

**JEA BOARD MINUTES
October 22, 2019**

The JEA Board met in regular session on Tuesday October 22, 2019, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were April Green, Reverend Fredrick Newbill, Camille Lee-Johnson, Kelly Flanagan, Andy Allen, Henry Brown, Aaron Zahn, and Lynne Rhode.

Agenda Item I – Welcome

- A. The meeting was **called to order** at 9:04am by Chair April Green.
- B. A **Moment of Reflection** was observed by all.
- C. The **Pledge of Allegiance** was led by Chair Green.
- D. **Introductions** were made by board members present, Aaron Zahn, and Lynne Rhode.
- E. **Adoption of Agenda** – The agenda was approved on **motion** by Vice-Chair Newbill and second by Ms. Lee-Johnson.
- F. The **Safety Briefing** was given by Aaron Zahn, Managing Director/Chief Executive Officer.
- G. **Sunshine Law/Public Records Statement** – Lynne Rhode, 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 – Comments / Presentations

- A. **Comments from the Public** – Yvonne Ward (information on file), had comments and concerns on the septic phase out program for her neighborhood, Moncrief Springs, and others. Mr. Zahn suggested that she follow up with Kerri Stewart, VP/Chief Customer Officer and Councilman Becton and he offered to follow up with her as well if needed.
- B. **Comments from Council Liaison** – no comments from Councilman Becton
- C. **John Campion Recognition** – Aaron Zahn recognized and thanked John Campion for his time on the board. A Resolution from the Board of Directors and token of appreciation will be sent to him. **Motion** to approve Resolution passed unanimously.

Agenda Item III – Operations (Discussion/Action)

- 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 Newbill and second by Ms. Lee-Johnson the consent agenda was unanimously approved.

Appendix A: Board Meeting Minutes September 24, 2019 – approved

Appendix B: FY2019 Operating and Capital Budget Line Item Transfers – approved

Appendix C: Approval of Resolution: FY2020 Budgetary Transfers – approved

Appendix D: JEA Investment Policy Revisions – approved

- B. Monthly Reports and Updates** – The following monthly reports and updates are submitted to the Board as information only. These items require no explanation, discussion, presentation or action.
- Appendix E: Monthly Financial Statements** – received for information
- Appendix F: Monthly FY2019 Communications & Engagement Calendar and Plan Update** – received for information
- Appendix G: Financial Operations Detail** – received for information
- Appendix H: Corporate Campus Update** – received for information
- Appendix I: Sole Source & Emergency/Procurement Appeals Board Report** – received for information
- C. Monthly Financials and Operations Dashboard** – The Financial and Operations Dashboards were presented by Deryle Calhoun, VP/GM Water/Wastewater Systems and Caren Anders, VP/GM Energy Systems. Mr. Calhoun and Ms. Anders presented, in detail, the Energy, Water/Wastewater, and Corporate metrics noting the changes in the FY20 metrics and the continuous improvements being made. In discussion with Chair Green, Mr. Calhoun and Ms. Anders assured the board that employees are engaged in what is going on in the future but are still working safely and taking pride in their work. This presentation was received for information only.
- D. JEA’s Jacksonville Small and Emerging Business Program Report** – John McCarthy, VP/Chief Supply Chain Officer highlighted the stretch spend achievements, increase in JSEB contracts, and the increase in the number of vendors in the JSEB program. The presentation concluded with video showcasing JEA’s Annual JSEB Summit. This presentation was received for information only.
- E. Renewal of Firm Natural Gas Supply Agreement with Shell Energy North America** – Caren Anders, VP/GM Energy Systems and Randall Van Artsen, Manager Energy Fuel Systems presented the importance of Natural Gas, the background, and the evaluation process for choosing a contract. Ms. Anders highlighted the benefits, risk, and mitigation of the risk. Staff recommends the Board of Directors approve the extension of the natural gas supply and transportation agreement with Shell Energy North America for 10 years, 2021 to 2031. Lynne Rhode, Chief Legal Officer, read Resolution 2019-14.
- On **motion** by Secretary Lee-Johnson and second by Vice Chair Newbill, agenda item III. E. was unanimously approved.

Agenda Item IV – JEA Invitation to Negotiate Update

- A. JEA Invitation to Negotiate Update** – Aaron Zahn, Managing Director/CEO introduced the speakers and the information be received from the presentation. Todd Giardinelli, Global Head of Mergers and Acquisitions - Morgan Stanley, provided some background on Morgan Stanley and his experience with Mergers and Acquisitions. Edward Manheimer, Global Power and Utility Mergers and Acquisitions - Morgan Stanley introduced himself and provided his professional background and years of experience. Jennifer Dooly, Global Power & Utilities - JP Morgan provided her professional background and history of JP Morgan. Isaac Sine, Head of Public Power – JP Morgan, introduced himself and how his role with JP Morgan fits into this process. Mr. Sine began the ITN Update presentation by explaining the role of the investment bank in the ITN process and the fairness of consideration process. Mr. Sine provided an update on the competitive process and how it aligns with JEA’s goals.

Mr. Giardenelli presented an overview of the evaluation phase and stated that there are nine diverse bidders that all meet the minimum requirements. Mr. Giardenelli further explained the minimum requirements that were set in order for bidders to move to the next phase. Mr. Giardenelli concluded his portion of the presentation by summarizing the IPO process and the next steps.

Ms. Dooly began her portion of the presentation with a ten-year overview of improvements made by utilities while maintaining low customer rates. Ms. Dooly stated as we look to the future, scale and scope are going to be increasingly important for U.S. utilities to capture operational and capital efficiencies. Ms. Dooly explained four ways in which scale allows utilities to undergo infrastructure upgrades with rate stability are: 1) Lower cost of capital; 2) Greater O&M efficiency; 3) Renewable generation; and 4) Greater technology adoption abilities.

Mr. Manheimer concluded the presentation outlining three factors causing disruptions facing the utility sector. The three factors are declining cost for renewables, increased penetration of distributed energy resources, and increased customer focus. Mr. Manheimer also presented a map displaying the increase in corporate focus on renewables in the U.S. Mr. Manheimer summarized the presentation with the following concluding remarks: 1) Consolidation continues to remain a theme in the utility sector; 2) Macro conditions provide supportive backdrop for utility sector; 3) Scale allows for greater operating leverage and efficiency of costs; 4) Disruption in the sector applying pressure on utility returns – customers want efficiency; 5) Push for decarbonization is impacting all aspects of the utility model; 5) Utilities are responding accordingly.

Agenda Item V – Subject Matter Exploration (Opportunities & Risks – Presentations)

A. N/A

Agenda Item VI – Committee Reports

A. **CEO Performance Review** – Jon Kendrick, VP/Chief Human Resource Officer explained the CEO Performance Evaluation process which is mandated by the Board of Directors and Mr. Zahn’s employee agreement. Mr. Kendrick stated that Mr. Zahn completed a self-evaluation which was then submitted to the members of the Compensation Committee for their evaluation. Members of the Compensation Committee rated Mr. Zahn with an overall “Meets Expectations”. Mr. Zahn also worked with the Compensation Committee to develop his goals for FY20.

Compensation Committee, Ms. Lee-Johnson recommended that the board finds that Mr. Zahn meets the expectations with the performance review for 2019 and that there be no changes made to the employee agreement. Chair Green read Resolution 2019-15.

On **motion** by Ms. Flanagan and second by Vice-Chair Newbill Resolution 2019-15 was approved unanimously.

Agenda Item VII – Other Business

- A. **Old Business** – N/A
- B. **Other New Business** – Board member Andy Allen had a question on rate changes. Ryan Wannemacher, Chief Financial Officer, provided clarity with an explanation of rate trends and how savings are passed along to customers.
- C. **Open Discussion** – Vice Chair Newbill provided positive comments on JSEB and commended John McCarthy and his team on their work.
- D. **Managing Director/CEO’s Report** – Aaron Zahn, CEO stated that he will be able to provide a report on traditional response in the next few months. Management will provide an overview of what options the team could possibly pursue. Management will also explore Plant Vogtle rate impacts.
- E. **Chair’s Report** – Board Chair April Green thanked the team for their hard work and commended Aaron Zahn on his efforts as well.

Agenda Item VIII – Closing Considerations

- A. **Announcements** – Next Board Meeting – November 19, 2019
- B. **Adjournment**

With no further business claiming the attention of the Board, Chair Green adjourned the meeting at 10:52am.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Madricka L. Jones, Executive Staff Assistant