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JEA
BOARD MINUTES
September 18, 2018

The JEA Board met in regular session on Tuesday, September 18, 2018, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Alan Howard, Husein Cumber, Frederick Newbill, April Green and Camille Johnson. John Campion attended telephonically. Kelly Flanagan was absent and excused during the first portion of the meeting, but joined during the Litigation Shade Meeting.

Agenda Item I – Welcome

- A. The meeting was called to order at 12:03 PM by Chair Howard.**
- 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 Vice Chair Cumber and second by Secretary Newbill.**
- E. The Safety Briefing was given by Aaron Zahn, Interim 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

- A. Comments from the Public – Mr. Jim Overton, representing Scenic Jacksonville, addressed the Board regarding undergrounding.**
- B. Council Liaison’s Comments – The Honorable Matt Schellenberg had no comments.**
- C. Office of the Mayor Liaison’s Comment – Dr. Johnny Gaffney was not in attendance.**

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 Secretary Newbill and second by Ms. Johnson, Appendix A was unanimously approved and Appendix B through E were received for information.**

Appendix A: Board Workshop Minutes August 21, 2018 – approved

Appendix B: Monthly Financial Statements – received for information

Appendix C: 2019 Final Board of Directors Meeting Schedule – received for information

Appendix D: Monthly FY18 Communications & Engagement Calendar and Plan Update – received for information

Appendix E: Follow-up Information on Breakdown of Water Use – received for information

- B. Monthly Financial and Operations Dashboard – Melissa Dykes, President/Chief Operations Officer, presented the supplemental dashboard, which was provided at the**

Board Member's seat. Ms. Dykes stated the dashboard is aligned with the Strategic Framework as approved by the Board, as well as the four measures of value including: customer value, financial value, community impact value and environmental value. Ms. Dykes added the dashboard has been sectioned into three different areas including: metrics we watch, critical operation metrics – short term influence and strategic metrics – long term influence. Ms. Dykes also noted the dashboard has been redesigned to capture the corporate goals for FY2019. The report for October will include fiscal year 2018 year end results, as well as the goals for fiscal year 2019. Ms. Dykes reviewed additional metrics as they relate to the Pay for Performance program. Chair Howard and Mr. Zahn commended the finance team, as well as the Senior Leadership Team on their work. This presentation was received for information.

- C. Strategic Planning Consultant Selection** – Aaron Zahn, Interim Managing Director/CEO presented at the August 2018 Board Meeting, the Board approved JEA to proceed with the selection of an external utility consultant to assist staff with producing a 10-year strategic plan to identify the resources and initiatives needed to effectively anticipate and respond to the rapid changes in competition, technology and the utility industry. Per the Board's direction in July, a competitive procurement was initiated for an external consultant. Through JEA's competitive procurement process, a three-person team independently evaluated proposals received from ten different companies for strategic planning and implementation services. Based on the scoring, McKinsey & Company was selected to perform strategic planning and implementation consulting services. Mr. Zahn called upon Jenny McCollum, Director, Procurement Services to provide additional information regarding the fee for McKinsey & Company. **On motion by Secretary Newbill and second by Mr. Cumber, the Board unanimously approved the recommendation for the selection of McKinsey & Company to perform strategic planning and implementation consulting services.**
- D. Regulatory Action Approval Postemployment Benefits Other Than Pensions** – Ryan Wannemacher, Interim Chief Financial Officer, presented the Governmental Accounting Standards Board (GASB) 75, Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans (OPEB) establishes new accounting and financial reporting requirements for OPEB plans. Effective for fiscal year ending September 30, 2018, JEA will be required to record a net OPEB liability on its Balance Sheet. In addition, an OPEB expense will be required to be recorded in the Statement of Changes in Net Position (Income Statement) to recognize most changes in the OPEB liability in the current period. Mr. Wannemacher requested regulatory treatment in order to defer these changes in the net OPEB liability. **On motion by Vice Chair Cumber and second by Secretary Newbill, Board Members held discussions and unanimously approved the establishment of OPEB liability and deferral of changes in the related net OPEB liability as regulatory items. In addition, the Board approved that annual OPEB contributions be included as a cost in developing the annual revenue requirements for the establishment of customer rates.**
- E. Reclassification of SJRPP Expenses** – Ryan Wannemacher, Interim Chief Financial Officer, presented JEA is incurring \$25 million worth of expenses (\$14 million in FY2018) related to the termination of transportation agreements, termination of rail-car leases and repairs and fuel disposal. Mr. Wannemacher stated that in the normal course of business, these types of expenses would be recorded as a fuel expense and paid from fuel revenues, as outlined in the Pricing Policy. However, because these one-time expenses are associated with the shutdown of SJRPP, it is recommended that they be charged as Non-fuel Purchased Power expenses. This reclassification will increase

O&M Expenses and will reduce Fuel Expenses. On motion by Ms. Johnson and second by Ms. Green, Board Members held discussions and unanimously approved the reclassification of one-time expenses related to the shutdown of SJRPP from Fuel Expense to Operations and Maintenance Expense.

Agenda Item IV – Strategy (Discussion Only)

- A. Fuel Strategy** – Ryan Wannemacher, Interim Chief Financial Officer, presented the Fuel Stabilization Fund (FSF) was established in 2005 to allow for a stable Fuel Charge through commodity market swings. Mr. Wannemacher informed the Board that the JEA Pricing Policy states “The target balance in the Fuel Stabilization Fund is equal to 15% of the greater of (i) the maximum 12-month historical fuel cost or (ii) the projected 12-month fuel cost.” Currently, the maximum 12-month historical fuel cost was set in 2011 at \$630 million rendering a \$95 million target balance. The current projected FSF balance for FY2018 is \$63 million and \$48 million for the end of FY2019. Mr. Wannemacher provided a review on how JEA arrived at the current status. As planned, JEA provided a one-time fuel credit to customers in response to an overfunded FSF. Lower fuel cost projections led to adjusting the Fuel Charge in FY16 and FY17. Over time, unplanned commodity prices increased above projections. Additionally, one-time expenses related to SJRPP negatively impacted the balance. Mr. Wannemacher provided a review of JEA’s long-term action plan which included a hedging strategy, expense reclassification, gas prepay contracts, fuel diversity and Distributed Energy Resources (DER). Mr. Wannemacher provided the current remedies, which could include an update to the Pricing Policy or an increase in the Fuel Charge. Mr. Wannemacher stated staff will bring recommendations on revisions to the Pricing Policy back at the next scheduled meeting. This presentation was received for information.
- B. Transition Plan Update** – Aaron Zahn, Interim Managing Director/CEO provided an update on the transition plan. Mr. Zahn stated he believes the plan is almost complete and requested the Board to consider identifying a Lead Director and/or Chairman to provide governance of strategic planning process to interface with management as JEA moves forward with the strategic planning process. Board Chair Howard thanked the Senior Leadership Team for their work. This presentation was received for information.

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

- A. Electrification** – Due to time constraints, Chair Howard deferred this presentation to a future JEA Board Meeting.

Agenda Item VI – Committee Report

- A. CEO Search Committee Report** – Committee Chair Cumber provided an update under VII. B. Other New Business.

Agenda Item VII – Other Business

- A. Old Business** – Chair Howard provided an update on Plant Vogtle.

Litigation Shade Meeting

Chair Howard turned the meeting over to Ms. Brooks, Chief Legal Officer.

Ms. Brooks stated pursuant to Section 286.011 (8), Florida Statutes, and as requested by the Office of General Counsel, a litigation shade meeting was called for by the Board of Directors to consider settlement negotiation and hold a strategy session related to litigation expenditures as to the following cases:

City of Jacksonville and JEA v. Municipal Electric Authority of Georgia, Case No. 2018-CA-6197 (Circuit Court, Fourth Judicial Circuit, Duval County, Florida) and Municipal Electric Authority of Georgia v. JEA, Case No. 1:18-cv-4295 (United States District Court, Northern District of Georgia). This meeting was requested by Ms. Brooks to take place on the 16th floor as duly noticed. Ms. Brooks stated only the individuals provided in the Litigation Shade Meeting Notice are allowed to be present. In addition, a court reporter will be on hand. Ms. Brooks stated that due to time constraints to research the laws, Mr. Campion would not be able to attend the meeting telephonically.

Chair Howard stated a draft resolution has been provided to Board Members regarding Plant Vogtle. Ms. Brooks provided minor edits on pages 3 and 8. Board Member Cumber requested time for Board Members to review the resolution. On motion by Vice Chair Cumber and second by Secretary Newbill, Board Members held discussions related to additional edits. With no further discussion, the Board unanimously approved Resolution 2018-13 as amended. Mr. Zahn requested Board Members to schedule time with staff to receive updates as needed.

Board Chair Howard recessed the meeting at 1:08 PM and Board Members proceeded to the 16th floor to attend the Litigation Shade Meeting.

Following the Litigation Shade Meeting, Board Chair Howard called the meeting back to order at 2:04 PM; Ms. Flanagan joined the meeting.

- B. Other New Business** – Board Vice Chair and CEO Search Committee Chair Cumber provided an update on the CEO Search process. Committee Members will individually conduct interviews on October 9-11, 2018. The Committee will then meet on October 17, 2018 to narrow the list of candidates. Prior to the interviews, Committee Members will receive a list of questions to assist in guiding the interview process. Following the October 17, 2018 Committee Meeting, Board Members will then individually conduct phone interviews with the narrowed list of candidates. The November 27, 2018 JEA Board Meeting will consist of public interviews of the remaining candidates with an abbreviated Board agenda.
- C. Open Discussion** – Chair Howard stated a report on the Request for Proposal for the new JEA Headquarters will be provided at the October 16, 2018 meeting.
- D. Interim Managing Director/CEO's Report** – Mr. Zahn, Interim Managing Director/CEO recognized the ten JEA crews that departed to provide mutual aid support in South Carolina as a result of Hurricane Florence.
- E. Chair's Report** – Chair Howard highlighted the United Way giving program. Chair Howard recognized Elizabeth Paulson, Manager, Customer Assistance Programs for assisting an elderly customer in need, as well as the Senior Leadership Team for meeting with over 400 managers to fine tune JEA's Guiding Principles. Chair Howard thanked the legal team, including Jason Gabriel, Jody Brooks and others for their support regarding JEA matters.

Agenda Item VIII – Closing Considerations

- A. **Announcements** – Next Board Meeting – October 16, 2018
- B. **Adjournment**

With no further business claiming the attention of the Board, Chair Howard adjourned the meeting at 2:11 PM.

APPROVED BY:

SECRETARY
DATE: _____

Board Meeting recorded by:

Melissa M. Charleroy
Executive Assistant