordinance 2015-268, Section 50.109, Board Members will participate in the required training for Board and Commission Members in May 2016.
- C. Chair's Report – Chair Petway thanked Board Members for attending today's Board Meeting. Board Members held discussions related to Board Meeting times. Chair Petway announced the upcoming Board Workshop on April 7, 2016.

Agenda Item V – Closing Considerations

- A. **Announcements** – Next Board Meeting – April 19, 2016
- B. **Adjournment**

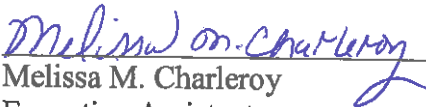
With no further business claiming the attention of the Board, Chair Petway adjourned the meeting at 11:32 AM.

APPROVED BY:



SECRETARY
DATE: 4-19-16

Board Meeting recorded by:



Melissa M. Charleroy
Executive Assistant