

JEA BOARD MINUTES
March 26, 2019

The JEA Board met in regular session on Tuesday, March 26, 2019, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Alan Howard, Frederick Newbill, April Green, Camille Johnson and Kelly Flanagan. John Campion was absent and excused.

Agenda Item I – Welcome

- A.** The meeting was **called to order** at 9:11 AM by Chair Howard.
***At the discretion of the Chair, the agenda was called out of order, but the minutes will reflect the original order.*
- B.** A **Moment of Reflection** was observed by all.
- C.** The **Pledge of Allegiance** was led by Chair Howard.
- D.** **Adoption of Agenda** – The agenda was approved on **motion** by Ms. Green and second by Secretary Newbill. The Chair requested the Board approve an amended agenda to reflect that the Finance & Audit Committee lacked a quorum and therefore, under section VIII, numbers A.1&2, which call for action will be deferred back to committee for their subsequent meeting and items VIII. A. 11. Program Assessment will be referred to the full Board at this meeting for action, as it is an audit type item for cyber security. On **motion** by Secretary Newbill and second by Ms. Green, the amended agenda was approved.
- E.** The **Safety Briefing** was given by Aaron Zahn, 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 – Public Hearing

- A.** **Call to Order and Comments from the Public** – The Chair called the Public Hearing to order at 9:00 AM.
- B.** **Staff Presentations and Board Discussion** – Ryan Wannemacher, Chief Financial Officer advised the Board that staff was requesting several changes to the electric tariff and rate document, some of which would allow for the implementation and continuation of two strategic initiatives, the Residential Demand Rate Pilot and SolarMax. Mr. Wannemacher summarized the changes that were previously provided to the Board.
- Change name of rate from SmartSavings to JEA Flex Pricing
 - Offering two rates, Dual Flex, based on the two highest 60-minutes of usage during a peak and anytime demand period and Daily Flex, based on the average of the daily 60-minutes anytime demand period
 - Remove the expiration date, which will allow the rider to remain in place and open for large corporate customers’ participation as the new solar centers come online.
- Mr. Wannemacher provided details of the SolarMax program to the Board and advised that staff recommends, pending the outcome of the public rate hearing, that the Board adopt Resolution 2019-01 and its attachments (Exhibits I, II and III) prepared by staff and approved by the Office of General Counsel, to document the action taken. All changes proposed to be effective June 1, 2019.

**RESOLUTION 2019-01
A RESOLUTION REGARDING RATE SCHEDULE
CHANGES AND ADDITIONS TO THE EXISTING
ELECTRIC TARIFF DOCUMENTATION; CONDUCTING
A PUBLIC HEARING AND FINDING THE
MODIFICATIONS TO THE ELECTRIC TARIFF
DOCUMENTATION TO BE REASONABLE; IMPOSING
THE MODIFICATIONS TO THE ELECTRIC TARIFF
DOCUMENTATION FOLLOWING THE PUBLIC
HEARING; PROVIDING FOR THE IMPLEMENTATION
OF THE MODIFICATIONS TO THE ELECTRIC TARIFF
DOCUMENTATION; PROVIDING FOR AN EFFECTIVE
DATE.**

- C. **Comments from the Public – none**
- D. **Adjourn Public Hearing**

Agenda Items III – Action on Public Hearing

- A. **Public Hearing to Modify the Electric Tariff Documentation and Rate Hearing -**
On **motion** by Secretary Newbill and second by Ms. Johnson, Resolution 2019-01
approving the rate changes was approved.

The Public Rate Hearing was adjourned at 9:11 AM.

Agenda IV – Comments/Presentations

- A. **Comments from the Public – none**
- B. **Council Liaison’s Comments - none**

Agenda Item V – 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 Ms. Green and second by Ms. Johnson, Appendix A, B and D were unanimously approved and Appendix C and E were received for information.

Appendix A: Special Board Meeting Minutes February 5, 2019 – approved

Appendix B: Board Meeting Minutes February 26, 2019 – approved

Appendix C: Monthly Financial Statements – received for information

Appendix D: Water Conservation Month – approved

Appendix E: Monthly FY19 Communications & Engagement Calendar and Plan Update – received for information

- B. **Monthly Financial and Operations Dashboard** – Melissa Dykes, President & Chief Operating Officer updated the Board on key metrics from JEA’s four values:

Customer Value: Estimated Time of Restoration (ETR) is tracking above the FY19 goal and is one of the reasons that JEA was recently recognized with Chartwell’s 2019 Outage Communications Silver Medal for Midsize Utilities. JEA is providing outstanding reliability to customers, which is reflected in the remaining metrics.

Financial Value – Generational fleet reliability is down due to continued issues with one of the Northside units, metric will not be met. The unit is currently in a planned outage and JEA should be on track moving forward, but the smoking gun was never found. O&M goal will be a challenge due to a number of one time issues that have occurred and the bargaining unit contracts.

Community Impact Value – JSEB spend is on track to meet the stretch goal. We were not able to identify enough JSEB contractors to shelter the upcoming septic tank phase-out, but there is enough JSEB percentage within the project to continue to push up the numbers.

Environmental – nitrogen to the river is way below goal and this is the lowest rolling twelve months of nitrogen to the river in JEA history.

Ms. Dykes was asked to remind the Board of the timeline for FEMA reimbursement, which is related to a number of variables and can take years. Ms. Dykes was also asked about recruitment for JSEB program and she advised the Board of outreach and of success rate with providing companies opportunities to graduate from the program.

This item was received for information.

- C. Annual Disclosure Report** - Ryan Wannemacher, Chief Financial Officer advised the Board that the documents would be provided electronically for the first time. Mr. Wannemacher further advised the Board of the requirements of the annual disclosure report and the requirements set for the Board by the Securities & Exchange Commission. Mr. Wannemacher further advised of all of the procedures that are required and attested that they have occurred and offered time for Board Members who may have questions. The Chair advised of training available from the bond counsel and that they would be asked their availability to attend this 1-1½ hour training. This item was received for information.
- D. Fiscal Year 2019 Operating Budget Line Item Transfers** - Ryan Wannemacher, Chief Financial Officer advised the Board of line item transfers related to STAR Debt Retirement and the City Contribution Agreement, calling for \$15 million in additional septic tank phase-out funds. Mr. Wannemacher further advised of the policy related to line item transfers in excess of \$5 million dollars, which require ratification by the Board after the fact. On **motion** by Secretary Newbill and second by Ms. Green, the Board ratified the line item transfers.

Agenda Item VI – Strategy (Discussion Only)

- A. JEA Real Estate Optimization Initiative** – Steve McInall, VP & Chief Energy & Water Planning, advised the Board of efforts to monetize JEA-owned properties with no associated current or anticipated need. These properties include the Downtown Headquarters, Talleyrand (part of Kennedy Generating Station), corner of Atlantic and Southside (the former Coggin automobile dealership) and property at Cecil Commerce Center. Mr. McInall advised that further property would become available once demolition has been completed at the SJRPP site and the land has been parceled and made available for sale. Mr. McInall provided the Board with potential sale amounts versus book value and advised of the Surplus Property Sales Process. A quick look at the properties was provided and the Board advised of how property is acquired and how land is parceled out and made available for sale. Once SJRPP and other properties beyond these four are made available, this initiative will generate more than \$100 million in revenue and reduce the annual O&M cost for carrying properties on the

books. Mr. McInall responded to questions from the Board. This item was received for information.

Agenda Item VII – Subject Matter Exploration (Opportunities & Risks – Presentation)

- A. Year In Review** – Aaron Zahn, Managing Director/CEO, Melissa Dykes, President & Chief Operating Officer and Ryan Wannemacher, Chief Financial Officer delivered a presentation to the Board which covered the year in review, reflecting on the accomplishments of the team. Ms. Dykes presented a timeline which demonstrated the transition of JEA from April 2018 to October 2018 and the setting of our foundation, direction and the finalization of the senior leadership team from November 2018 to March 2019. Ms. Dykes also provided a quick summary of the financial metrics and results for energy and water since April 2018. Mr. Wannemacher provided the year in results with a review of historical financial metrics and a demonstration of the key metrics in energy and water showing “what we said in December 2017” and “what we did in FY18”. Mr. Zahn indicated that it is time for change and to pivot the business. Mr. Zahn provided the new strategic framework, guiding principles and the five focus areas for future success, which are as follows:

Priority One: Develop an adaptive culture

Priority Two: Align to a pervasive commitment to profitability and value

Priority Three: De-risk the business

Priority Four: Be a platform for customer choice

Priority Five: 10-year strategic plan in line with our guiding principles

As part of the presentation for Priority Four, Julio Romero Agüero, Chief Innovation Officer advised of the challenges of the industry going forward and introduced Kerri Stewart, VP & Chief Customer Officer, who discussed the demand rate study and the use of enabling technology and electrification. Deryle Calhoun, VP/GM Water Wastewater Systems discussed Integrated Water Resource Plan (IWRP), organic recycling, renewable natural gas and water purification. Mr. Agüero introduced the new VP & Chief Information Officer, Shawn Eads, who will be a critical resource as JEA becomes a digital utility.

Mr. Zahn discussed the strategic plan and advised that Herschel Vinyard would be joining the team as the Chief Administrative Officer, taking over the Compliance, Regulatory and Legal teams and Lynne Rhode will be joining JEA as the new Chief Legal Officer. Mr. Zahn also advised of the new organization of the senior leadership team and the charges applied to each one. Further steps, including agreeing on the path forward and measuring the baseline were discussed and reviewed and strategic planning deliverables were shared with the Board.

Mr. Zahn thanked the Chair for his time and support and presented him with a gift from JEA. This item was presented for information.

Agenda Item VIII – Committee Reports

- A. Finance & Audit Committee** – Ms. Flanagan, Committee Chair presented to the Board the following items:
1. Adoption of the Agenda – deferred back to the committee for its next meeting
 2. Approval of Minutes – December 3, 2018 – deferred back to the committee for its next meeting

3. FY2020 Budget Assumptions – received for information
 4. JEA Annual Disclosure Policy Report – received for information
 5. Quarterly Audit Services Update – received for information
 6. Ethics Officer Quarterly Report – received for information
 7. Electric System and Water and Sewer System Reserve Fund Quarterly Report – received for information
 8. STAR Plan Early Debt Retirement Phase 1 Update – received for information
 9. Investment Policy Revision – On **motion** by Committee Chair Flanagan and second by Secretary Newbill the Board approved the Investment Policy to be revised to reflect the Intergovernmental Investment Pool be changed from up to 15% to up to 20%.
 10. JEA Energy Market Risk Management Policy Report – received for information
 11. Program Assessment – On **motion** by Committee Chair Flanagan and second by Secretary Newbill, the Board approved staff's recommendation to authorize the Board Chair to finalize and approve a direct contract with E&Y to provide a written report consisting of a comprehensive, independent and detailed assessment of JEA's cybersecurity program.
 12. Next Meeting, May 20, 2019 8:00-10:00 AM – received for information
 13. Committee Discussion Session
 - a. Governance Discussion – Aaron Zahn
 - b. Ernst & Young – John DiSanto
 - c. Director, Audit Services – Steve Tuten
 - d. Council Auditor's Office – Jeff Rodda
 - e.
- B. Nominating Committee**
1. JEA Board of Directors – Slate of Officers – Chair Howard presented the slate of officers as submitted by the Nominating Committee:

Chair – April Green
Vice Chair – Camille Johnson
Secretary – Frederick Newbill

On **motion** by Secretary Newbill and second by Ms. Flanagan the slate of officers was approved and the new officers will begin their terms at the April Board meeting.

Agenda Item IX – Other Business

- A. Old Business – N/A**
- B. Other New Business – N/A**
- C. Open Discussion** – Chair Howard advised the Board of the rating agency trip, applauded staff on their presentations and provided his impressions of the meetings' results. The Chair further advised of the April 2nd Board Meeting regarding the new headquarters.

D. Managing Director/CEO’s Report – Aaron Zahn, Managing Director/CEO

Mr. Zahn thanked the senior leadership team once again for their efforts in pivoting the business.

E. Chair’s Report – Chair Howard covered the following items:

- 1) He thanked the Board for their time and efforts during his tenure.
- 2) He thanked Mr. Zahn, Mr. McElroy, Ms. Dykes and past and present SLT for their patience and their contributions to his knowledge of the industry and utility.
- 3) He acknowledged the three areas of his tenure that required the most time and effort: privatization discussion, leadership transition and Plant Vogtle issue and made reflections on each.
- 4) He commented on the changing industry and his confidence in the CEO and SLT in tackling the challenges.

Agenda Item X – Closing Considerations

A. Announcements – Next Board Meeting – April 23, 2019

B. Adjournment

With no further business claiming the attention of the Board, Chair Howard adjourned the meeting at 10:43 AM.

APPROVED BY:

 SECRETARY
 DATE: _____

Board Meeting recorded by:

 Cheryl W. Mock, Executive Assistant