

**JEA**  
**BOARD MINUTES**  
May 16, 2017

**The JEA Board met in regular session on Tuesday, May 16, 2017, on the 19<sup>th</sup> Floor, 21 W. Church Street, Jacksonville, Florida. Present were Tom Petway, Kelly Flanagan, Husein Cumber, Frederick Newbill and Alan Howard. Delores Kesler attended telephonically.**

**Agenda Item I – Welcome**

- A.** The meeting was **called to order** at 12:03 PM by Chair Pro Tem Petway.
- B.** A **Moment of Reflection** was observed by all.
- C.** The **Pledge of Allegiance** was led by Chair Pro Tem Petway.
- D.** **Adoption of Agenda** – The amended agenda was approved on **motion** by Mr. Newbill and second by Vice Chair Howard. Jody Brooks, Chief Legal Officer, noted agenda item III. B. 1. is listed on the board agenda incorrectly as information; therefore, will require the Board to take action.
- E.** The **Safety Briefing** was given by Paul McElroy, Managing Director/Chief Executive Officer.
- F.** **Sunshine Law/Public Records Statement** – Jody Brooks, Chief Legal Officer, 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.
- G.** **Nominating Committee** –  
  
Board Chair Pro Tem Petway presented the new slate of officers as approved by the Nominating Committee at the April 20, 2017 meeting. On **motion** by Ms. Flanagan and second by Mr. Cumber, the Board approved the following new slate of officers: Alan Howard, Chair; Delores Kesler, Vice Chair; and Frederick Newbill, Secretary.

*Mr. Tom Petway turned the gavel over to Chair Howard. Chair Howard extended his appreciation to the Board and pledged to support JEA in its mission to Deliver Business Excellence, Develop an Unbeatable Team, and Earn Customer Loyalty.*

**Agenda Item II – Presentations and Comments**

- A.** **Comments from the Public** –
  - 1. Tom Larson, address is on file, addressed the Board regarding solar.
  - 2. Sarah Boren, address is on file, addressed the Board regarding solar.
- B.** **Council Liaison’s Comments** – Council Member Greg Anderson stated there are currently no significant legislative items related to JEA to be brought before City Council. Council Member Anderson added the City Council Leadership election will be held on May 23, 2017, with a transition of leaders to take place on July 1, 2017. Council Member Anderson thanked the Board for their service.
- C.** **Office of the Mayor Liaison’s Comments** – On behalf of the Mayor, Dr. Gaffney offered thanks to the Board for their continued service and extended congratulations to the new slate of officers.

- D. Nassau County’s Ex-Officio Representative’s Comments** – Mr. Mullin was not in attendance.
- E. Arbor Day Foundation Tree Line USA Award** – Kim Wheeler, Manager, T&D Preventative Maintenance, presented the Board with the Tree Line USA award and a framed article written by The Resident News titled “JEA Tree Trimming Crews Start Process in Historic District”. Ms. Wheeler introduced Joe Anderson, Forester, who provided the Board with information on JEA’s activities within the community.
- F. 2017 J. D. Power Electric Utility Residential Customer Satisfaction Results for Wave 3** – Richard Vento, Interim Chief Customer Officer presented JEA’s Overall Customer Satisfaction index score is at 757, placing JEA in the 1<sup>st</sup> Quartile. This score places JEA 20<sup>th</sup> nationally out of 138 utilities, fourth in the state of Florida and tied at third place in the South Mid-Size category. Year-to-date, JEA achieved 1<sup>st</sup> Quartile on all six drivers of customer satisfaction. Mr. Vento thanked Mike Brost, Vice President/General Manager, Electric Systems and his staff for keeping customers informed about outages. Paul McElroy, Managing Director/CEO, spoke with the Board regarding communication to customers, as well as thanked Richard Vento for his 34 years of service at JEA and stepping in as Interim Chief Customer Officer. Mr. McElroy welcomed Kerri Stewart as the incoming Chief Customer Officer.

#### **Agenda Item V – 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 Mr. Cumber and second by Mr. Petway, items 1 through 3 on the Consent Agenda were unanimously approved and items 4 through 6 were received for information.
1. Approval of Board Meeting Minutes April 18, 2017 – approved
  2. Approval of Amended Board Meeting Minutes March 21, 2017 – approved
  3. Appointment of Teala Johnson to Civil Service Board – approved
  4. Monthly JEA Financial Review & Statements – received for information
  5. Monthly JEA Operations Report – received for information
  6. Monthly FY17 Communications & Engagement Calendar and Plan Update – received for information
- B. Strategic Discussions/Action**
- Board Chair Howard combined agenda items III. B. 1. and III. B. 2. and called upon Melissa Dykes, Chief Financial Officer and Mike Brost, Vice President/General Manager, Electric Systems. Melissa Dykes introduced Paul Dabbar, J.P. Morgan.*
1. St. Johns River Power Park (SJRPP) Shutdown and Termination Agreement – Melissa Dykes stated that at the March 21, 2017 meeting, the JEA Board was provided a term sheet reached between JEA and FPL for a January 2018 early shutdown of SJRPP. Ms. Dykes stated staff is providing at this time the definitive agreements that have been negotiated with FPL which codify the terms contained within the negotiated term sheets. These agreements include the Asset Transfer and Contract Termination Agreement, along with several other supporting agreements included at exhibits. Ms. Dykes reviewed the documents provided to the Board Members including a list of key transaction documents, and a comparison of the term sheet provided at the March 21, 2017 Board Meeting against terms in the final

definitive agreements. Jody Brooks, Chief Legal Officer, stated as part of the negotiating team, along with Latham & Watkins, LLP, she has reviewed and will approve each document. Board action was deferred upon the completion of Mr. Dabbar's presentation under V. B. 2.

2. Valuation Opinion on St. Johns River Power Park (SJRPP) Shutdown and Termination Agreement – Melissa Dykes, Chief Financial Officer, introduced Paul Dabbar, Managing Director in the Global Mergers & Acquisitions Group, and Energy Mergers & Acquisitions at J.P. Morgan. Mr. Dabbar stated JEA engaged J.P. Morgan to act as the Company's financial advisor in connection with evaluating the transaction from a financial standpoint and providing requisite merger and acquisition advice for a transaction of this type. Mr. Dabbar reviewed J.P. Morgan's role, transaction overview and assessment, transaction summary to date, transaction rationale, and a valuation analysis for the various transaction benefits. Mr. Dabbar stated his overall conclusion is that this transaction is beneficial to JEA in that it lowers the overall expense profile, leading to lower revenue requirements, avoids a base rate increase, eliminates underutilized generation assets, increases stability in fuel stabilization account, reduces JEA's future environmental obligation. Mr. Dabbar provided a breakdown of the consideration JEA will receive from FPL. Mike Brost, Vice President/General Manager, Electric Systems, provided the Board Members with an overview of the transaction timeline. **On motion** by Mr. Cumber and second by Secretary Newbill, the Board authorized and approved executing the SJRPP Asset Transfer and Contract Termination Agreement and each of the agreements included as exhibits in substantively the same form as presented in this agenda item.
  3. Monthly Operational and Financial Review – Paul McElroy, Managing Director/Chief Executive Officer, presented the monthly review of JEA's operational and financial metrics for electric and water/wastewater services. This item was received for information.
- C. Open Discussion** – Mr. Petway reminded Board Members that the JEA Board still has an opening to be filled.
- D. Other New Business** – none
- E. Old Business** – none

#### **Agenda Item IV – Reports**

- A. Finance and Audit Committee Report** – Kelly Flanagan, Committee Chair reviewed the Finance and Audit Committee meeting held on May 8, 2017, bringing items to the Board for action and information.
1. Approval of Minutes – March 13, 2017 – received for information
  2. FY2018 Budget Presentation – Melissa Dykes, Chief Financial Officer, provided an overview of the FY2018 budget and budget process. Committee Chair Flanagan thanked Melissa Dykes and staff for their hard work.
  3. Quarterly Audit Services Update – received for information
  4. Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment – received for information
  5. Ethics Officer Quarterly Report – received for information

6. Treasury
    - a. Electric System and Water and Sewer System Reserve Fund Quarterly Report – received for information
    - b. JEA Investment Policy – Revision to Investment Limitations – Melissa Dykes, Chief Financial Officer, presented a revision to Table 1 of the JEA Investment Policy to include the State of Florida Local Government Surplus Funds Trust Fund (“Florida Prime”) in Table 1. The addition of Florida Prime would provide improved portfolio diversification and day-to-day operations, providing for the opportunity to improve the investment portfolio yield. On **motion** by Mr. Petway and second by Mr. Cumber, the Board approved the revisions to Table 1 of the Investment Policy.
  7. JEA Energy Market Risk Management Policy Report – received for information
  8. Announcements –
    - a. Next Meeting, August 7, 2017, 8:00 – 10:00 AM
  9. Committee Discussion Sessions
    - a. Ernst & Young – Committee Members met with Russ Jeans, Ernst & Young
    - b. Director, Audit Services – Committee Members met with Steve Tuten, Director Audit Services
    - c. Council Auditor’s Office representative was not present to meet with the Committee.
- B. Government and Legal Affairs Committee Report** – Alan Howard, Committee Chair, reviewed the Government and Legal Affairs Committee meeting held on May 11, 2017, bringing items to the Board for information.
1. Approval of Minutes – December 13, 2016 – received for information
  2. Adoption of Recommended Government & Legal Affairs Committee Charter Changes and Associated Committee Name Change – On **motion** by Mr. Cumber and second by Vice Chair Kesler, the Board unanimously approved to modify the Government and Legal Affairs Committee Charter to include adding real estate policy matters and transactions requiring Board approval and to amend the Committee name to the Government, Legal and Real Estate Affairs Committee.
  3. 2016 Real Estate Purchases and Sales Summary – received for information
  4. Government Relations Local, State and Federal Update – received for information
  5. Litigation Update – received for information
  6. Other New Business – none
  7. Announcements –
    - a. Schedule Next Meeting as Appropriate

**C. Managing Director/CEO's Report –**

1. Mr. McElroy reviewed the Hurricane Preparedness exercises JEA conducted the week of May 1 – 5, 2017. For the first time, JEA and the City of Jacksonville jointly worked together to simulate and work through recovery efforts of the simulated storm.
2. As an update to the January 17, 2017 Board Meeting, Mr. McElroy reported staff is continuing to work through potential options for the JEA campus. Mr. McElroy stated JEA is working with the City of Jacksonville on potential transactions which will be brought before the Board at a later meeting.
3. Mr. McElroy provided an update on water supply planning and JEA's Consumptive Use Permit (CUP). Mr. McElroy stated JEA is seeing significantly more usage, but is addressing activities in the short, mid, and long term on both the demand and supply sides.
4. Mr. McElroy provided an update regarding Plant Vogtle. An update will be provided to Board Members within the next 30 days.
5. Board Members held discussions regarding septic tank phase out.
6. Mr. Petway highlighted the vacancy on the St. Johns River Water Management District Board of Directors.

**D. Chair's Report –**

1. Chair Howard stated he will work on a calendar for future Board Meetings and fill the Board Committee vacancies shortly. Chair Howard appointed Tom Petway as Chair, Government, Legal, and Real Estate Committee.
2. Chair Howard read a resolution honoring Ed Burr for his service as a Board Member and Board Chair from November 30, 2015 through March 21, 2017. On **motion** by Mr. Petway and second by Vice Chair Kesler, the resolution was approved.
3. Chair Howard read a resolution honoring Tom Petway for his service as Board Chair from November 30, 2015 through May 16, 2017. On **motion** by Secretary Newbill and second by Vice Chair Kesler, the resolution was approved.

**Agenda Item V – Closing Considerations**

**A. Announcements** – Next Board Meeting – June 20, 2017

**B. Adjournment**

*With no further business claiming the attention of the Board, Chair Petway adjourned the meeting at 1:37 PM.*

APPROVED BY:

\_\_\_\_\_  
SECRETARY

DATE: \_\_\_\_\_

Board Meeting recorded by:

\_\_\_\_\_  
Melissa M. Charleroy  
Executive Assistant