

21 West Church Street
Jacksonville, Florida 32202-3139

November 19, 2019
The Honorable Scott Wilson
Office of the Council President
117 W. Duval Street
City Hall, Suite 425
Jacksonville, FL 32202



RE: JEA Long Term Incentive Plan

Dear President Wilson:

JEA management notified the JEA Board and the City of Jacksonville on November 13, 2019 that JEA management was postponing indefinitely the long-term incentive plan approved by the Board in July 2019 (the "Plan"). Originally, the Plan was a product of a seven month long publicly announced and debated effort by the JEA Board, with input from 3rd party consultants, to update JEA's total compensation policy in line with competitive market standards. This Board review occurred between January 2019 and July 2019.

At the time of the authorization, the stated purpose of the Plan was to provide a means by which employees of JEA may be incentivized to: (i) remain at JEA, (ii) drive value for customers, (iii) drive value for the community of Northeast Florida, (iv) drive environmental value, and (v) drive financial value for JEA and the City of Jacksonville.

In early November 2019, the decision to postpone the Plan indefinitely was made by JEA management, in separate consultations with the Board Chair and the Chair of the Compensation Committee as the Plan administrator, because of the incongruity of the Plan's long-term nature and the potential short-term implications of JEA's strategic planning process and potential results during a recapitalization event. The Office of General Council and the Council Auditor was notified of this decision on November 13, 2019 (See Exhibit A).

On November 18, 2019, post notification of the JEA's intent on the Plan, the Council Auditor issued a report on the Plan. After receiving the Council Auditor's report on the Plan, consistent with this management decision, the Chair of the JEA Board further affirmed her position on the Plan to the Council Auditor (See Exhibit B).

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Please note, the authority to approve, amend or rescind the Plan lies solely with the JEA Board. To that end, in alignment with JEA management's November 13, 2019 statements and the Chair's November 18, 2019 statements, JEA management intends to recommend termination of the Plan to the JEA Board at the next available JEA Board meeting on December 9, 2019.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Aaron Zahn
Managing Director & Chief Executive Officer

Cc: Office of the Mayor
Jacksonville City Council
JEA Board of Directors
Office of General Counsel

Exhibit A – JEA Letter dated November 13, 2019

21 West Church Street
Jacksonville, Florida 32202-3139

November 12, 2019

Mr. Jason Gabriel
City of Jacksonville General Counsel
117 W Duval St, Suite 400
Jacksonville, FL 32202



Re: JEA Long Term Performance Unit Plan (the “Plan”)

Mr. Gabriel:

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This letter pertains to the Plan approved by the JEA Board of Directors (“Board”) by Resolution 2019-10 on July 23, 2019. The stated purpose of the Plan is to provide a means by which employees of JEA may be incentivized to: (i) remain at JEA, (ii) drive value for customers, (iii) drive value for the community of Northeast Florida, (iv) drive environmental value, and (v) drive financial value for JEA and the City of Jacksonville. The Board developed the Plan out of a desire to develop a long-term incentive program, in line with market standards, that furthered the Board’s total compensation policy approved in January 2019. The Board reviewed the Plan framework as recommended by a third party compensation consultant, Willis Towers Watson, in June 2019. Finally, the Board adopted the Plan in July 2019 and instructed JEA executive leadership to work with the Chair of the Compensation Committees (“Plan Administrator”) to implement the Plan.

This letter is to inform you that JEA leadership, in consultation with the Chair of the Board (“Chair”), the Plan Administrator and OGC, has decided to postpone indefinitely the implementation of the Plan.

As you are aware, JEA executive leadership has been diligently working to implement the Plan with the Office of General Counsel (“OGC”), Pillsbury Winthrop Shaw Pittman, LLP, Foley Lardner LLP, and relevant state and local bodies. Given the long-term nature of the Plan and the Plan obligations, JEA leadership wanted to ensure all employment, corporate, ethics, tax, and other related matters associated with the Plan were in accordance with applicable statutes and regulations. To that end, JEA greatly appreciates the deliberate, methodical and meticulous work of OGC and all of its advisors.

The decision to not implement the Plan is based in the incongruity of the Plan’s long-term nature and the very real potential short-term implications of the JEA’s strategic planning process. As such, the Chair, Plan Administrator and JEA leadership believe the Plan would be best implemented, if ever, post decision on the strategic direction of JEA as determined by the Board.

Accordingly, the Board is expected to recommend one of the following five options as a strategic direction for JEA:

- 1) Scenario #1: Status Quo Plan;
- 2) Scenario #2: Traditional Utility Response Plan;
- 3) Scenario #3: Community Ownership Plan;
- 4) Scenario #4: Initial Public Offering (IPO) Plan; or,
- 5) Scenario #5: Strategic Alternative from ITN 127-19.

Should the Board choose Scenarios 3, 4, or 5 the Plan would be moot from a long-term incentive basis. Should the Board choose Scenario 1 or 2, the Plan has a more appropriate role in driving employee behavior to increase customer, community, environmental and ultimately financial value of JEA.

Please accept this letter as a final decision on this matter until further notice. As always, JEA, and specifically the Plan Administrator, welcomes OGC input and advice on how to appropriately administer the Plan absent a full implementation with its employees.

Sincerely:



Aaron F. Zahn
Managing Director & Chief Executive Officer

Cc:
JEA Board of Directors

Exhibit B – JEA Letter dated November 18, 2019

21 West Church Street
Jacksonville, Florida 32202-3139

FROM: April Green, JEA Board Chair
TO: Kyle S. Billy, Council Auditor
CC: JEA Board, Jacksonville City Council
Attachment: Aaron Zahn Letter



RE: PUPs Already Planned for JEA Agenda on December 17 Meeting

In regard to your memo dated today, November 18, 2019, we were already planning to address the indefinite postponement of the Long-Term Performance Unit Plan at the upcoming December 17, 2019 JEA Board meeting. As you know, it is not uncommon to have one, instead of two, meetings of the JEA Board during the months of November and December. This year, we are meeting on December 17th and as such we did not have a November meeting opportunity to formally postpone the Plan.

Moreover, as your memo stated, we announced to all employees and members of the media last week that our CEO had written to the City of Jacksonville's General Counsel that we indefinitely postponed the implementation of the Performance Unit Plan.

In specific, your memo addresses the value of the Performance Units in the event of a decision for JEA to be recapitalized. JEA CEO Aaron Zahn's November 12th letter addressed that with the following statements:

“Should the Board choose Scenarios 3, 4, or 5 [Community Ownership Plan; Initial Public Offering (IPO) Plan; or, Strategic Alternative from ITN 127-19] the Plan would be moot from a long-term incentive basis. Should the Board choose Scenario 1 or 2, the Plan has a more appropriate role in driving employee behavior to increase customer, community, environmental and ultimately financial value of JEA.”

Again, our letter to the City said this decision was made based on the incongruity of the Plan's long-term nature and the very real potential short-term implications of the JEA's strategic planning process. As our CEO stated, choosing Scenarios 3, 4, or 5 would make the Plans unnecessary. Therefore, we believe the Plan would be best implemented, if ever, post decision on the strategic direction of JEA as determined by the Board. Thanks so much for your concern and please don't hesitate to contact me directly with any future concerns.

Sincerely,

April Green, JEA Board

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