

**JEA COMPENSATION COMMITTEE MINUTES**  
**January 15, 2019**

The Compensation Committee of JEA met on Tuesday, January 15, 2019, in the 8<sup>th</sup> Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

**Agenda Item I – Opening Considerations**

- A. Call to Order – Interim Committee Chair Johnson called the meeting to order at 9:00 AM with Committee Member April Green in attendance, as well as Board Chair Alan Howard in observance. Also present were Aaron Zahn, Melissa Dykes, Angie Hiers, Jody Brooks, Mike Hightower, Gerri Boyce, Gina Kyle and David Bauerlein, Florida Times-Union.
- B. Adoption of Agenda – The Agenda was adopted on motion by Ms. Green and second by Board Chair Howard.
- C. Approval of Minutes – The May 14, 2018 minutes were approved on motion by Ms. Green and second by Board Chair Howard.

**Agenda Item II – New Business**

- A. Introduction – Aaron Zahn, Managing Director/CEO introduced the subjects that would be discussed during the meeting.
- B. JEA Total Compensation Philosophy – Aaron Zahn, Managing Director/CEO reviewed the Total Market Compensation Strategy, which demonstrates a commitment to results and the values of JEA. Mr. Zahn spoke of the process of alignment of stakeholders to JEA's corporate initiatives and the path taken to gain consensus of all stakeholders to the Guiding Principles and Corporate Measures. He spoke of the need to elevate the entire team and ensure that employee incentives drive value and teamwork. Mr. Zahn then provided the definition of total compensation and short term/long term incentives and provided a recommendation for a change in the JEA Board Policy Manual to incorporate these changes. This item was presented for information to the committee.
- C. 5-to-5 Innovation Program – Melissa Dykes, President/Chief Operating Officer and Angie Hiers, VP & Chief Human Resources Officer presented the 5-to-5 Innovation Program, which is JEA's new ideas program. With this program, employees are encouraged to present ideas and are rewarded for developing and submitting innovative ideas that benefit JEA and the community. Employees who submit an idea that is implemented will be eligible for incentives ranging from \$500 to \$5,000 depending on the scope, cost savings and/or revenue generation associated with the idea and corresponding results. This item was presented for information to the committee.
- D. Executive Contract – Aaron Zahn, Managing Director/CEO and Interim Committee Chair Johnson discussed the executive contract and discussed extending the current contract until July 31, 2019, to allow time for the total compensation plan to be worked out prior to finalizing the contract for the Managing Director/CEO. Contract discussions were deferred.
- E. Other New Business
- F. Announcements
  - 1. Schedule Next Meeting as Appropriate
- G. Adjournment

APPROVED BY:

\_\_\_\_\_  
Camille Johnson, Interim Committee Chair

Date: \_\_\_\_\_

Submitted by:

\_\_\_\_\_  
Cheryl Mock  
Executive Assistant



**Rhode, Lynne C. (City of Jacksonville)**

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**From:** Maillis, Patricia L. - Director, Employee Services  
**Sent:** Thursday, September 12, 2019 2:36 PM  
**To:** Rhode, Lynne C. (City of Jacksonville)  
**Cc:** Kendrick, Jonathan A. - VP & Chief Human Resources Officer  
**Subject:** Confidential - Feedback on PUPs Plan Docs

Hi Lynne,

I reviewed the PUP docs from the v9/10. From an employee and benefits perspective, here are some concerns:

- 1) The documents read very legalize. Typically there is a Plan document that is very legal and formal in nature (which is appropriate), however, the employee letter and an exhibit(s) would be highlights of interest with references to see the Plan doc. The exhibit should include an example of the how the benefit is calculated: metrics, calculation and potential results. Referencing the Financial Statements is not appropriate.
- 2) The Plan does not provide clear calculation of how monies will grow.
- 3) The goals for the Plan as a Retention Tool don't align with a tool where an employee is investing their dollars. There is no Company investment. Usually when there is an investment from the employee it is to ensure success and ownership in the company. The Plan appears to hold employees captive. Understand there are Plans that have provisions to vest, but this is typically where there is an investment made by the company, not the employee. While there are typically penalties associated with certain investments for early withdrawal, e.g., timeframes to retain the investment, I do believe that most investments tools have forfeiture rules, whereby a person may receive a refund, but not a return of your money at \$0 (unless it is a stock and it crashes). Employees who separate from the company whether for cause or voluntarily should have the right to a refund of their money or if the value is less than their purchase, the decreased value. Increased value can have the caveat of vesting or retention.

Example: If an employee voluntarily or involuntarily terminates, they will be refunded 100% of the value of the units at the purchase price. They will not be eligible for any increase in the value. If the value has decreased, the person may only receive the value of the units as of the termination date.

- 4) Does this Plan comply with all applicable non-qualified IRS rules for government Deferred Compensation plans.

Pat Maillis  
Director, Employee Services  
Direct : (904-665-4132)  
Cell : (904-703-3453)





[INSERT JEA LOGO]

**INVITATION TO PARTICIPATE IN THE  
JEA LONG-TERM PERFORMANCE UNIT PLAN**

Dear [NAME],

As a new benefit to JEA employees, we are delighted to let you know that you are eligible to participate in the JEA Long-Term Performance Unit Plan (the “Plan”). The Plan was approved by JEA’s Board of Directors as part of the long-term compensation framework and is available starting in 2020.

***How the Plan Works***

The Plan allows you to purchase performance units from JEA referred to as “PUPs.” The purchase price of each PUP is \$10.00 and is paid by deferring a portion of your pay earned in 2020 equal to the aggregate purchase price of the PUPs you wish to purchase. The number of PUPs available to you to purchase is set forth in the cover letter to the Plan and your Long-Term Performance Unit Agreement provided to you.<sup>1</sup> For example, if JEA allocates you five PUPs and you wish to purchase all five PUPs, the aggregate purchase price to be deferred from your pay earned would be equal to \$50.00 (\$10.00 x five PUPs). When the PUPs vest, subject to the satisfaction of certain conditions, you are eligible to receive a cash payment in consideration for the PUPs you purchased. The amount of the cash payment is calculated based on the attainment of specified corporate performance metrics and includes the aggregate purchase price you paid for your PUPs. For additional information on how the Plan works, please refer to the frequently asked questions on Tab A of this invitation booklet.

***Risks Associated with Participating in the Plan***

As described above, in order to purchase PUPs under the Plan, you must pay a purchase price of \$10.00 per PUP. As it is possible that you may forfeit the entire amount of the purchase price under certain circumstances (for example, if your employment with JEA is terminated for cause), you should carefully consider whether to purchase the PUPs. In considering whether to purchase the PUPs, you should review the risks described on Tab B of this invitation booklet and the financial information contained in Tab C of this invitation booklet.

***Instructions and Additional Information***

If you wish to participate in the Plan and purchase the PUPs, please review this invitation booklet carefully and follow the instructions set forth on Tab D of this invitation booklet. All required forms and materials must be postmarked by no later than [DATE], 2019. If your required forms and materials are postmarked later than [DATE], 2019, your election will not be processed and you will not be eligible to purchase PUPs and participate in the Plan.<sup>2</sup>

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<sup>1</sup> JEA to confirm whether there will be a separate cover letter to the Plan and Long-Term Performance Unit Agreement.

<sup>2</sup> JEA to provide the postmark date.

For further information concerning the Plan, please contact [NAME], [TITLE] at JEA, via email at [EMAIL ADDRESS].<sup>3</sup>

This is an exciting time for JEA!

Sincerely,

Aaron Zahn  
Managing Director & Chief Executive Officer

---

<sup>3</sup> JEA to provide the name, title and email address of the JEA representative.

**From:** DiGrande, Silvio <[sdigrande@massmutual.com](mailto:sdigrande@massmutual.com)>  
**Sent:** Friday, October 25, 2019 9:42 AM  
**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>; Scheetz, Michael <[mscheetz@massmutual.com](mailto:mscheetz@massmutual.com)>  
**Cc:** Kendrick, Jonathan A. - VP & Chief Human Resources Officer <[kendja@jea.com](mailto:kendja@jea.com)>  
**Subject:** RE: Discussion re Administration of a new JEA Performance Unit Plan 61373

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Hi Pat,

Our Retirement Advisory Services dept. just reached out to me. It does not look like they will have someone available for the call on Monday. Think this may need to be moved to Tuesday. In the meantime they are requesting a copy of the Long Term Incentive Plan Document so they can review it before the call.

Thank you,

Silvio

**From:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>  
**Sent:** Thursday, October 24, 2019 10:53 AM  
**To:** Scheetz, Michael <[mscheetz@massmutual.com](mailto:mscheetz@massmutual.com)>  
**Cc:** DiGrande, Silvio <[sdigrande@massmutual.com](mailto:sdigrande@massmutual.com)>; Kendrick, Jonathan A. - VP & Chief Human Resources Officer <[kendja@jea.com](mailto:kendja@jea.com)>  
**Subject:** [EXTERNAL]RE: Discussion re Administration of a new JEA Performance Unit Plan 61373

Let's go with 10:00 AM Monday. I'll send out a meeting invite with a conference number.

**From:** Scheetz, Michael <[mscheetz@massmutual.com](mailto:mscheetz@massmutual.com)>  
**Sent:** Thursday, October 24, 2019 9:09 AM  
**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>; DiGrande, Silvio <[sdigrande@massmutual.com](mailto:sdigrande@massmutual.com)>  
**Subject:** RE: Discussion re Administration of a new JEA Performance Unit Plan 61373

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Pat:

I am available on Monday from 10:00 to 1:00 and Tuesday I am available all day.

**Michael M. Scheetz**

Client Engagement Manager | Government Markets

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**From:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>  
**Sent:** Thursday, October 24, 2019 7:52 AM  
**To:** DiGrande, Silvio <[sdigrande@massmutual.com](mailto:sdigrande@massmutual.com)>  
**Cc:** Scheetz, Michael <[mscheetz@massmutual.com](mailto:mscheetz@massmutual.com)>  
**Subject:** [EXTERNAL]Re: Discussion re Administration of a new JEA Performance Unit Plan 61373

Mike, let me know some times on either day that are good.

Pat

Sent from my iPhone

On Oct 23, 2019, at 4:05 PM, DiGrande, Silvio <[sdigrande@massmutual.com](mailto:sdigrande@massmutual.com)> wrote:

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Hi Pat,

We are looking into seeing if there is a retirement advisory specialist that can be on the call. If we can find someone, I can try to be on the call with them. I think it may be best to try to schedule something Monday or Tuesday when Mike may be able to join.

Silvio

**From:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>  
**Sent:** Wednesday, October 23, 2019 3:34 PM  
**To:** Scheetz, Michael <[mscheetz@massmutual.com](mailto:mscheetz@massmutual.com)>  
**Cc:** DiGrande, Silvio <[sdigrande@massmutual.com](mailto:sdigrande@massmutual.com)>  
**Subject:** [EXTERNAL]RE: Discussion re Administration of a new JEA Performance Unit Plan



Would Silvio be able to participate in a call tomorrow at 10:00 with Jon and I?

Otherwise, Monday and Tuesday, Jon was off, but he can call in. Any availability Monday or Tuesday?

**From:** Scheetz, Michael <[mscheetz@massmutual.com](mailto:mscheetz@massmutual.com)>  
**Sent:** Wednesday, October 23, 2019 3:06 PM  
**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>  
**Subject:** RE: Discussion re Administration of a new JEA Performance Unit Plan

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Pat:

This is to confirm receipt of your e-mail. Currently traveling on business in Louisiana on client meetings and benefit fairs. In regards to the times you proposed I will be in the air tomorrow and on Friday I have grandparent duties with the grandkids and have the day off.

I have forwarded your e-mail onto Silvio so that we can get your inquiry into the queue with our internal consulting group for comment on what JEA is looking to accomplish.

I will try to give you a buzz when I get another break this afternoon.

Regards,

**Michael M. Scheetz**

Client Engagement Manager | Government Markets

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**From:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>  
**Sent:** Wednesday, October 23, 2019 1:04 PM  
**To:** Scheetz, Michael <[mscheetz@massmutual.com](mailto:mscheetz@massmutual.com)>  
**Subject:** [EXTERNAL]Discussion re Administration of a new JEA Performance Unit Plan

Hi Mike,

Left you a voice mail regarding this. Would like to schedule a call with you and possibly the team within Mass Mutual that can administer a performance unit plan. JEA is getting ready to have an open enrollment period for a long-term incentive plan being offered to all employees of JEA. Employees will be able to elect during an enrollment period a number of units. The units are valued at purchase at \$10.00 per unit. The purchase will be over a few pay periods in 2020.

Would like to talk to Mass Mutual about the administration of a plan of this nature and if they have the capability. The units may not be invested. The value and growth of the units are based on financial performance factors of JEA. So I am envisioning that JEA Finance would have to provide information on a quarterly basis to show the increase or decrease in value. The election is irrevocable and there is risk of forfeiture if the employee leaves before the units vest.

Jon Kendrick and I are very eager to talk about the plan and would like to see if you may be available tomorrow morning. Both of us are available from 10:00 – 11:00 AM or Friday after 3:00 PM.

Pat Maillis

Director, Employee Services

Direct: (904-665-4132)

Cell : (904-703-3453)

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**To:** Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>  
**Subject:** FW: A Proposal for JEA Non-Qualified Plan

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Pat:

I am forwarding to your attention the proposal for the annual recordkeeping for the Non-Qualified Performance Unit Plan. Since we do not know the number of participants that will participate in the plan, we had to make some assumptions. We extracted from the database a list of employees with compensation over \$150,000 with the assumption this group of employees are the most likely to contribute. Based on that extraction we arrived at 37 participants for pricing purposes.

Let me know if you have any follow up questions.

Regards,

**Michael M. Scheetz**  
Client Engagement Manager | Government Markets  
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**From:** Girard, Chad <CGirard@MassMutual.com>  
**Sent:** Friday, November 08, 2019 10:19 AM  
**To:** Scheetz, Michael <mscheetz@massmutual.com>  
**Subject:** FW: A Proposal for JEA Non-Qualified Plan

Please let me know if you need anything else.

**Chad Girard**  
Sales Consultant  
Workplace Solutions & Strategic Distribution

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## **TAB A**

### **QUESTIONS AND ANSWERS ABOUT THE JEA LONG-TERM PERFORMANCE UNIT PLAN**

#### **INTRODUCTION<sup>4</sup>**

Below are a number of frequently asked questions (“FAQs”) regarding the principal features of the Plan. The Plan was adopted by the Board at its meeting on July 23, 2019.

This document is only intended to be a summary. Some provisions are described in abbreviated form and others are not mentioned at all. If there is any ambiguity in these FAQs or if there is a conflict between these FAQs and the official text of the Plan or your Long-Term Performance Unit Agreement, then the official text of the Plan or your Long-Term Performance Unit Agreement, as applicable, will govern.

Where the context so requires, references to “JEA” refer to JEA, its affiliates, assigns, subsidiaries and successors.

**THIS INVITATION BOOKLET DOES NOT PROVIDE LEGAL, FINANCIAL OR TAX ADVICE. JEA STRONGLY ADVISES YOU TO SEEK THE ADVICE OF A QUALIFIED LEGAL, FINANCIAL AND/OR TAX ADVISER REGARDING YOUR PARTICIPATION IN THE PLAN.**

#### **GENERAL PLAN PROVISIONS**

---

**Q1:** What is the purpose of the Plan?

**A1:** The purpose of the Plan is to provide a means by which employees of JEA may be given incentives to remain with JEA and share in the financial [health]<sup>5</sup> of JEA.

---

**Q2:** Who is eligible to participate in the Plan?

**A2:** Any full-time employee of JEA (including any full-time OGC attorney) who has been employed by JEA for at least three months prior to the Purchase Date (as described in Q&A 3) is eligible to participate in the Plan. Part-time and temporary employees of JEA are not eligible to participate in the Plan.

Any exceptions to the above eligibility requirements must be recommended by JEA’s Chief Executive Officer (the “CEO”) and approved by the Chair of the Compensation Committee (the “Committee Chair”) of the Board of Directors of JEA (the “Board”).

---

<sup>4</sup> JEA to confirm whether all the references to “performance units” should be changed to “PUPs.” This was not reflected in the hand mark-up received from JEA.

<sup>5</sup> JEA to confirm whether this should instead refer to “success.”

---

**Q3: How does the Plan work?**

**A3: Each eligible employee may purchase a specified number of performance units (the “Performance Units”) as set forth in the employee’s Long-Term Performance Unit Agreement from JEA on January 15 of each year (the “Purchase Date”)<sup>6</sup> by electing to defer a portion of the employee’s pay equal to the aggregate purchase price (the “Purchase Price”) for the Performance Units that the employee wishes to purchase.**

**The Purchase Date for the Performance Units that are allocated to you now will be January 15, 2020.**

---

**Q4: Who administers the Plan?**

**A4: The Committee Chair administers the Plan. The Committee Chair has the full authority and discretion to take any actions the Committee Chair deems necessary or advisable for the administration of the Plan. All decisions, interpretations, and other actions of the Committee Chair will be final and binding.**

---

**Q5: How many Performance Units are reserved under the Plan?**

**A5: JEA has reserved an aggregate of 100,000 Performance Units for purchase by eligible employees under the Plan. However, only 30,000 Performance Units will be available for purchase by eligible employees on the Purchase Date.**

## **ALLOCATION OF PERFORMANCE UNITS**

---

**Q6: What is a Performance Unit?**

**A6: Each Performance Unit represents a right to receive a cash payment equal to the Redemption Price (as described in Q&A 14) in exchange for such Performance Unit. A Performance Unit is not, and does not represent an equity or security interest in JEA.**

---

**Q7: How are Performance Units allocated under the Plan?**

**A7: Under the Plan, the Committee Chair has complete discretion to determine when and to whom Performance Units will be allocated and the number of Performance Units that may be allocated. The terms and conditions of Performance Units will be set forth in your Long-Term Performance Unit Agreement.**

**The Committee Chair may delegate the Committee Chair’s authority under the Plan to determine the number of Performance Units that may be allocated to eligible employees**

---

<sup>6</sup> To discuss the Purchase Date with JEA, including whether the Purchase Date should occur over multiple pay periods. Section 2(q) of the Plan specifies that the first Purchase Date will occur January 15, 2020.

(other than to the CEO) under the Plan to the CEO. The Committee Chair retains the authority to determine the number of Performance Units that may be allocated to the CEO.

---

**Q8:** How many Performance Units must I purchase to participate in the Plan?

**A8:** You may purchase up to the maximum number of Performance Units allocated to you. However, you may purchase less than all of the Performance Units that you have been allocated.

If you purchase none of the Performance Units allocated to you, you will not participate in the Plan and you will not be eligible to receive the Redemption Price in exchange for your Performance Units.

---

**Q9:** How is the Purchase Price determined?

**A9:** Under the Plan, the Purchase Price will be no less than \$10.00 per Performance Unit. JEA has set the Purchase Price as \$10.00 per Performance Unit.

---

**Q10:** Will I be required to pay the Purchase Price for my Performance Units?

**A10:** Yes, to purchase Performance Units under the Plan, you must pay the aggregate Purchase Price for the Performance Units you wish to purchase. The aggregate Purchase Price is equal to \$10.00 multiplied by the number of Performance Units that you wish to purchase.

**Example:** If JEA allocates you five Performance Units and you wish to purchase four Performance Units, the aggregate Purchase Agreement will be equal to \$40.00 (\$10.00 x four Performance Units).

---

**Q11:** How do I pay the Purchase Price for my Performance Units?

**A11:** To pay the Purchase Price for the Performance Units that you wish to purchase, you must elect to defer a portion of your pay equal to the aggregate Purchase Price for the Performance Units you wish to purchase. You may elect to defer your pay in a lump sum or equal installments during certain payroll periods as selected by you.

To purchase Performance Units on January 15, 2020, you must elect to defer your pay by no later than December 31, 2019. If you do not make this election by December 31, 2019, you will not be eligible to purchase Performance Units on January 15, 2020.

---

**Q12:** Under what circumstances will I forfeit the Purchase Price that I pay for my Performance Units?

**A12:** If prior to the Vesting Date (as described in Q&A 13) your employment with JEA is terminated for cause (as described in Q&A 20) or you voluntarily terminate your employment with JEA for any reason, you will forfeit the entire amount of the Purchase



Price that you paid for the Performance Units that have not vested as of the date of your termination or voluntary termination, as applicable, of employment.

---

**Q13:** When will I receive the Redemption Price for my Performance Units?

**A13:** The Performance Units will vest on the earlier to occur of (a) the last day of the three-year performance period (as described in Q&A 14) and (ii) the date on which a Recapitalization Event (as described in Q&A 23) occurs (the “Vesting Date”). Except as otherwise described in Q&A 18, you must be employed with JEA on the Vesting Date for the Performance Units to vest. You will only receive the Redemption Price for vested Performance Units.

JEA will pay the Redemption Price to you for your vested Performance Units no later than 30 days after the Redemption Price has been certified by the Committee Chair as described in Q&A 14. The amount of the Redemption Price will be reduced by applicable withholding taxes.

---

**Q14:** How is the Redemption Price calculated?

**A14:** The Redemption Price is calculated as set forth below based on a three-year performance period (if a Recapitalization Event occurs, the performance period will be shortened, and the performance period will end on the closing date of such Recapitalization Event) (the “Performance Period”).

The Performance Period will begin on January 15, 2020 and will end on January 15, 2023 (the “2020/2023 Performance Period”), unless a Recapitalization Event occurs before such date in which case the performance period will end on the date on which the closing of the Recapitalization Event occurs.

The 2020/2023 Performance Period will be based on the following performance metrics:

The Redemption Price will increase by \$100.00 per Performance Unit for each “Value Change Percentage” increase of 1% in excess of the “Challenge Value Target” and will decrease by \$0.50 per Performance Unit for each “Value Change Percentage” decrease of 1% below the Threshold Value Target, but the Redemption Price will not be less than \$0.00 per Performance Unit (the “Redemption Price”).

- For the 2020/2023 Performance Period, the “Challenge Value Target” will be 110% and the “Threshold Value Target” will be 90%.
- The “Value Change Percentage” means a percentage equal to the “Current Year Value” divided by the “Base Year Value.”
- “Current Year Value” means, with respect to the Performance Period, the sum of (a) JEA’s Net Position, as shown on JEA’s audited financial statements for the Performance Period (or, in the case of a Recapitalization Event, JEA’s Net Position as shown on JEA’s audited financial statements immediately following the closing date

of the Recapitalization Event), (b) the aggregate consideration paid directly or otherwise transferred to the City of Jacksonville whether in cash or in-kind (excluding any public service taxes or franchise fees) during the 12-month period prior to the end of the performance period, and (c) the aggregate consideration (including refunds, rebates and distributions) paid, distributed, credited or otherwise provided to JEA's customers during the 12-month period prior to the end of the Performance Period. Any consideration and change in Net Position, as applicable, in connection with the Recapitalization Event will be taken into account for purposes of calculating the amounts in (a) – (c).

- For the 2020/2023 Performance Period, "Base Year Value" is the amount equal to the Current Year Value for fiscal year 2019 as reflected on JEA's audited financial statements when available.

The Redemption Price that you receive for your vested Performance Units will include the Purchase Price that you paid for each Performance Unit.<sup>7</sup>

**Example:** [To come]<sup>8</sup>

---

Q15: Is it possible that I may not receive any Redemption Price for my Performance Units?

A15: Yes, as described in Q&A 14, the Redemption Price will be decreased by \$0.50 per Performance Unit for each "Value Change Percentage" decrease of 1% below the Threshold Value Target up to \$0.00 per Performance Unit. However, the Redemption Price will not be less than \$0.00 per Performance Unit.

---

Q16: Who will calculate the Redemption Price?

A16: JEA's Chief Financial Officer will calculate the Redemption Price per Performance Unit. The Committee Chair will certify the Redemption Price as soon as practicable following the completion of JEA's audit for the applicable Performance Period, but in no event later than 30 days following the end of the Performance Period.

---

Q17: Are there any conditions to my receipt of the Redemption Price?

A17: Yes, you need to satisfy certain conditions in order to receive the Redemption Price for your vested Performance Units. These conditions include as follows:

- (a) you must execute your Long-Term Performance Unit Agreement enclosed with this invitation booklet on Tab F and return it to JEA by following the instructions included in Tab D;

---

<sup>7</sup> To discuss with JEA whether the Purchase Price will be refunded to a participant even if the performance metrics are not attained. There is a substantial risk of forfeiture on a termination for cause or a voluntary termination of employment.

<sup>8</sup> JEA to provide.

- (b) except as described in Q&A 18, you must be continuously employed with JEA;
  - (c) you must execute and not revoke a release of claims in favor of JEA and the City of Jacksonville (JEA will notify you when it is time for you to execute the release); and
  - (d) you must comply with the covenants set forth in your Long-Term Performance Unit Agreement (the "Agreement").
- 

**Q18:** What happens to my Performance Units and the Purchase Price that I paid upon an involuntary termination of employment with JEA?

**A18:** If you experience an involuntary termination of employment prior to the applicable Vesting Date for your Performance Units, you will still be paid the Redemption Price for all of your Performance Units. Any Redemption Price payable to you as a terminated employee for your Performance Units will be paid to you at the same time as the amounts would have been paid had you not experienced an involuntary termination of employment.

An involuntary termination of employment means a termination of employment by JEA without cause (as described in Q&A 20) or due to your death or disability (as defined in the Plan).<sup>9</sup>

---

**Q19:** What happens to my Performance Units and the Purchase Price that I paid upon a termination of employment with JEA for cause or a voluntary termination of employment?

**A19:** If you experience a termination of employment for cause (as described in Q&A 20) or you voluntarily terminate your employment with JEA for any reason, in each case, prior to the applicable Vesting Date for your Performance Units, you will forfeit both the Performance Units to the extent unvested and the Purchase Price that you paid for such unvested Performance Units.

---

**Q20:** What is a termination of employment for "cause"?

**A20:** Under the Plan, "cause" generally means:

- (a) if you have an employment agreement, consulting agreement or similar agreement in effect with JEA at the time of purchase of the Performance Units that defines a termination for "cause" (or words of like import), "cause" as defined in such agreement, or
- (b) if you have an employment agreement, consulting agreement or similar agreement in effect with JEA at the time of purchase of the Performance Units or where there is such an agreement but it does not define "cause" (or words of like import): (i) you have been convicted of, pled guilty or no contest to or entered into a plea agreement with respect to, any felony under applicable law or any crime involving dishonesty or moral

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<sup>9</sup> JEA to clarify what is meant by the request to include a "geographic trigger."

turpitude; (ii) you have engaged in (A) any willful misconduct or gross negligence or (B) any act of dishonesty, violence or threat of violence that would reasonably be expected to result in a material injury to JEA; (iii) you willfully fail to perform your duties to JEA and/or willfully fail to comply with lawful directives of the Board; (iv) you materially breach any term of any contract to which you and JEA is a party; or (v) you materially breach any term of the Plan and/or your Long-Term Performance Unit Agreement.

With respect to clauses (iii), (iv) and (v) and if the event giving rise to the claim of "cause" is curable, JEA will provide written notice to you of the event within 30 days of JEA learning of the occurrence of such event, and such cause event must remain uncured 15 days after JEA has provided such written notice and any termination of your employment for "cause" with respect to clause (iii), (iv) or (v) must occur no later than 30 days following the expiration of such cure period.

Notwithstanding the foregoing, to the extent that this definition of "cause" is inconsistent with a definition of "cause" (or words of like import) in any applicable and lawful collective bargaining agreement or the applicable and lawful Civil Service and Personnel Rules and Regulations of the City of Jacksonville (the "Civil Service Rules"), the definition of "cause" (or words of like import) in such collective bargaining agreement or the Civil Service Rules, as applicable, will control.

---

Q21: What happens if I am retirement eligible and retire before the applicable Vesting Date?

A21: If you become a retirement eligible employee (as described below) and retire, in each case, prior to the applicable Vesting Date for your Performance Units, your Performance Units will vest on the applicable Vesting Date.

You are retirement eligible if you have attained one of the retirement milestones as described in the General Employees Retirement Plan.

---

Q22: What happens if my designation changes from appointed to civil service?

A22: If at any time from when you are notified by JEA of your eligibility to participate in the Plan and ending on the last day of the Performance Period, your designation changes from appointed to civil service (whether or not such change is voluntary), the level at which you participate in the Plan will be adjusted to reflect such change.

If such change occurs (a) at any time prior to the Purchase Date, the number of Performance Units that you will be eligible to purchase will be reduced to a number of Performance Units that is equal to the number of Performance Units you would have been eligible to purchase had you been civil service on the date on which you were notified of your eligibility to participate in the Plan or (ii) at any time on or after the Purchase Date, but prior to the last day of the Performance Period, you will forfeit a number of Performance Units such that you will have purchased a number of Performance Units that is equal to the maximum number of Performance Units you would have been eligible to purchase had you been civil service on the Purchase Date (it being understood that such number of forfeited

Performance Units may be zero) and JEA will refund to you the aggregate Purchase Price for such forfeited Performance Units.

## **RECAPITALIZATION EVENT**

---

**Q23:** What is a Recapitalization Event?

**A23:** A “Recapitalization Event” means the closing and funding of a transaction or a series of related transactions in accordance with Article 21 of the Charter of the City of Jacksonville and any other applicable law that results in either (a) unencumbered cash proceeds to the City of Jacksonville of at least \$3,000,000,000 or (b) at least 50% of the net depreciated property, plant and equipment value of either JEA’s electric system or JEA’s water and wastewater system being transferred, assigned, sold or otherwise disposed of.

---

**Q24:** What happens to my Performance Units upon a Recapitalization Event?

**A24:** On the closing date of a Recapitalization Event, your Performance Units will vest and you will receive the applicable Redemption Price for your Performance Units. The Redemption Price will be paid in cash no later than 30 days after the Redemption Price has been certified by the Committee Chair as described in Q&A 16.

## **AMENDMENTS OF THE PLAN**

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**Q25:** May the Board amend the Plan?

**A25:** Yes, the Board may amend the Plan at any time. However, no amendment to the Plan may impair the rights of participants in the Plan without such participants’ written consent. You will be provided any details of any amendment that would affect you as soon as reasonably practicable.

## **MISCELLANEOUS**

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**Q26:** Has the Plan been collectively bargained?<sup>10</sup>

**A26:** Yes, the Plan has been collectively bargained with the applicable union representatives.

---

**Q27:** How should I respond if someone asks about my Plan benefits or JEA’s financial status?

**A27:** All inquiries from persons other than your legal, financial and/or tax advisors relating to the value of your Performance Units, the Plan or JEA’s financial status (including questions from the press, prospective JEA investors, JEA customers or vendors, prospective JEA

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<sup>10</sup> ~~Foley to confirm whether this Q&A can be deleted.~~

hires and current co-workers) should be directed to the JEA's Chief Financial Officer via email at [wannrf@jca.com](mailto:wannrf@jca.com).

**From:** [Maillis, Patricia L. - Director, Employee Services](#)  
**To:** [andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com); [Wathen, David \(Atlanta\)](#)  
**Subject:** FW: SUPER URGENT  
**Date:** Monday, January 7, 2019 11:51:20 AM

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Andrea/David,

See Angie's request below. Please assist us with this. I can be available to talk this afternoon.

Pat

---

**From:** Hiers, Angela R. - VP & Chief Human Resources Officer  
**Sent:** Monday, January 7, 2019 11:23 AM  
**To:** Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>  
**Subject:** SUPER URGENT

Pat,

Will you please contact Towers Watson and ask them if they would provide by the beginning of the workday tomorrow, a short scenario (SCOPE) of the possible engagement with us. It does not need to include price as of yet. In other words, what they will do for us. It doesn't need to be the final, just what they think will be involved as we start the project. **We need to give this to our Compensation Chair tomorrow.**

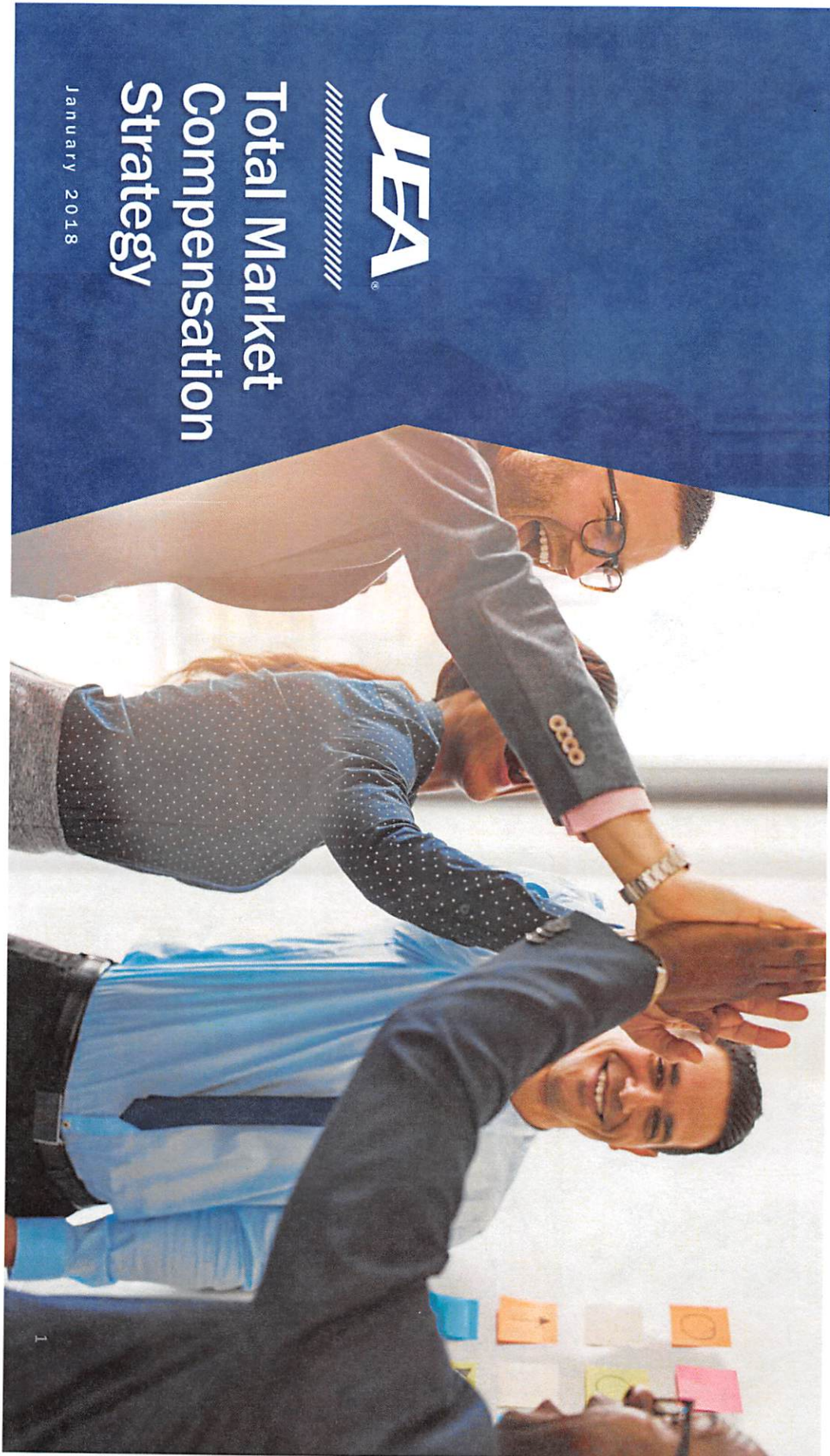
It should include the following:

1. Towers will assist with design of a STI and Long Term Incentive structure that will incent employees to perform their best work in accordance with our culture values and guiding principles.
2. The incentive plan will be connected to metrics as set forth by the company's strategic plan.

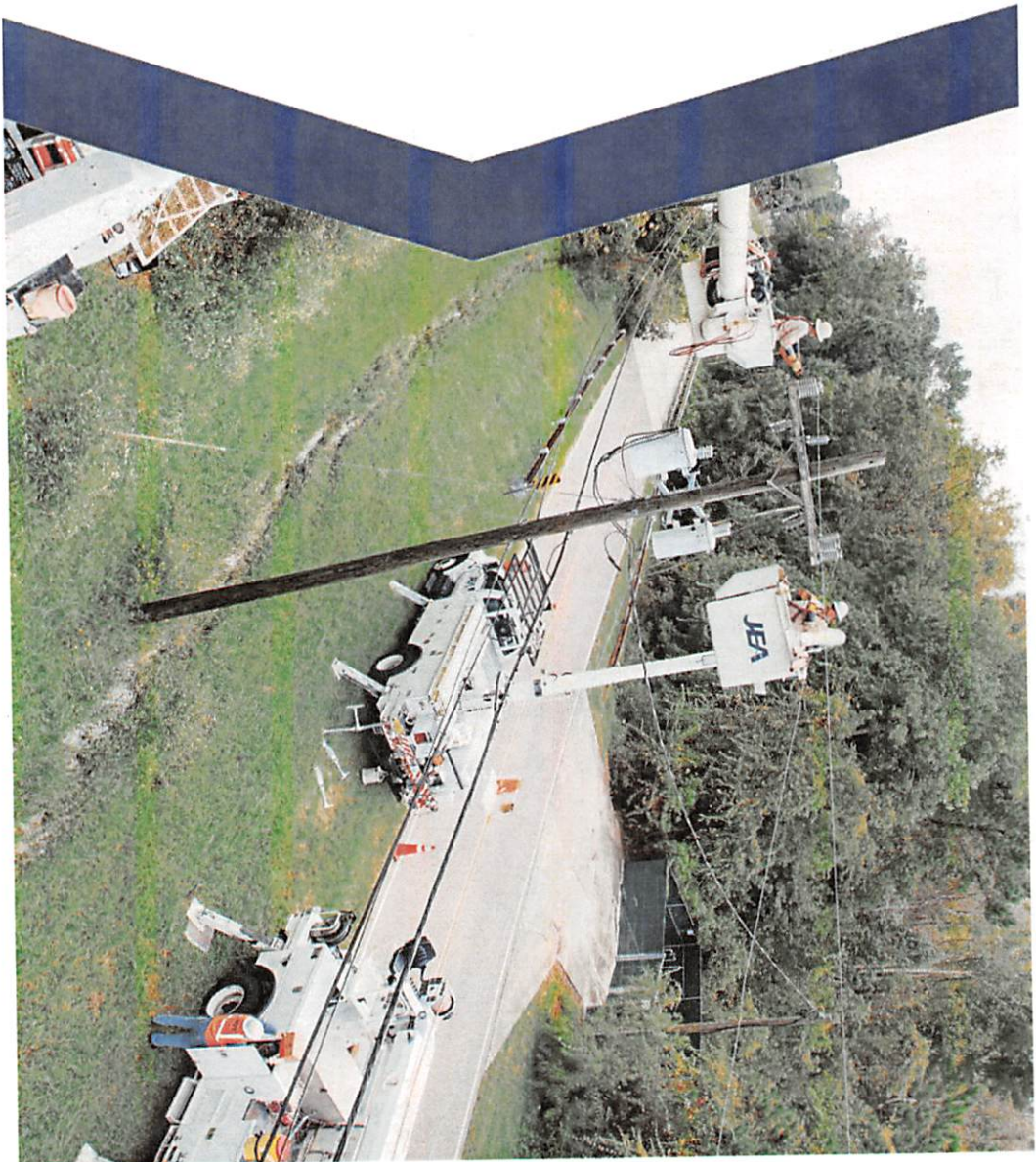
Call me if you need to.









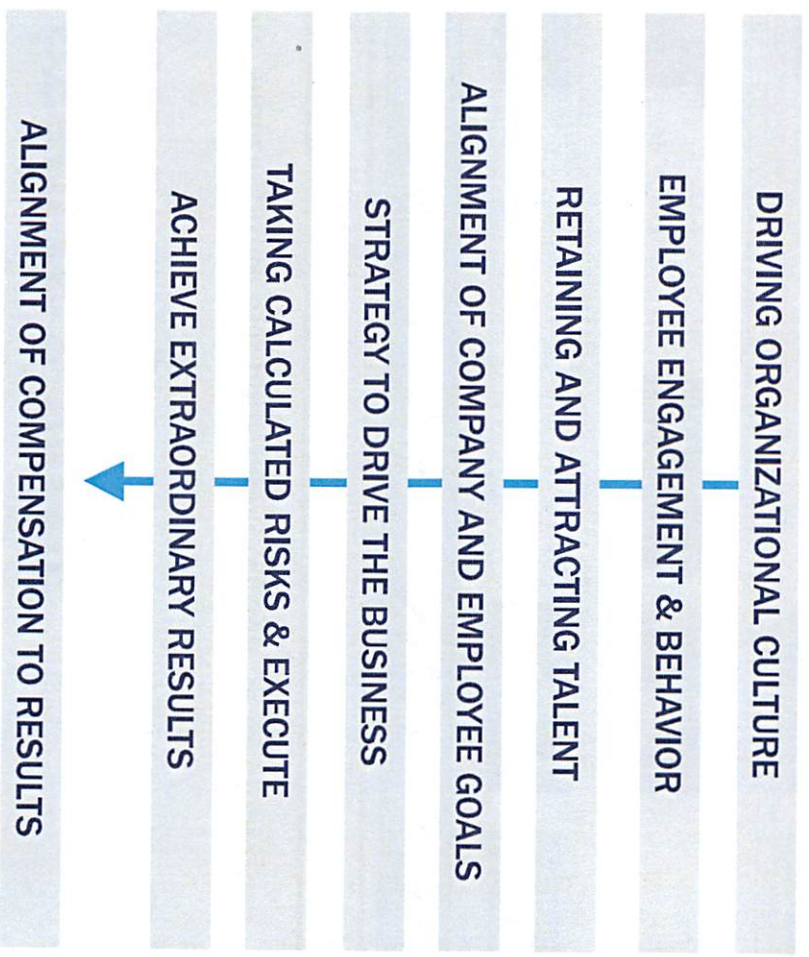


COMMITMENT TO  
RESULTS & VALUE

## Company Culture and Strategy Driven by Good Well Aligned "Total Compensation Program"



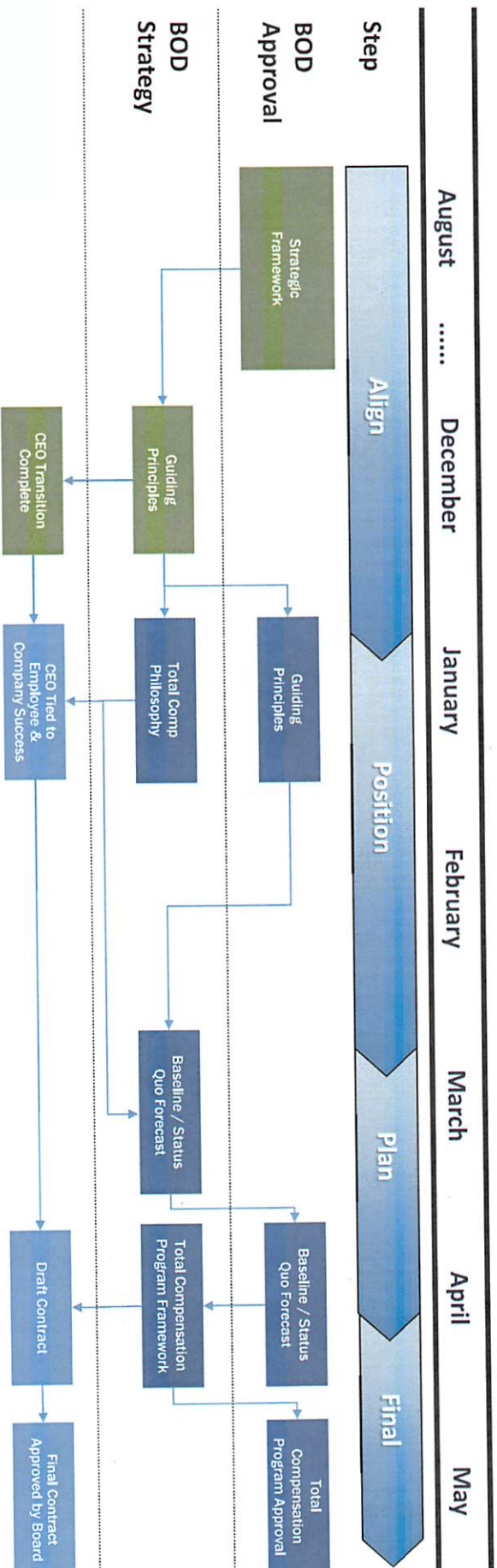
LEADING BY EXAMPLE



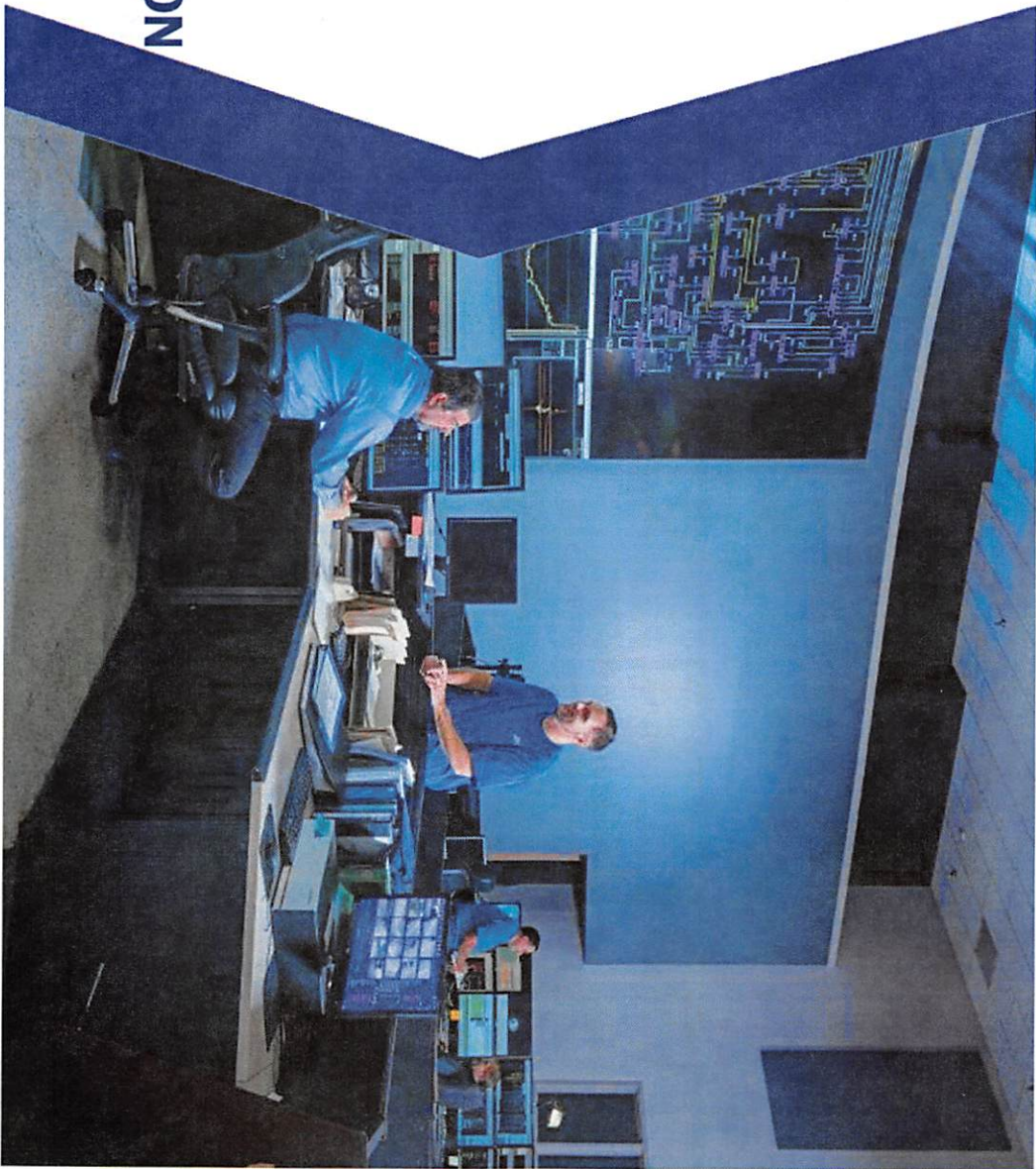


# ALIGNING TO RESULTS & VALUE

- Board wants all employee compensation to be aligned with: 1) Total Compensation Philosophy; and 2) driving Results vs. Baseline
- Board to agree on TC Philosophy and Baseline before finalizing Total Compensation Program for all employees



**TOTAL COMPENSATION  
PHILOSOPHY**

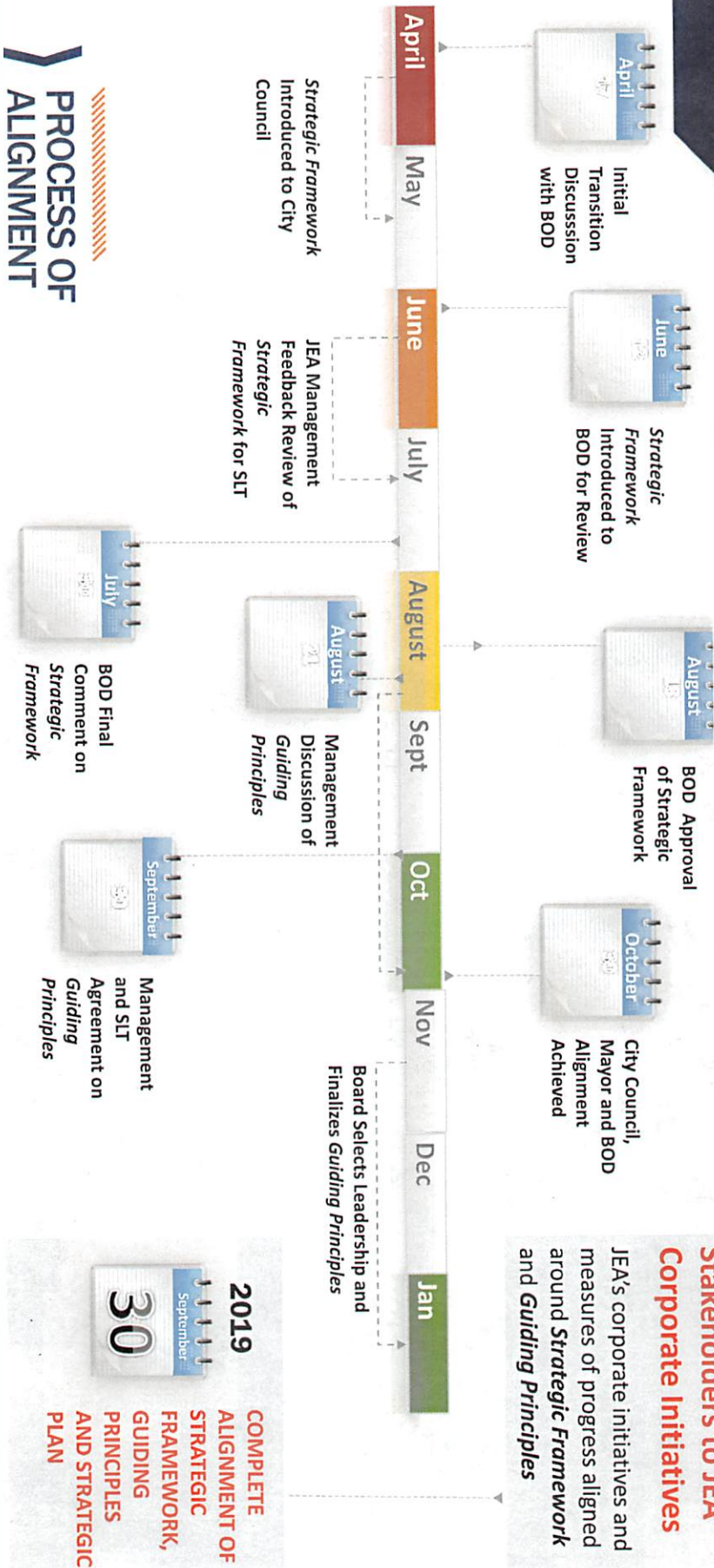




## "Guiding Principles" More Than Talk

**Result: Alignment of Stakeholders to JEA Corporate Initiatives**

JEA's corporate initiatives and measures of progress aligned around *Strategic Framework* and *Guiding Principles*



PROCESS OF ALIGNMENT





## **GUIDING PRINCIPLES**

### **ACCELERATING UTILITY INNOVATION**

#### **Vision**

*Why we exist and who we want to be in the future*

**Improve lives by accelerating innovation**

#### **Mission**

*How we are going to pursue our vision and what we need to do today to get there*

**Provide the best service by becoming the center of our customers' energy and water experience**

#### **Corporate Measures**

*Our mission will be guided by and evaluated against how we as employees drive these four basic Corporate Measures of JEA's value*

**The fundamental goal is to maximize each value both now and in the future:**

##### **1) Customer value**

What a customer expects to get in exchange for the price they pay

##### **2) Financial value**

The monetary value and risk profile, both today and tomorrow, of JEA as it relates to the City

##### **3) Community impact value**

Improving the quality of life through innovative and cost-effective service offerings, employee volunteerism and ambassadorship, relevant and timely communications, and support of economic development and job growth throughout JEA's service territory; foster a collaborative and respectful corporate culture that provides exceptional employee value to equip the JEA team to deliver outstanding service and value to its community

##### **4) Environmental value**

Ensuring a sustainable environment for future generations

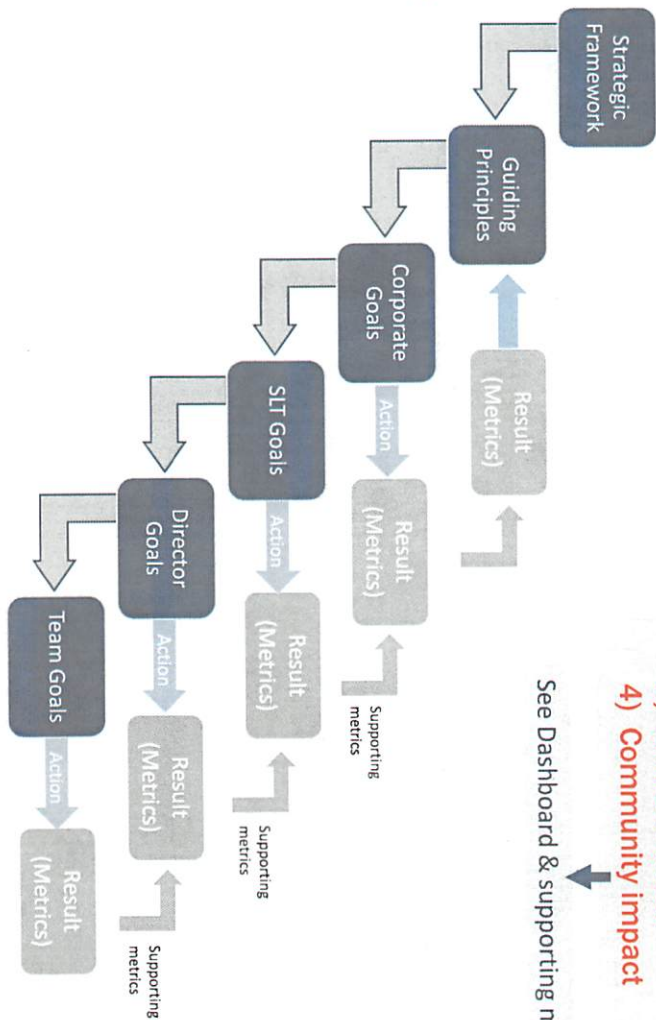
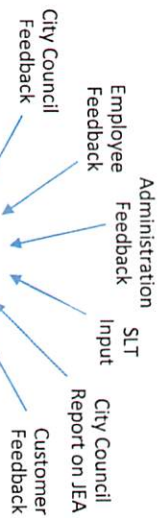
#### **Core Competencies**

*The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision*

- Deliver an unparalleled positive customer experience
- Work together to elevate the entire team
- Innovate and evolve to match our customer's needs with market trends

# STAKEHOLDER ALIGNMENT

Alignment logic of **Strategic Framework** and **Guiding Principles** through day-to-day actions of employees



Employee behavior tied to driving metrics that measure the 4 values outlined in the Guiding Principles:

- 1) Customer
- 2) Financial
- 3) Environmental
- 4) Community impact

See Dashboard & supporting metrics

Employees aligned to Board and COJ





## GUIDING PRINCIPLES

ACCELERATING UTILITY INNOVATION

### Corporate Measures

Our mission will be guided by and evaluated against how **we as employees drive these four basic Corporate Measures** of JEA's value

The fundamental goal is to maximize each value both now and in the future:

- 1) Customer Value
- 2) Financial Value
- 3) Environmental Value
- 4) Community Impact Value

Employee behavior key to maximizing value



**GUIDING PRINCIPLES**  
ACCELERATING UTILITY INNOVATION

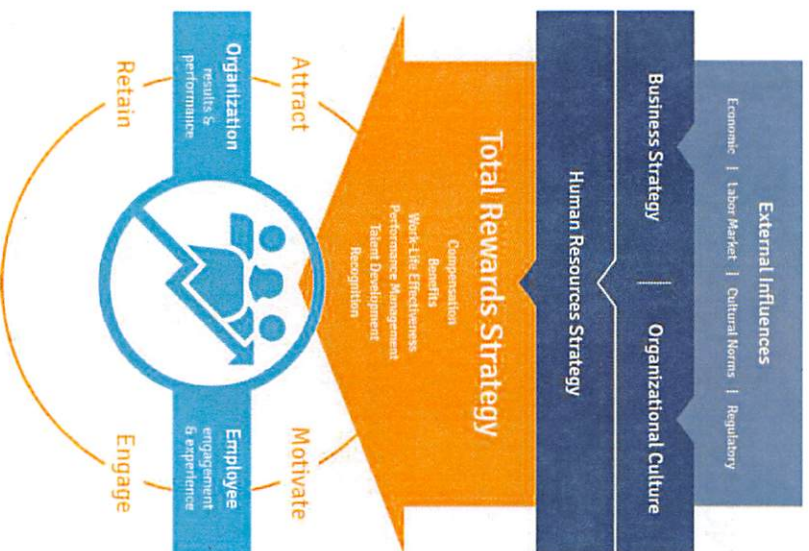
## Core Competencies

*The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision*



**Work together to elevate the entire team**

Core competencies accelerate results



## ELEVATE THE ENTIRE TEAM

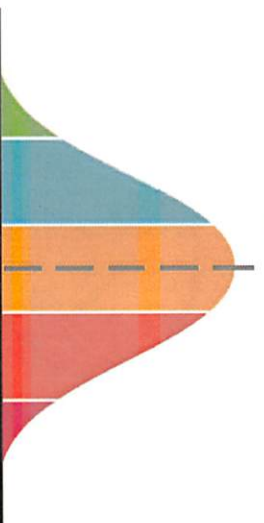
1. Ensure JEA's corporate compensation philosophy is aligned with JEA's Guiding Principles
2. Encourage long-term culture of value creation
3. Establish formal compensation policy to align behavior to 4 Corporate Measures of Value and market based compensation
4. Ensure policy promotes collaboration to drive Vision and Mission

Employee incentives should drive "value" & "teamwork"

## JEA Board Policy Manual

(Policy 2.7 adopted by JEA Board on June 17, 2014)

50<sup>th</sup> %



JEA's current total compensation structure aims to compete with the market for talent

**JEA'S COMPENSATION  
PHILOSOPHY**

"With respect to employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the CEO shall not cause or allow jeopardy to financial integrity or to public image. Accordingly, the CEO will not:

Promote a compensation philosophy that is contradictory to JEA's philosophy of providing a total rewards package that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits.

Salary/wages will meet the market (50<sup>th</sup> percentile), which is where the majority of companies in the geographical area reside. The 50<sup>th</sup> percentile pays competitively for behavior that meets expectations. Additional consideration will be given to behaviors that exceeds expectations which are typically rewarded at the 75<sup>th</sup> percentile. Internal equity will be achieved by evaluating differences in skill, effort, responsibility and working conditions among jobs."



# HOW DO WE DEFINE TOTAL COMPENSATION?

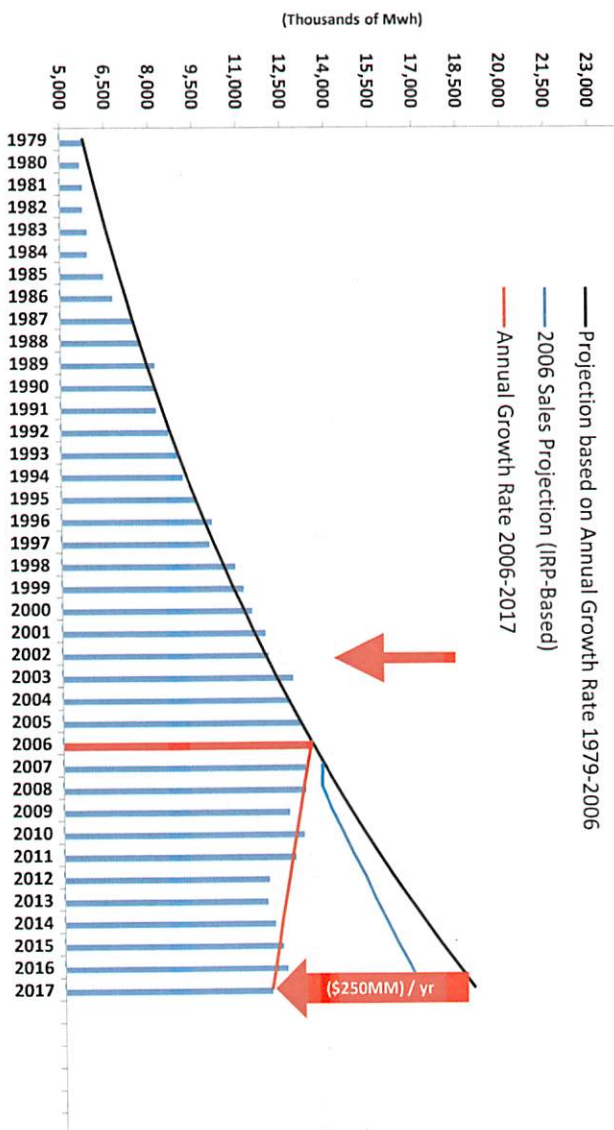
	BASE	+	SHORT TERM INCENTIVE	+	LONG TERM INCENTIVE
JEA	\$132.8		\$5.2		\$0.0
50% Percentile	\$124.9		\$10.5		\$5.5
DELTA ▼	\$7.9		(\$5.3)		(\$5.5)

Above numbers exclude healthcare and retirement

Dollars above are in millions

JEA's total compensation structure does not reward value creation

## 2007 to 2017 JEA lost Avg. of \$130 MM / yr in FCF (\$1.4B of cash) vs IRP Case



## WHY FOCUS AND COMPENSATION ALIGNMENT MATTERS

### Industry Macro Trends Impacting JEA

#### Energy Efficiency (2000's tech trend)

- Mandates account for >90% of reduction in electric sales
- 30% lower sales in 2017 than forecasted back in 2006

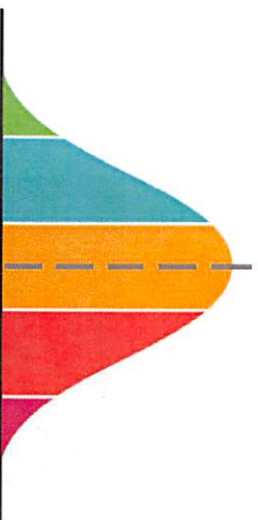
#### Distributed Generation (2010's tech trend)

- Solar growth increasing in JEA territory 67% CAGR since FY 14
- >\$2.5MM of Net Income lost to distributed generation annually

#### Distributed Storage & iDER (2020's tech trend)

- Similar cost / performance trends to distributed generation being witnessed
- Storage will change the entire energy sector once cost parity with utility achieved

50th %



JEA's total compensation structure should both compete with the market for talent & drive results aligned with "guiding principles"

JEA'S COMPENSATION  
PHILOSOPHY

## RECOMMENDED: JEA Board Policy Manual

(Revision to Policy 2.7 adopted by JEA Board on June 17, 2014)

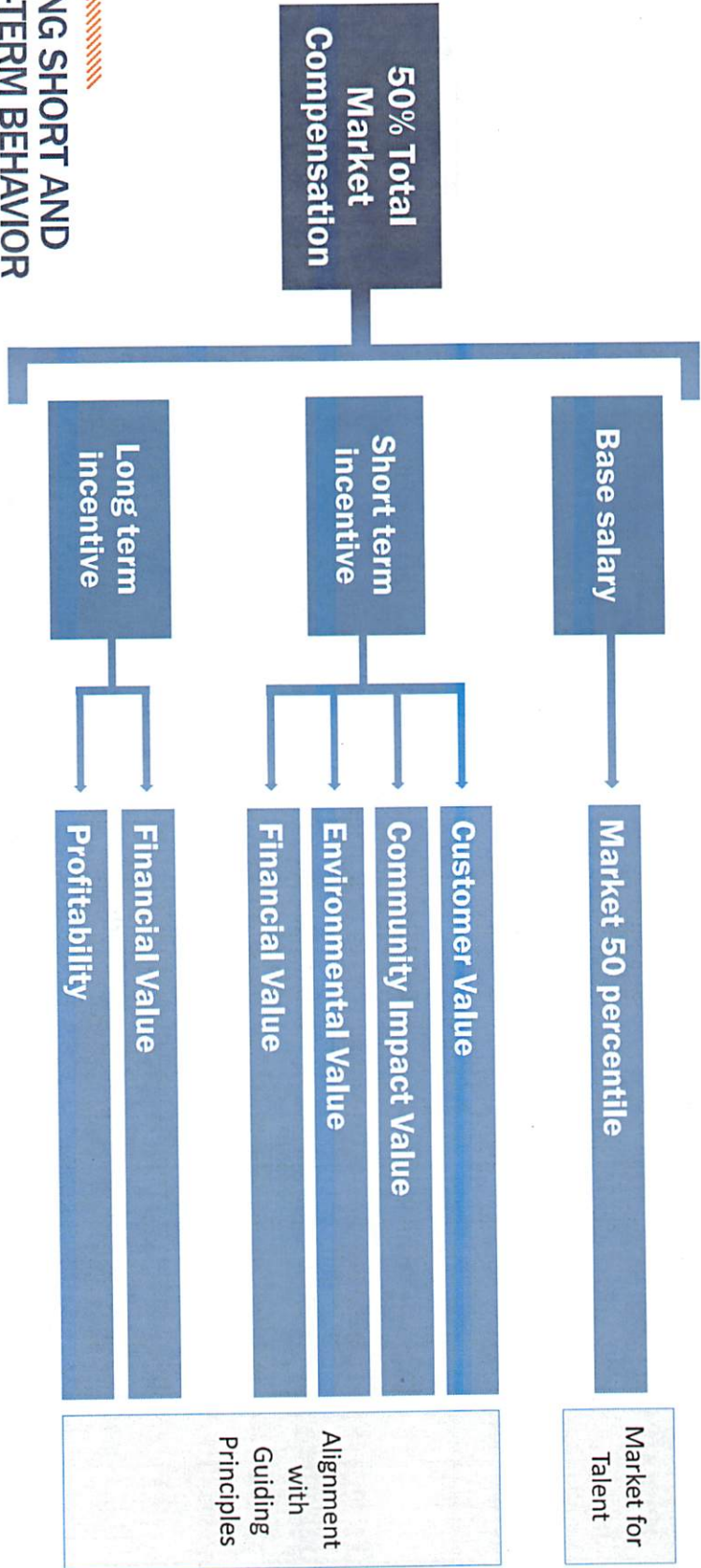
"With respect to employment, compensation, and benefits to employees, consultants, ~~and contract workers and volunteers~~, the CEO shall ~~not cause or allow jeopardy to financial integrity or to public image. Accordingly, the CEO will not~~ Promote a compensation philosophy ~~providing a total rewards package~~ that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits ~~that align with and drive JEA's Corporate Measures of value: 1) Customer; 2) Financial; 3) Environmental; and 4) Community Impact.~~

**Total compensation** ~~Salary/wages~~ will meet the market (50th percentile), which is where the majority of companies in the **industry and** geographical area reside. **Total compensation will include Base Salary, Short Term Incentives and Long Term Incentives.** The 50th percentile pays competitively for behavior that meets expectations. **Short term and long term incentives will align to and drive JEA's Corporate Measures of Value.** Internal equity will be achieved by evaluating differences in skill, effort, responsibility and working conditions among jobs."



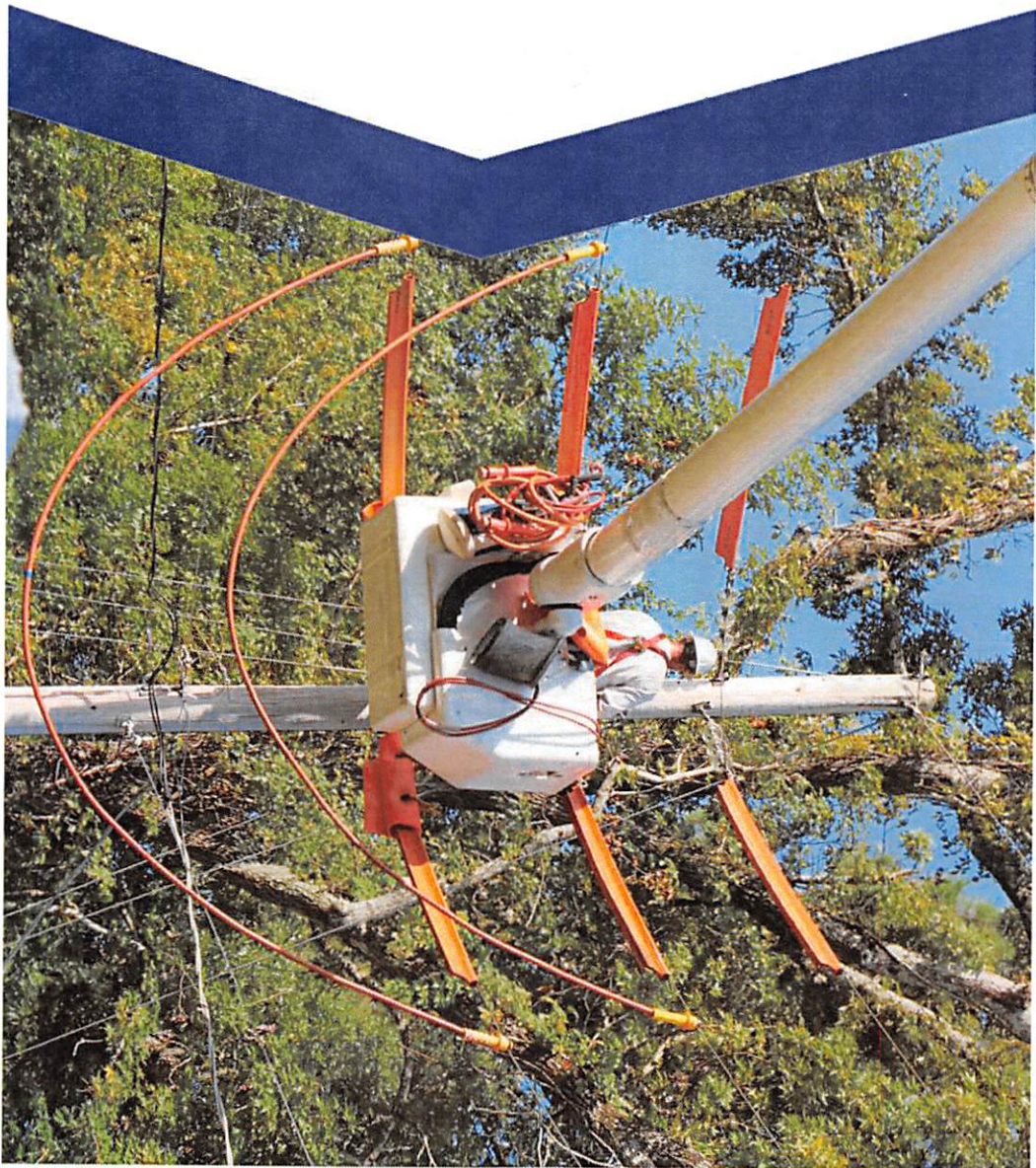
# Establish a Formal Compensation Policy to Align with:

## 1) Talent Market and 2) Guiding Principles



**DRIVING SHORT AND LONG-TERM BEHAVIOR**





**ADAPTABLE  
CULTURE**



# Cultural Values

Safety

Service

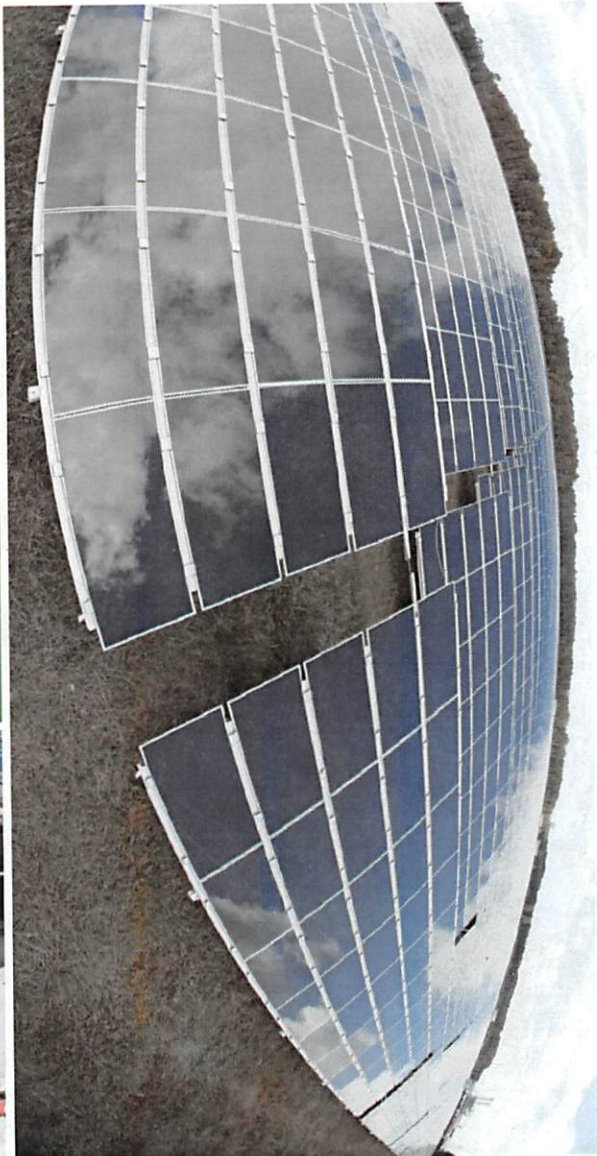
Growth<sup>2</sup>

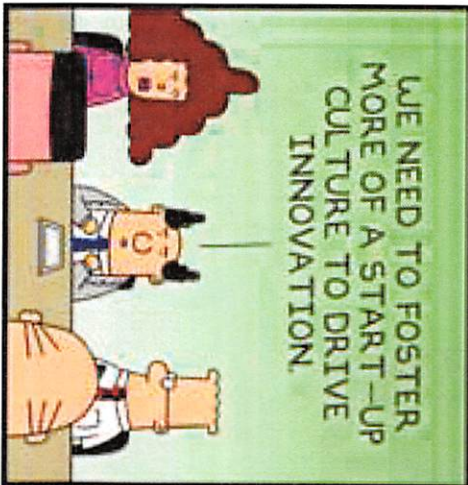
Accountability

Integrity

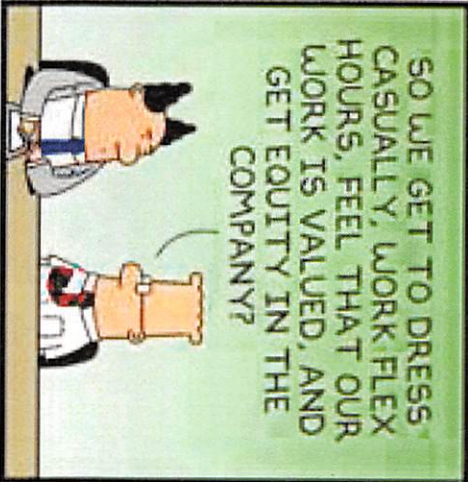
*Ideas*

|||  
CULTURE EATS  
STRATEGY

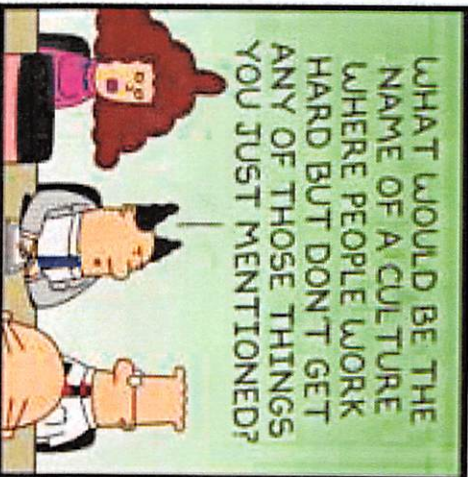




Dilbert.com DilbertCartoonist@gmail.com



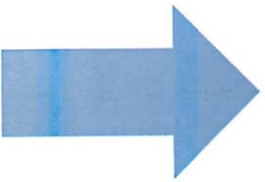
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## Driving Toward Success

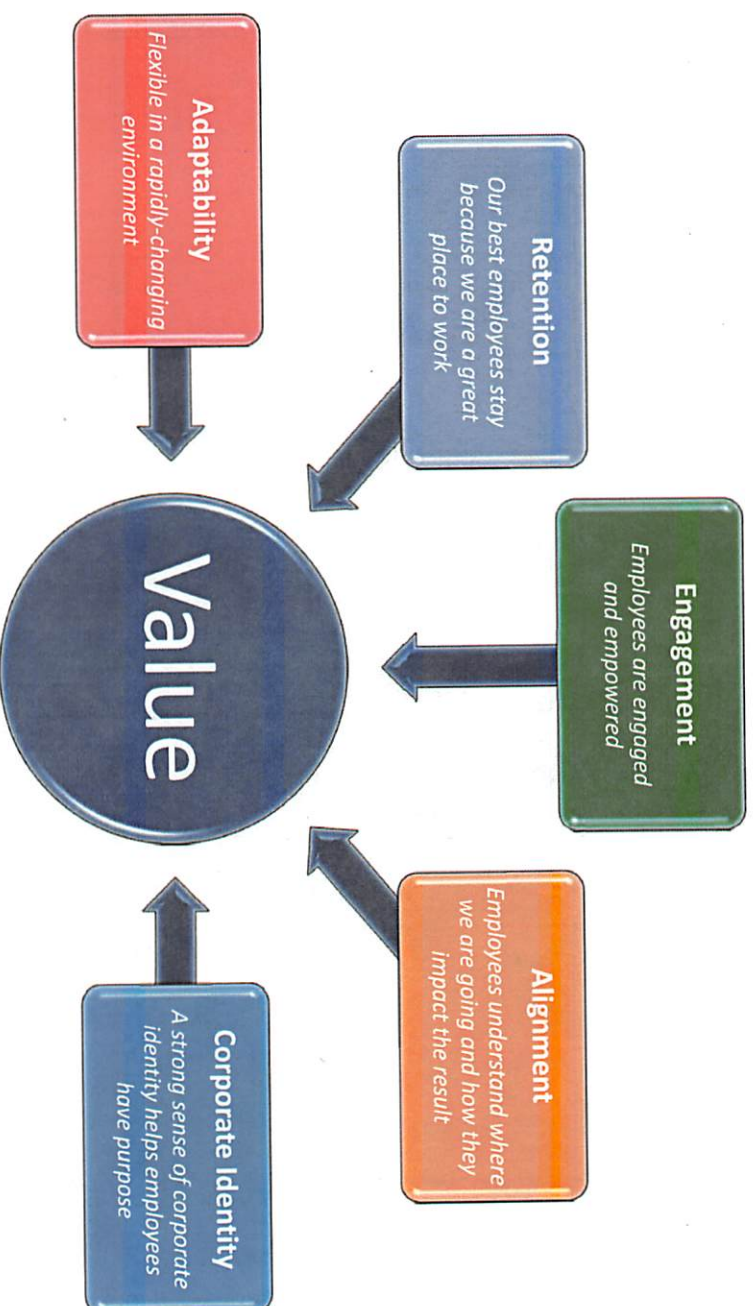
*Willing to take appropriate and calculated risks and fail from time to time in order to achieve extraordinary results*



## Working Not to Fail

*Culture and individuals motivated by risk aversion striving not to fail rather than to succeed*

WHERE ARE WE  
GOING?



**Vision:** Improve lives by accelerating innovation

**Mission:** Provide the best service by becoming the center of our customer's energy and water experience



## INTRODUCING THE

# 5 to 5 Innovation Incentive Program

- 5 to 5 is about culture
- Purpose of the **5 to 5 Innovation Incentive Program** is to encourage and reward employees for developing and submitting innovative **ideas** (**Ideas** being one of JEA's core values) that benefit JEA and our community.
- Employees who submit an **idea** that is implemented will be eligible for incentives ranging between **\$500 to \$5,000** depending on the scope, cost savings, and/or revenue generation associated with the submitted **idea** and corresponding results.
- **Ideas** will align with JEA's corporate measures:
  - Customer Value
  - Financial Value
  - Environmental Value
  - Community Impact Value

ACCELERATING AN  
INNOVATIVE CULTURE



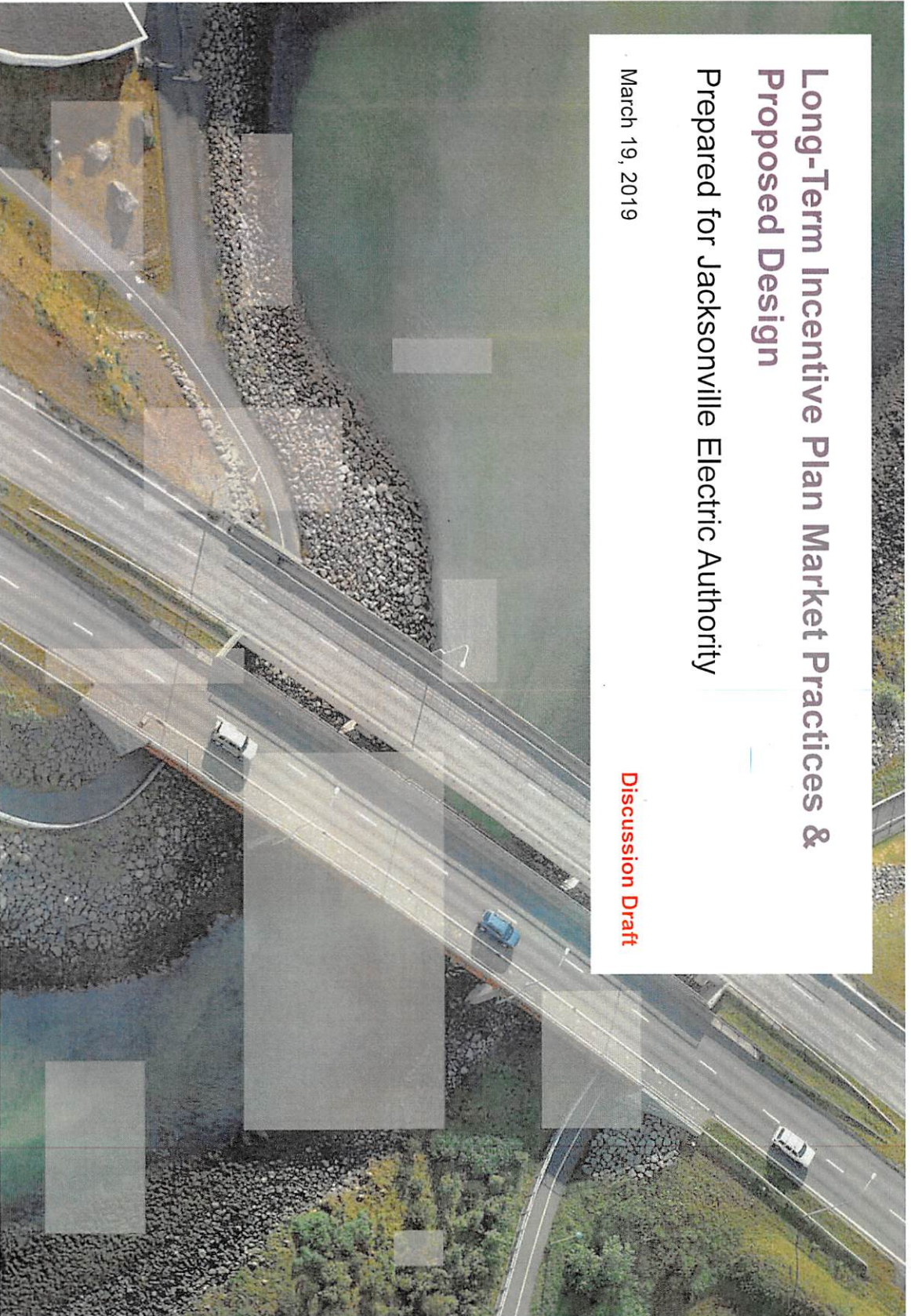


# Long-Term Incentive Plan Market Practices & Proposed Design

Prepared for Jacksonville Electric Authority

March 19, 2019

Discussion Draft



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WillisTowersWatson 

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# Introduction

## Summary

- Jacksonville Electric Authority (“JEA”) engaged Willis Towers Watson (“WTW”) to complete the following:
  - Conduct an analysis of market competitive long-term incentive (“LTI”) plan design practices in the utility industry, covering both investor owned utilities and public power utilities, and
  - Develop an LTI plan design that align with JEA’s compensation philosophy and business strategy
- Pages 4 through 15 summarize competitive market practices for:
  - Investor Owned Utility (IOUs) peer group (comparably sized to JEA)
  - Public Power utilities (based on client work and anecdotal consulting experience)
  - Broader Utility Industry practices from WTW’s *2018 Long-Term Incentives Policies and Practices Survey Report*; Energy Services Industry data cut reflecting predominantly IOU peer practices
- Pages 16 through 23 present LTI plan design alternatives and a strawman design for JEA’s consideration

# Introduction

## Methodology

- WTW completed a competitive market analysis of LTI plan designs with regards to the following key design aspects:
  - Prevalence
  - Eligibility
  - Target incentive opportunity
  - Award frequency
  - Award vehicles
  - Performance metrics
  - Performance metrics weights
  - Performance range
  - Payout range
- The following perspectives were reviewed during the analysis:
  - IOU peer group practices
  - Public power utilities' practices
  - Broader Utility Industry practices

# Long-Term Incentive Plan Design Market Practices Summary

Design Aspect	Public Power Utilities	Investor Owned Utility (IOU) Peer Group	Broader Utility Industry
Prevalence	LTI plans are uncommon	All 13 IOU peers have an LTI plan	LTI plans are very prevalent with almost all IOUs using an LTI plan
Eligibility	For those Public Power Utilities with an LTI plan, eligibility limited to select executives	Typically executives down to director level positions	Typically executives down to director level positions
Target Opportunity (% of Base Salary)	Varies widely based on the organization, but targets will be lower than IOU levels	Median for CEOs: 230% Median for NEOs*: 110% Median for Directors: NA	Median for CEOs: 240% Median for NEOs*: 75% Median for Directors: 15-25%
Award Frequency	Annual awards with overlapping cycles are most common	All 13 peers grant annual awards with overlapping cycles	98.1% of organizations grant annual awards and overlapping cycles are the most common

\*NEOs" = Named Executive Officers, as disclosed in the IOU's proxy statement



# Long-Term Incentive Plan Design Market Practices Summary (continued)

Design Aspect	Public Power Utilities	Investor Owned Utility (IOU) Peer Group	Broader Utility Industry
Award Vehicles	Cash-based performance plans	100% of peers use performance plans 69% use restricted stock No peers use stock options	93% of organizations use performance plans 66% use restricted stock 16% use stock options
Performance Metrics	Financial and operational	TSR (100%) EPS (38%) Operational (15%)	TSR (64%) EPS (22%) Other operational metrics are also common
Performance Metrics Weights	Operational metrics weighted more heavily than financial metrics	TSR and financial metrics weighted more heavily than operational metrics	Not available
Performance Range	More conservative compared to IOUs	Relative TSR: 28 <sup>th</sup> %ile at threshold, 50 <sup>th</sup> %ile at target, and 90 <sup>th</sup> %ile at maximum	Relative TSR: 25 <sup>th</sup> %ile at threshold, 50 <sup>th</sup> %ile at target, and 90 <sup>th</sup> %ile at maximum
Payout Range	Threshold: 50% of Target Maximum: 150% of Target	Threshold: 0-50% of Target Maximum: 150-200% of Target	Threshold: 50% of Target Maximum: 200% of Target

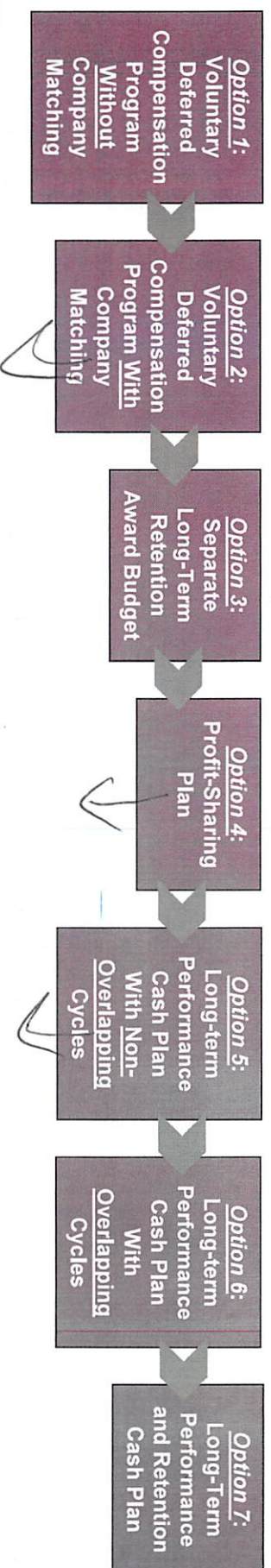
## Long-Term Incentive Plan Design Market Practices Design Considerations

- At JEA's request, potential LTI plan designs for consideration are presented below
- They are arranged from most conservative to least conservative
  - A description of the plan designs and the advantages/disadvantages of each is presented later in this report (see "LTI Plan Design Alternatives" section)

### Most Conservative



### Least Conservative



## **Long-Term Incentive Plan Design Market Practices Prevalence**

- LTI plans are not commonly found at Public Power Utilities, but are very common at IOUs
  - In cases where a Public Power Utility does have a long-term incentive plan, it is usually only for the CEO or a small group of select executives
  - All 13 IOU peers have a LTI plan, and most IOUs utilize a portfolio approach, reflecting the use of multiple LTI vehicles (typically 2 vehicles)
- In the broader Utility Industry, almost all IOUs have a LTI plan

### **Public Power Utility Perspective:**

Uncommon to have a LTI plan due to lack of long-term measures and stakeholder scrutiny/criticism



## Long-Term Incentive Plan Design Market Practices Eligibility

- All 13 IOU peers have a LTI plan, eligibility typically covers executives to director level positions
- In the broader Utility Industry, position or title is the most common criteria used by organizations to determine eligibility for LTI awards
  - **70%** of organizations use position or title to determine eligibility for performance plans, **67%** for restricted stock, and **71%** for stock options (Director level typically the lowest title)
  - Award eligibility is as follows:

### Broader Utility Industry: LTI Award Eligibility

LTI Vehicle	Median % of Eligible Employees	Median Lowest Midpoint Eligible (\$000s)	Median Midpoint of 100% Participation (\$000s)
Performance Plan	2.6%	\$153.8	\$175.7
Restricted Stock	5.0%	\$135.3	\$157.0
Stock Options	1.8%	\$176.3	\$192.9

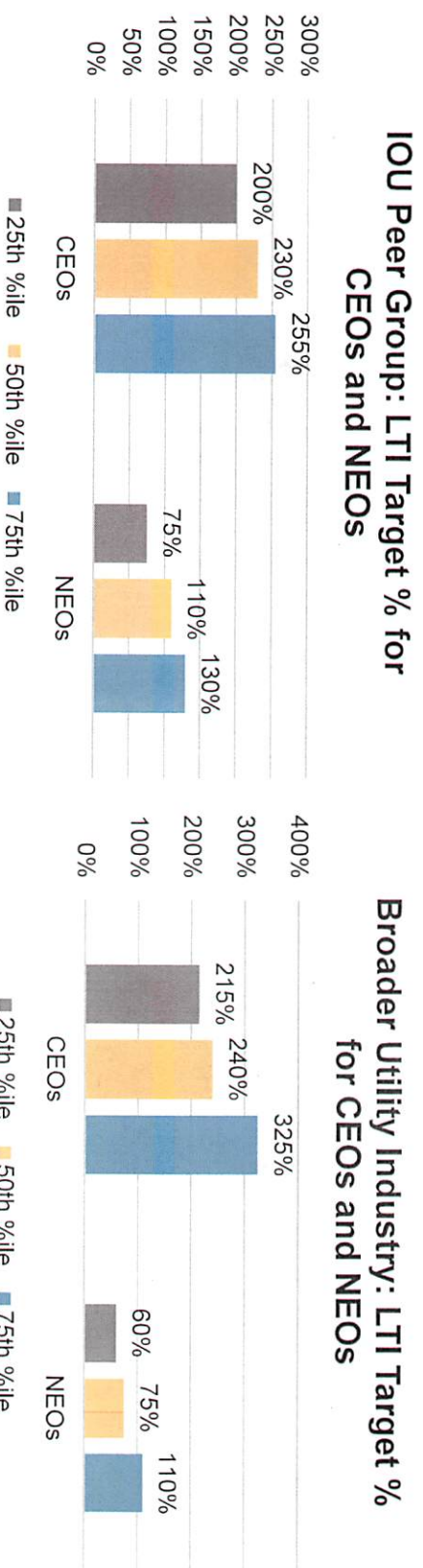
### Public Power Utility Perspective:

LTI eligibility is limited to the CEO and select executives only, broad based eligibility is not common

# Long-Term Incentive Plan Design Market Practices

## Target Incentive Opportunity

- Median target incentive opportunities are as follows:
  - IOU peer group: for CEOs is approximately **230%** and for NEOs is approximately **110%**
  - Broader Utility Industry\*: for CEOs is approximately **240%** and for NEOs is approximately **75%**
  - For Directors is approximately **15-25%**



### Public Power Utility Perspective:

Target incentive opportunities vary widely based on the size of the Public Power Utility, however the targets are typically lower than what is common among the IOUs given the lower level of performance risk and sensitivity to not-for-profit focus

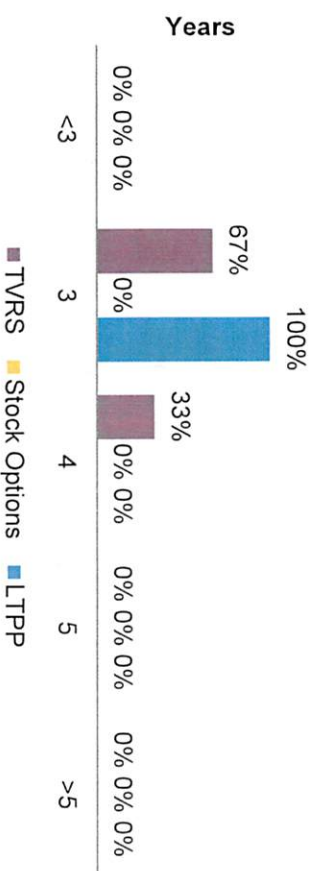
\*Broader Utility Industry data reflects trend-line data from WTW's 2018 Energy Services Executive (Revenues from \$1B-\$3B) and MMPS Compensation Surveys



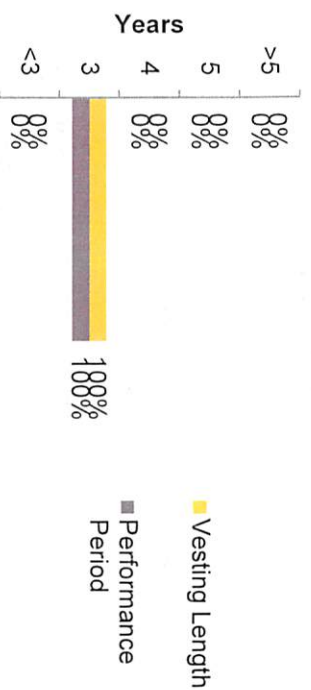
## Long-Term Incentive Plan Design Market Practices Award Frequency

- All 13 IOU peers grant awards on an annual basis with an attached vesting schedule
  - **98.1%** of the broader Utility Industry also grant annual LTI awards
- IOU peers attach a **3 to 4 year** vesting requirement on their LTI
  - A three-year cliff vesting schedule is the most common vesting requirement for performance plans
  - Restricted stock vesting is mixed between 3-4 years and cliff and ratable

### IOU Peer Group: Vesting Length Prevalence



### IOU Peer Group: LTTP Performance Period vs. Vesting



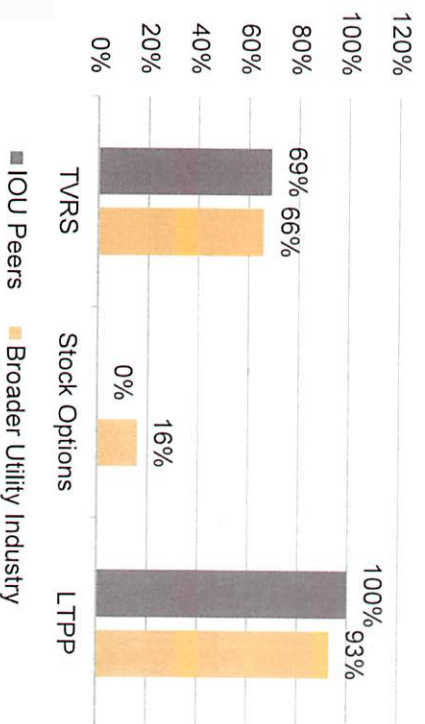
### Public Power Utility Perspective:

For the limited number of Public Power Utilities that make LTI grants, awards are most commonly awarded on an annual basis

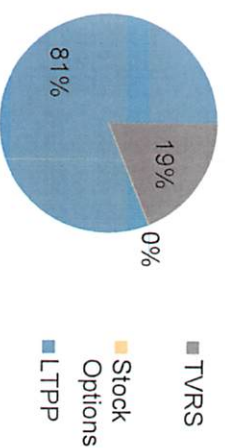
## Long-Term Incentive Plan Design Market Practices Award Vehicles

- Performance plans are much more common than restricted stock as an award vehicle for the IOU peer group, aligning with the broader Utility Industry
  - 100%** of the peers use performance plans and **69%** use restricted stock
  - On average, the CEO's LTI mix is comprised of performance plans at a slightly higher % than the other NEOs' LTI mix among the IOU peer group
- Unlike **16%** of the broader Utility Industry, **none** of the IOU peer group uses stock options as an award vehicle

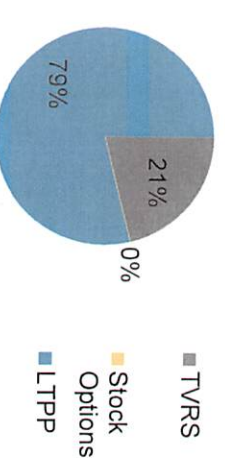
### LTI Vehicle Prevalence



### IOU Peer Group: CEO Targeted LTI Mix (Average)



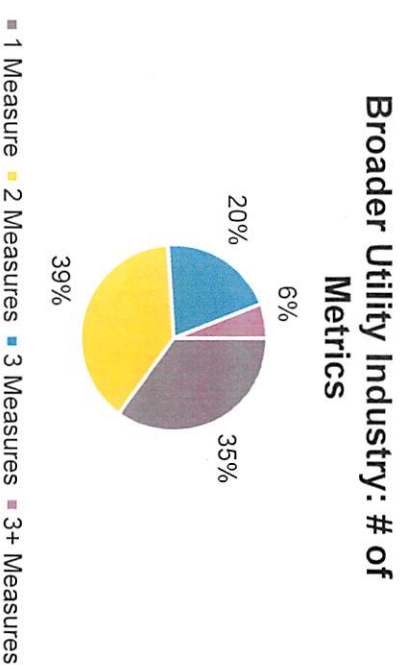
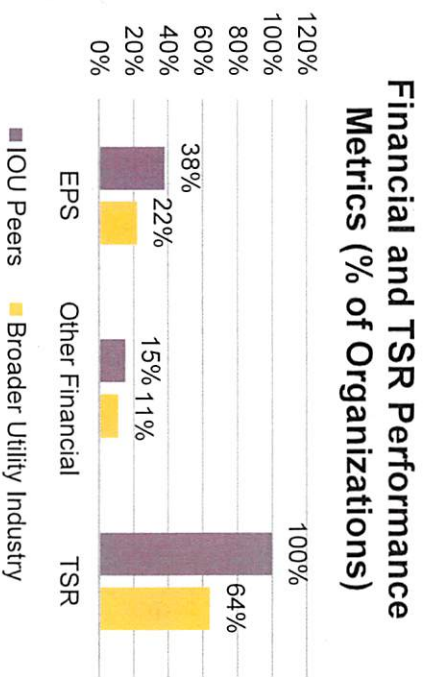
### IOU Peer Group: Other NEOs Targeted LTI Mix (Average)



**Public Power Utility Perspective:**  
Performance cash awards are most common

## Long-Term Incentive Plan Design Market Practices Performance Metrics

- LTI performance plans commonly consist of a mix of financial and operational metrics
- 9 of the 13 IOU peers utilize financial metrics while only 2 of the 13 peers utilize operational metrics
  - EPS is the most common financial metric for IOU peers and the broader Utility Industry
  - Operational metrics include health and safety, customer service, strategic measures, etc.
- All 13 IOU peers utilize relative TSR as a performance plan metric, much more prevalent than the broader Utility Industry



**Public Power Utility Perspective:**  
Common for Public Power Utilities to have a mix of financial and operational metrics for their performance plans



## Long-Term Incentive Plan Design Market Practices *Performance Metrics Weights*

- LTI performance metrics have specific weightings based on the organization's long-term strategies and goals
- For the 2 IOU peers that utilize operational metrics, the weightings are 50% for one peer and not disclosed for the other peer
- For the IOU peers that utilize relative TSR and EPS metrics, the approximate median weightings are as follows:

Performance Measure	Weight (%)
Relative TSR	67%
EPS	25%

### **Public Power Utility Perspective:**

Operational metrics typically have higher weights than financial metrics; measure weighting typically reflective of the importance and focus placed on the measure

## Long-Term Incentive Plan Design Market Practices Performance Range

- The width of performance ranges (e.g. the difference between threshold/maximum performance goals and target) vary by performance metric
- All 13 of the IOU peers have a relative TSR component in their LTI performance plan
- Relative TSR and EPS have the following median performance ranges:

Performance Measure	IOU Peer Group			Broader Utility Industry		
	Threshold (% of Target)	Target	Maximum (% of Target)	Threshold (% of Target)	Target	Maximum (% of Target)
Relative TSR (%ile Rank)	28 <sup>th</sup> %ile	50 <sup>th</sup> %ile	90 <sup>th</sup> %ile	25 <sup>th</sup> %ile	50 <sup>th</sup> %ile	90 <sup>th</sup> %ile
EPS	98%	100%	102%	NA		

### Public Power Utility Perspective:

Common for performance ranges to be more conservative (more narrow) compared to IOU peer group and broader Utility Industry, as performance outcomes are less volatile



## Long-Term Incentive Plan Design Market Practices *Payout Range*

- Payout ranges are often provided as a percentage of the target incentive opportunity (target is equal to 100% payout)
- The IOU peer groups' threshold and maximum payouts as a % of target align with what is most common in the broader Utility Industry

Payout Range	IOU Peer Group	Broader Utility Industry
Threshold	Range of 0%-50% Median: 50%	50%
Target	100%	100%
Maximum	Range of 150%-200% Median: 200%	200%

### Public Power Utility Perspective:

Payout ranges are similar to both IOU Peer Group and broader Utility Industry with thresholds typically at around 50% and maximums typically at 150%

## Long-Term Incentive Plan Design Alternatives

### Option 1: Voluntary Deferred Compensation Program Without Company Match

#### Description of Plan

- Employee can voluntarily defer all or a portion of pay (typically defined as some portion of base salary and all of bonus) into a non-qualified deferred compensation account
  - No cost would be incurred by the company
  - Employees can delay taxation until a later date (e.g. retirement)

	To JEA	To Employee
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• No cost to company</li> <li>• Easy to administer</li> </ul>	<ul style="list-style-type: none"> <li>• Taxation is delayed (probably until retirement)</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Limited retention value given relatively small gain compared to IOU LTI programs</li> <li>• Does not align with public power utility market practice</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of loss if company goes bankrupt (non-qualified plan means no protection from creditors)</li> <li>• Deferred compensation is not liquid given IRC 409(A) restrictions</li> </ul>



# **Long-Term Incentive Plan Design Alternatives** **Option 2: Voluntary Deferred Compensation Program With Company Match**

## **Description of Plan**

- Employee can voluntarily defer all or a portion of pay (typically defined as some portion of base salary and all of bonus) into a non-qualified deferred compensation account and receive a matching contribution from the company; company match dependent on achieving defined financial performance

	To JEA	To Employee
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Limited cost to company</li> <li>• Easy to administer</li> <li>• Creates a retention incentive for employee to stay (to receive full company match)</li> </ul>	<ul style="list-style-type: none"> <li>• Taxation is delayed (typically until retirement)</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Limited retention value given relatively small gain compared to IOU LTI programs</li> <li>• Does not align with public power utility market practice</li> </ul>	<ul style="list-style-type: none"> <li>• Company match not guaranteed given performance requirement</li> <li>• Risk of loss if company goes bankrupt (non-qualified plan means no protection from creditors)</li> <li>• Deferred compensation is not liquid given IRC 409(A) restrictions</li> </ul>

## Long-Term Incentive Plan Design Alternatives

### Option 3: Separate Long-Term Retention Award Budget

#### Description of Plan

- Organization has a separate budget (similar to merit budget) that focuses entirely on long-term retention awards for high performers and key roles

	To JEA	To Employee
<b>Advantages</b>	<ul style="list-style-type: none"> <li>Creates a retention incentive for high performers or key employees to stay</li> </ul>	<ul style="list-style-type: none"> <li>Employee can receive annual value attached to retention award with ratable vesting</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>Limited retention value given relatively small gain compared to IOU LTI programs</li> <li>Does not align with public power utility market practice</li> <li>Potentially subject to criticism/scrutiny from outside observers given not common among public power utilities</li> </ul>	<ul style="list-style-type: none"> <li>May not receive an award depending on individual performance and size of the allocated retention budget for that year</li> <li>Some key roles will receive higher awards despite performance levels</li> </ul>



## Long-Term Incentive Plan Design Alternatives

### Option 4: Profit-Sharing Plan

#### Description of Plan

- An employer shares a percentage of earnings or profit with employees based on pre-established multi-year financial goal(s); payouts would be at the end of the performance cycle and in cash, assuming requisite performance goals achieved

	To JEA	To Employee
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Promotes pay-for-performance philosophy</li> <li>• Flexibility to decide how much profit (if any) to share with employees</li> </ul>	<ul style="list-style-type: none"> <li>• Employee can receive annual value attached to profit-sharing plan</li> <li>• Plan creates a sense of ownership in the company</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Limited retention value given relatively small gain compared to IOU LTI programs</li> <li>• Does not align with public power utility market practice</li> <li>• Subject to criticism/scrutiny from outside observers given not common among public power utilities</li> <li>• Could receive additional negative criticism given the potential for payouts during periods of poor company performance</li> <li>• Limited retention value as no post performance cycle vesting required</li> </ul>	<ul style="list-style-type: none"> <li>• May not receive an award depending on company's decision to share profits or if company performance is poor</li> <li>• Payouts typically not differentiated based on individual employee performance</li> </ul>

# **Long-Term Incentive Plan Design Alternatives** **Option 5: Long-Term Performance Cash Plan With Non-Overlapping Cycles**

## **Description of Plan**

- Employee receives a triennial, non-overlapping grant of performance cash based on predetermined financial, operational, and/or strategic objectives



	To JEA	To Employee
Advantages	<ul style="list-style-type: none"> <li>• Promotes pay-for-performance philosophy</li> <li>• Use of performance plan aligns with IOUs</li> <li>• Creates incentive for employee to deliver sustained (multi-year) financial and operational results</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity to receive significant award after conclusion of three-year period</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>• Does not align with public power utility market practice</li> <li>• Subject to criticism/scrutiny from outside observers given not common among public power utilities</li> <li>• Limited "line of sight" or ability of employees to impact defined performance measure outcomes; typical line of sight limited to select group of senior employees</li> </ul>	<ul style="list-style-type: none"> <li>• Non-overlapping cycle increases the risk of forfeiture due to leaving the company</li> <li>• Non-overlapping cycle prevents the employee from receiving an annual value from the performance cash</li> <li>• Non-overlapping cycle increases the chances that "one bad year" could make achievement of three-year goals difficult to achieve</li> <li>• All performance-based, no consideration for sustained service</li> <li>• Plans/measures can be complex to understand and communicate</li> </ul>

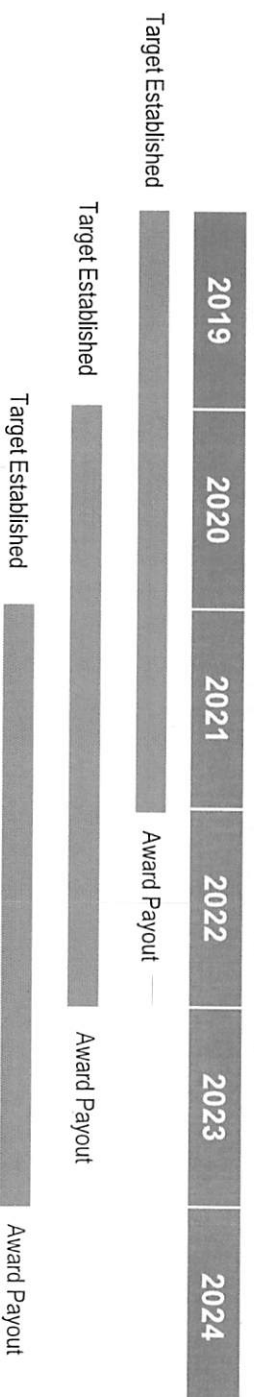


# Long-Term Incentive Plan Design Alternatives

## Option 6: Long-Term Performance Cash Plan With Overlapping Cycles

### Description of Plan

- Employee receives an annual, overlapping grant of performance cash based on predetermined financial, operational, and strategic objectives



	To JEA	To Employee
<b>Advantages</b>	<ul style="list-style-type: none"> <li>Promotes pay-for-performance philosophy</li> <li>Greater alignment with IOU peers (more than non-overlapping plans)</li> <li>Creates incentive for employee to deliver sustained (multi-year) financial and operational results</li> <li>Most common design used by public power utilities with LTI</li> </ul>	<ul style="list-style-type: none"> <li>Employee can receive annual value attached to long-term incentive plan</li> <li>Rolling three-year performance periods means that "one bad year" can't make goals unachievable</li> <li>Opportunity to receive significant award after conclusion of three-year period</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>Does not align with public power utility market practice</li> <li>Subject to criticism/scrutiny from outside observers given not common among public power utilities</li> <li>Limited "line of sight" or ability of employees to impact defined performance measure outcomes; typical line of sight limited to select group of senior employees</li> </ul>	<ul style="list-style-type: none"> <li>All performance-based, no consideration for sustained service</li> <li>Plans/measures can be complex to understand and communicate</li> </ul>

## Long-Term Incentive Plan Design Alternatives

### Option 7: Long-Term Performance Cash and Retention Cash Plan

#### Description of Plan

- A mix of long-term cash linked to both company performance and continued employment
- The mix would be weighed more heavily towards the performance-based component (e.g., 75%/25% performance-based to service/time-based)

	To JEA	To Employee
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• Promotes pay-for-performance philosophy</li> <li>• Creates incentive for employee to deliver sustained (multi-year) financial and operational results</li> <li>• Time-based portion creates strong retention incentive to employee (even during periods when company performance is poor)</li> <li>• Design that most closely aligns with IOU LTI designs</li> </ul>	<ul style="list-style-type: none"> <li>• Time-based portion provides opportunity for payout even if company performance is poor</li> <li>• Employee can receive annual value attached to long-term incentive plan</li> <li>• Opportunity to receive significant award after conclusion of three-year period</li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Does not align with public power utility market practice</li> <li>• Subject to criticism/scrutiny from outside observers given not common among public power utilities</li> <li>• Limited "line of sight" or ability of employees to impact defined performance measure outcomes; typical line of sight limited to select group of senior employees</li> </ul>	<ul style="list-style-type: none"> <li>• No upside potential (e.g., maximum opportunity) would be attached to the time-based portion of the LTI</li> <li>• Plans/measures can be complex to understand and communicate</li> </ul>



## Long-Term Incentive Plan Design Strawman Proposed Strawman Design

- Given consideration of the overarching goal to allow all employees to share in the long-term success of the company and public power utility LTI market practices, we propose a multi-pronged LTI design approach below for consideration:

Employee Population	Plan Design Overview
Select Executives	<ul style="list-style-type: none"> <li>• <b>Design:</b> long-term performance cash grants tied to 3-year performance cycle</li> <li>• <b>Eligibility:</b> limited to select executives (i.e., CEO, COO) with direct ability to influence performance</li> <li>• <b>Frequency:</b> annual grants (overlapping award cycles)</li> <li>• <b>Performance Measures:</b> tied to achievement against defined financial and/or operational performance measures; tied to 2 to 3 key measures where performance can be set for a multi-year period</li> </ul>
All Employees	<ul style="list-style-type: none"> <li>• <b>Design:</b> voluntary deferred compensation plan with company match tied to overall company financial performance; deferral of some portion of pay (base salary and/or bonus) allowed</li> <li>• <b>Eligibility:</b> all employees</li> <li>• <b>Company match:</b> tied to long-term company financial performance with match dependent on level of performance achieved</li> </ul>
Employees with Critical Skills or Retention Risk	<ul style="list-style-type: none"> <li>• <b>Design:</b> long-term company performance funds supplemental long-term award pool used to make long-term retention cash awards; awards vest upon completion of defined service period (i.e., cliff vest end of year 3 from grant)</li> <li>• <b>Eligibility:</b> critically skilled employees or employees viewed as retention risks</li> </ul>

# Appendix

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# **Appendix**

## ***Utility Peer Group***

### ***IOUs (13 Companies)***

- ALLETE
- Alliant Energy
- Avista
- Black Hills
- El Paso Electric
- Hawaiian Electric Industries
- NorthWestern Energy
- OGE Energy
- Otter Tail
- Pinnacle West Capital
- PNM Resources
- Portland General Electric
- Vectren

### ***Public Power Utilities***

- Six public power utility clients
- Anecdotal consulting experience



**From:** [Wathen, David \(Atlanta\)](#)  
**To:** [Maillis, Patricia L. - Director, Employee Services](#); [Deeb, Andrea \(Atlanta\)](#); [Hiers, Angelia R. - VP & Chief Human Resources Officer](#)  
**Cc:** [Strackbine, Scott I.](#); [Hwang, Paul \(Atlanta\)](#); [Kelly, Tom \(Charlotte\)](#); [Meng, Patrick \(Atlanta\)](#)  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics  
**Date:** Monday, March 25, 2019 2:40:23 PM

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Pat:

Yes, based on the input from last week's meeting, we are pulling together materials for the April committee meeting that will address the following:

- Review current compensation philosophy
- Evolution as to how compensation programs got to their current state
- Current gaps to market in compensation levels – specifically calling out gaps in base salary, short and long-term incentives by organizational level and actions to take to close those gaps to market. These proposed pay adjustments will detail by grade what base salary, short-term and long-term incentive opportunities should be
- Short-term incentive plan design – based on the meeting last week, our takeaway is the short-term incentive plan design you proposed was not changing materially other than the introduction of a Net Income measure. Is there anything you need from us as it relates to short-term incentive plan design?
- Long-term incentive plan design – we will provide a more detailed LTI design given Aaron's feedback around the draft strawman design we shared. It will include target incentive opportunities by level, where applicable, as well as performance measure weightings and a proposed formula for determining a Performance Share Unit (PSU) value. As it relates to the LTI plan performance measures (rates customers pay, change in net book value and contribution to the city), we would look to Ryan to provide guidance on what performance hurdles should be at Threshold, Target and Maximum, as he has insights into historical performance, future projections, business strategy, etc., but we can certainly provide guidance as to what probability payout distributions look a well-designed incentive plan
- Overview of best practices to consider for modernizing total rewards

As it relates to determining an applicable formula for valuing a PSU in the long-term incentive plan, we need some additional information. Would you please check with Ryan to see if he could provide us information on key drivers of long-term performance, such as:

- 1) Historical financials, most importantly on book value as of year-end and anything impacting that other than income/surplus generated in a year less any cash contributions/outlays made
- 2) Better understanding (and history) of cash contributions made to City and the basis by which the contribution level in a given year is determined and/or could be evaluated. Percentage of



income/surplus or something else. Also understanding of timing on those contributions and how they impact book value – for example, contribution made in 2018 based on surplus generated in 2017 and so are reflected in year-end book value for 2018 but not 2017.

- 3) How “customer rates” are determined and evaluated, along with historical JEA information as well as historical/current information on relevant comparators or index
- 4) Any information on forward looking projections/estimates on these same items.

We are working to deliver the next draft of materials by the end of next week, assuming we get the financial data requested above. Please let us know if we need to schedule a call to talk through these additional data needs or if we are missing anything in the materials we are pulling together for the committee meeting.

Best regards,

David

---

**From:** Maillis, Patricia L. - Director, Employee Services [mailto:mailpl@jea.com]

**Sent:** Monday, March 25, 2019 10:08 AM

**To:** Wathen, David (Atlanta) <david.wathen@willistowerswatson.com>; Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>

**Cc:** Strackbine, Scott I. <strasi@jea.com>; Hwang, Paul (Atlanta) <paul.hwang@willistowerswatson.com>; Patrick, Michael (Atlanta) <michael.patrick@willistowerswatson.com>

**Subject:** RE: Follow-up from Meeting - FY19 Metrics

**Importance:** High

David,

Angie received some feedback from Aaron today regarding our meeting last week.

Aaron indicated he had expected to receive an example of a plan (not just a few options). Based on the feedback and input that you received in the meeting last week, will you be providing a draft plan that will detail more of the values by grade or level, the metrics, thresholds, timing of payouts, etc.? If so, what is the timing on receipt of this information?

Pat

---

**From:** Maillis, Patricia L. - Director, Employee Services

**Sent:** Thursday, March 21, 2019 8:58 AM

**To:** 'Wathen, David (Atlanta)' <david.wathen@willistowerswatson.com>; Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>

**Cc:** Strackbine, Scott I. <strasi@jea.com>; Hwang, Paul (Atlanta) <paul.hwang@willistowerswatson.com>; Patrick, Michael (Atlanta) <michael.patrick@willistowerswatson.com>

**Subject:** RE: Follow-up from Meeting - FY19 Metrics

As LTI structure takes form, I think we will need to state at some point where gaps in STI may be

made up in LTI or reference Total Comp so that we also have flexibility to shift the mix, if the company chooses. It seems the message will or should focus on Total Comp (not just the cash components).

Again, thanks. Talk soon.

Pat

---

**From:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>  
**Sent:** Wednesday, March 20, 2019 6:41 PM  
**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Patrick, Michael (Atlanta) <[michael.patrick@willistowerswatson.com](mailto:michael.patrick@willistowerswatson.com)>  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Pat:

Nice to meet you yesterday. We enjoyed getting to meet the JEA team. Also, thanks for the update on the STI plan. We are working through assessing the gaps to market based on current STI levels, not proposed, but will likely be in touch with you and Scott if we have any follow up questions or data needs.

Best regards,

David

---

**From:** Maillis, Patricia L. - Director, Employee Services [<mailto:mailpl@jea.com>]  
**Sent:** Wednesday, March 20, 2019 9:24 AM  
**To:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>  
**Subject:** Follow-up from Meeting - FY19 Metrics

David and Andrea,

Thank you for a great meeting yesterday.

As follow-up to our conversation yesterday, wanted to provide some clarification on the current state of the STI plan. There have been no changes to date in total opportunity for employees. There were originally discussions regarding not having a payout for 2019, but this was not communicated to employees and so employees are thinking it is status quo. At the beginning of the



performance period, October 1, 2018, there was clear communication regarding the 2019 goals. These were new in many respects so it was not clear (from my perspective as to which of the goals would translate to the STI). Last week, I was asked to incorporate the new goals into the plan. No change in payout values, (except maybe the executives – this discussion has not been finalized).

Providing you the new dashboard so you can see the goals (the first 21, in four categories that align with our Corporate Measures of Value; Customer Value, Financial Value, Environmental Value and Community Impact Value. To the far right of the attached spreadsheet, is Compensation's calculations re the payout values for each metric based on the achievement of a meets or exceeds. The leadership team has confirmed that we will have these 21 measures. This is Comp's draft for cost modelling.

The one item that is up in the air is a comment made by the team last week re "make the spreads between the meets and exceeds wider".

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**Pat Maillis**

Director, Employee Services

Direct: (904-665-4132)

Cell : (904-703-3453)

---

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**From:** [Wathen, David \(Atlanta\)](#)  
**To:** [Maillis, Patricia L. - Director, Employee Services](#); [Deeb, Andrea \(Atlanta\)](#); [Hiers, Angelia R. - VP & Chief Human Resources Officer](#)  
**Cc:** [Strackbine, Scott I.](#); [Hwang, Paul \(Atlanta\)](#); [Kelly, Tom \(Charlotte\)](#); [Meng, Patrick \(Atlanta\)](#)  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics  
**Date:** Monday, March 25, 2019 2:40:23 PM

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- Current gaps to market in compensation levels – specifically calling out gaps in base salary, short and long-term incentives by organizational level and actions to take to close those gaps to market. These proposed pay adjustments will detail by grade what base salary, short-term and long-term incentive opportunities should be
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We are working to deliver the next draft of materials by the end of next week, assuming we get the financial data requested above. Please let us know if we need to schedule a call to talk through these additional data needs or if we are missing anything in the materials we are pulling together for the committee meeting.

Best regards,

David

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**From:** Maillis, Patricia L. - Director, Employee Services [mailto:mailpl@jea.com]

**Sent:** Monday, March 25, 2019 10:08 AM

**To:** Wathen, David (Atlanta) <david.wathen@willistowerswatson.com>; Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>

**Cc:** Strackbine, Scott I. <strasi@jea.com>; Hwang, Paul (Atlanta) <paul.hwang@willistowerswatson.com>; Patrick, Michael (Atlanta) <michael.patrick@willistowerswatson.com>

**Subject:** RE: Follow-up from Meeting - FY19 Metrics

**Importance:** High

David,

Angie received some feedback from Aaron today regarding our meeting last week.

Aaron indicated he had expected to receive an example of a plan (not just a few options). Based on the feedback and input that you received in the meeting last week, will you be providing a draft plan that will detail more of the values by grade or level, the metrics, thresholds, timing of payouts, etc.? If so, what is the timing on receipt of this information?

Pat

---

**From:** Maillis, Patricia L. - Director, Employee Services

**Sent:** Thursday, March 21, 2019 8:58 AM

**To:** 'Wathen, David (Atlanta)' <david.wathen@willistowerswatson.com>; Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>

**Cc:** Strackbine, Scott I. <strasi@jea.com>; Hwang, Paul (Atlanta) <paul.hwang@willistowerswatson.com>; Patrick, Michael (Atlanta) <michael.patrick@willistowerswatson.com>

**Subject:** RE: Follow-up from Meeting - FY19 Metrics

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made up in LTI or reference Total Comp so that we also have flexibility to shift the mix, if the company chooses. It seems the message will or should focus on Total Comp (not just the cash components).

Again, thanks. Talk soon.

Pat

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**Sent:** Wednesday, March 20, 2019 6:41 PM  
**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Patrick, Michael (Atlanta) <[michael.patrick@willistowerswatson.com](mailto:michael.patrick@willistowerswatson.com)>  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics

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Pat:

Nice to meet you yesterday. We enjoyed getting to meet the JEA team. Also, thanks for the update on the STI plan. We are working through assessing the gaps to market based on current STI levels, not proposed, but will likely be in touch with you and Scott if we have any follow up questions or data needs.

Best regards,

David

---

**From:** Maillis, Patricia L. - Director, Employee Services [<mailto:mailpl@jea.com>]  
**Sent:** Wednesday, March 20, 2019 9:24 AM  
**To:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>  
**Subject:** Follow-up from Meeting - FY19 Metrics

David and Andrea,

Thank you for a great meeting yesterday.

As follow-up to our conversation yesterday, wanted to provide some clarification on the current state of the STI plan. There have been no changes to date in total opportunity for employees. There were originally discussions regarding not having a payout for 2019, but this was not communicated to employees and so employees are thinking it is status quo. At the beginning of the



performance period, October 1, 2018, there was clear communication regarding the 2019 goals. These were new in many respects so it was not clear (from my perspective as to which of the goals would translate to the STI). Last week, I was asked to incorporate the new goals into the plan. No change in payout values, (except maybe the executives – this discussion has not been finalized).

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**From:** [Hiers, Angelia R. - VP & Chief Human Resources Officer](#)  
**To:** [Maillis, Patricia L. - Director, Employee Services](#)  
**Subject:** Re: Follow-up from Meeting - FY19 Metrics  
**Date:** Tuesday, March 26, 2019 9:46:47 AM

---

Aaron feels we are good on STI but they dropped the ball on LTI. We need to focus on it.

On Mar 25, 2019, at 3:47 PM, Maillis, Patricia L. - Director, Employee Services  
<[mailpl@jea.com](mailto:mailpl@jea.com)> wrote:

Please review the below from David and provide me any feedback on whether this covers what Aaron is expecting. If appropriate, I can send this to Aaron, Ryan and you to get feedback?

---

**From:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>  
**Sent:** Monday, March 25, 2019 2:40 PM  
**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>; Hiers, Angelia R. - VP & Chief Human Resources Officer <[hierar@jea.com](mailto:hierar@jea.com)>  
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**Subject:** RE: Follow-up from Meeting - FY19 Metrics

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Pat:

Yes, based on the input from last week's meeting, we are pulling together materials for the April committee meeting that will address the following:

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- <!--[if !supportLists]-->• <!--[endif]-->Evolution as to how compensation programs got to their current state
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- <!--[if !supportLists]-->• <!--[endif]-->Short-term incentive plan design – based on



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- <!--[if !supportLists]-->• <!--[endif]-->Long-term incentive plan design – we will provide a more detailed LTI design given Aaron's feedback around the draft strawman design we shared. It will include target incentive opportunities by level, where applicable, as well as performance measure weightings and a proposed formula for determining a Performance Share Unit (PSU) value. As it relates to the LTI plan performance measures (rates customers pay, change in net book value and contribution to the city), we would look to Ryan to provide guidance on what performance hurdles should be at Threshold, Target and Maximum, as he has insights into historical performance, future projections, business strategy, etc., but we can certainly provide guidance as to what probability payout distributions look a well-designed incentive plan
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Director, Employee Services

Direct: (904-665-4132)

Cell : (904-703-3453)





<image002.jpg> <image003.jpg> <image004.jpg>

[<image005.jpg>](#)





**From:** [Hiers, Angelia R. - VP & Chief Human Resources Officer](#)  
**To:** [Wannemacher, Ryan F. - Chief Financial Officer](#)  
**Subject:** Follow-up from Meeting - FY19 Metrics  
**Date:** Tuesday, March 26, 2019 2:43:33 PM

---

Please see the email below based on the conversation with David from Towers. He needs some information in order to give us the deliverable by the end of next week. Let's talk!!  
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We are working to deliver the next draft of materials by the end of next week, assuming we get the financial data requested above. Please let us know if we need to schedule a call to talk through these additional data needs or if we are missing anything in the materials we are pulling together for the committee meeting.

Best regards,

David



**From:** [Wannemacher, Ryan F. - Chief Financial Officer](#)  
**To:** [Hiers, Angelia R. - VP & Chief Human Resources Officer](#)  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics  
**Date:** Tuesday, March 26, 2019 2:56:59 PM

---

Angie,

Separately, one other thing that I noticed as I was going back through the slides is that the calculations for the target TCC and TDC were based on the existing JEA base salary and not the competitive market base salary. This understates the magnitude of the total market compensation discrepancies because the STI and LTI is expressed as a % of the base which in all cases is lower than the market base salary. When they update their presentation can we be sure that they apply the % for STI and LTI to market base so that we get an accurate comparison when we look at target vs actual TCC and TDC for 50<sup>th</sup> percentile?

Thank you,  
Ryan

Ryan Wannemacher  
Chief Financial Officer  
Direct: (904) 665-7223

---

**From:** [Hiers, Angelia R. - VP & Chief Human Resources Officer](#)  
**Sent:** Tuesday, March 26, 2019 2:43 PM  
**To:** [Wannemacher, Ryan F. - Chief Financial Officer](#)  
**Subject:** Follow-up from Meeting - FY19 Metrics

Please see the email below based on the conversation with David from Towers. He needs some information in order to give us the deliverable by the end of next week. Let's talk!!  
Based on the input from last week's meeting, we are pulling together materials for the April committee meeting that will address the following:

- Review current compensation philosophy
- Evolution as to how compensation programs got to their current state
- Current gaps to market in compensation levels – specifically calling out gaps in base salary, short and long-term incentives by organizational level and actions to take to close those gaps to market. These proposed pay adjustments will detail by grade what base salary, short-term and long-term incentive opportunities should be
- Short-term incentive plan design – based on the meeting last week, our takeaway is the short-term incentive plan design you proposed was not changing materially other than the introduction of a Net Income measure. Is there anything you need from us as it relates to short-term incentive

plan design?

- Long-term incentive plan design – we will provide a more detailed LTI design given Aaron's feedback around the draft strawman design we shared. It will include target incentive opportunities by level, where applicable, as well as performance measure weightings and a proposed formula for determining a Performance Share Unit (PSU) value. As it relates to the LTI plan performance measures (rates customers pay, change in net book value and contribution to the city), we would look to Ryan to provide guidance on what performance hurdles should be at Threshold, Target and Maximum, as he has insights into historical performance, future projections, business strategy, etc., but we can certainly provide guidance as to what probability payout distributions look a well-designed incentive plan
- Overview of best practices to consider for modernizing total rewards

As it relates to determining an applicable formula for valuing a PSU in the long-term incentive plan, we need some additional information. Would you please check with Ryan to see if he could provide us information on key drivers of long-term performance, such as:

- 1) Historical financials, most importantly on book value as of year-end and anything impacting that other than income/surplus generated in a year less any cash contributions/outlays made
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Best regards,

David

**From:** [Maillis, Patricia L. - Director, Employee Services](#)  
**To:** [Wathen, David \(Atlanta\)](#)  
**Subject:** Re: Follow-up from Meeting - FY19 Metrics  
**Date:** Wednesday, March 27, 2019 8:58:46 AM

---

This is not the first time he has put it out there. No comments at this meeting. Believe he uses each opportunity to be transparent and so the topic won't be a surprise. He got board approval to change the philosophy several weeks ago.

Ryan and Aaron's goal is to reach provide market on all levels and include components that make the company on par with IOUs of similar revenues, output and customers.

I did some research on past practices and this is not the first time that JEA would have a market based compensation plan. Back in the 90's and early 2000's, the company had a plan that paid out as high as 35% of Pay for appointed (all apptd). While I do not agree with this methodology and not sure they actually did the market analysis to show this is appropriate, they definitely were seeking to be the more competitively compensated companies in the national public sector space.

Now, the kicker is, the optics. Several years later, constituents pushed back and the plan suspended. Aaron is willing and wants to take the risk on this. He knows to go for the ideal state and if we get push back, we'll deal with it.

Can you give me the specifics on what you need for the financial data for the PU plan and I will get Ryan on it right away?

Pat  
Sent from my iPhone

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Also, do you think you will be able to provide the financial data we requested to help in determining the best approach for valuing a performance share unit?

Thanks.

David

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**From:** Maillis, Patricia L. - Director, Employee Services [<mailto:mailpl@jea.com>]  
**Sent:** Tuesday, March 26, 2019 3:21 PM



**To:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Kelly, Tom (Charlotte) <[thomas.kelly@willistowerswatson.com](mailto:thomas.kelly@willistowerswatson.com)>; Meng, Patrick (Atlanta) <[Patrick.Meng@willistowerswatson.com](mailto:Patrick.Meng@willistowerswatson.com)>  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics

David,

Attached are the slides from today's JEA Board of Director meeting. Suggest taking a look at slides 22 – 24. Aaron is laying the groundwork on LTI.

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**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Kelly, Tom (Charlotte) <[thomas.kelly@willistowerswatson.com](mailto:thomas.kelly@willistowerswatson.com)>; Meng, Patrick (Atlanta) <[Patrick.Meng@willistowerswatson.com](mailto:Patrick.Meng@willistowerswatson.com)>  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics

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Below looks good.

LTI – agree with the below. Strong emphasis on LTI and proposed plan design

Some of my notes from our meeting on LTI:  
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Contribution to the City of Jacksonville

Dashboard is centered around the corporate measures of value:  
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Financial Value  
Environmental Value  
Community Impact Value

---

**From:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>

**Sent:** Monday, March 25, 2019 2:40 PM

**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>; Hiers, Angelia R. - VP & Chief Human Resources Officer <[hierar@jea.com](mailto:hierar@jea.com)>

**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Kelly, Tom (Charlotte) <[thomas.kelly@willistowerswatson.com](mailto:thomas.kelly@willistowerswatson.com)>; Meng, Patrick (Atlanta) <[Patrick.Meng@willistowerswatson.com](mailto:Patrick.Meng@willistowerswatson.com)>

**Subject:** RE: Follow-up from Meeting - FY19 Metrics

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Pat:

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Best regards,

David

---

**From:** Maillis, Patricia L. - Director, Employee Services [<mailto:mailpl@jea.com>]  
**Sent:** Monday, March 25, 2019 10:08 AM  
**To:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Patrick, Michael (Atlanta) <[michael.patrick@willistowerswatson.com](mailto:michael.patrick@willistowerswatson.com)>  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics  
**Importance:** High

David,

Angie received some feedback from Aaron today regarding our meeting last week.

Aaron indicated he had expected to receive an example of a plan (not just a few options). Based on the feedback and input that you received in the meeting last week, will you be providing a draft plan that will detail more of the values by grade or level, the



metrics, thresholds, timing of payouts, etc.? If so, what is the timing on receipt of this information?

Pat

---

**From:** Maillis, Patricia L. - Director, Employee Services  
**Sent:** Thursday, March 21, 2019 8:58 AM  
**To:** 'Wathen, David (Atlanta)' <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
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**Subject:** RE: Follow-up from Meeting - FY19 Metrics

As LTI structure takes form, I think we will need to state at some point where gaps in STI may be made up in LTI or reference Total Comp so that we also have flexibility to shift the mix, if the company chooses. It seems the message will or should focus on Total Comp (not just the cash components).

Again, thanks. Talk soon.

Pat

---

**From:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>  
**Sent:** Wednesday, March 20, 2019 6:41 PM  
**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
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**Subject:** RE: Follow-up from Meeting - FY19 Metrics

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Pat:

Nice to meet you yesterday. We enjoyed getting to meet the JEA team. Also, thanks for the update on the STI plan. We are working through assessing the gaps to market based on current STI levels, not proposed, but will likely be in touch with you and Scott if we have any follow up questions or data needs.

Best regards,

David

**From:** Maillis, Patricia L. - Director, Employee Services [<mailto:mailpl@jea.com>]  
**Sent:** Wednesday, March 20, 2019 9:24 AM  
**To:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>  
**Subject:** Follow-up from Meeting - FY19 Metrics

David and Andrea,

Thank you for a great meeting yesterday.

As follow-up to our conversation yesterday, wanted to provide some clarification on the current state of the STI plan. There have been no changes to date in total opportunity for employees. There were originally discussions regarding not having a payout for 2019, but this was not communicated to employees and so employees are thinking it is status quo. At the beginning of the performance period, October 1, 2018, there was clear communication regarding the 2019 goals. These were new in many respects so it was not clear (from my perspective as to which of the goals would translate to the STI). Last week, I was asked to incorporate the new goals into the plan. No change in payout values, (except maybe the executives – this discussion has not been finalized).

Providing you the new dashboard so you can see the goals(the first 21 , in four categories that align with our Corporate Measures of Value; Customer Value, Financial Value, Environmental Value and Community Impact Value. To the far right of the attached spreadsheet, is Compensation's calculations re the payout values for each metric based on the achievement of a meets or exceeds. The leadership team has confirmed that we will have these 21 measures. This is Comp's draft for cost modelling.

The one item that is up in the air is a comment made by the team last week re "make the spreads between the meets and exceeds wider".

The plan has progressed over the last 5 years from a set payout based on achievement of 5 operational measures, then \$500 - \$3000 for all employees, much like a Profit Sharing Plan with little to no differentiation and below the market for all managers and above. In 2014, , we incorporated individual performance factor for the appointed further differentiating the payout between line and management employees. In 2016, we increased the payouts further for the management to director level (and have done minor fine tuning since). We were not able to do this for the SLT due to optics, so we focused on making sure their base pay was at or moving towards 50<sup>th</sup> percentile. Today, the difference between a meets and exceeds for non-SLT is 160%. I am going to pitch that this is wide enough for now and that we don't want to make changes based on this project. However, I do not think that we will win this battle with the SLT pieces.

As we have discussed, with the addition of a broad based LTI plan, the LTI component can make up that difference in market value for the non-management and lower level managers that don't normally receive LTI in the market place. We probably still need to



[illegible]

Florida has a very broad Public Records Law. Virtually all written communications to or from State and Local Officials and employees are public records available to the public and media upon request. Any email sent to or from JEA's system may be considered a public record and subject to disclosure under Florida's Public Records Laws. Any information deemed confidential and exempt from Florida's Public Records Laws should be clearly marked. Under Florida law, e-mail addresses are public records. If you do not want your e-mail address released in response to a public-records request, do not send electronic mail to this entity. Instead, contact JEA by phone or in writing.

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[<image002.jpg>](#) [<image004.jpg>](#) [<image006.jpg>](#)  
[<image010.jpg>](#)

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**Subject:** RE: Follow-up from Meeting - FY19 Metrics  
**Date:** Wednesday, March 27, 2019 3:25:34 PM

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Pat:

Thanks for the update. I think model Ryan provided today is good for now. We will review that and let you know if we have any questions.

Best regards,

David

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Dashboard is centered around the corporate measures of value:

Customer Value

Financial Value

Environmental Value

Community Impact Value

---

**From:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>

**Sent:** Monday, March 25, 2019 2:40 PM

**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>; Hiers, Angelia R. - VP & Chief Human Resources Officer <[hierar@jea.com](mailto:hierar@jea.com)>

**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Kelly, Tom (Charlotte) <[thomas.kelly@willistowerswatson.com](mailto:thomas.kelly@willistowerswatson.com)>; Meng, Patrick (Atlanta) <[Patrick.Meng@willistowerswatson.com](mailto:Patrick.Meng@willistowerswatson.com)>

**Subject:** RE: Follow-up from Meeting - FY19 Metrics

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Pat:

Yes, based on the input from last week's meeting, we are pulling together materials for the April committee meeting that will address the following:

- Review current compensation philosophy
- Evolution as to how compensation programs got to their current state
- Current gaps to market in compensation levels – specifically calling out gaps in base salary, short and long-term incentives by organizational level and actions to take to close those gaps to market. These proposed pay adjustments will detail by

grade what base salary, short-term and long-term incentive opportunities should be

- Short-term incentive plan design – based on the meeting last week, our takeaway is the short-term incentive plan design you proposed was not changing materially other than the introduction of a Net Income measure. Is there anything you need from us as it relates to short-term incentive plan design?
- Long-term incentive plan design – we will provide a more detailed LTI design given Aaron's feedback around the draft strawman design we shared. It will include target incentive opportunities by level, where applicable, as well as performance measure weightings and a proposed formula for determining a Performance Share Unit (PSU) value. As it relates to the LTI plan performance measures (rates customers pay, change in net book value and contribution to the city), we would look to Ryan to provide guidance on what performance hurdles should be at Threshold, Target and Maximum, as he has insights into historical performance, future projections, business strategy, etc., but we can certainly provide guidance as to what probability payout distributions look a well-designed incentive plan
- Overview of best practices to consider for modernizing total rewards

As it relates to determining an applicable formula for valuing a PSU in the long-term incentive plan, we need some additional information. Would you please check with Ryan to see if he could provide us information on key drivers of long-term performance, such as:

- 1) Historical financials, most importantly on book value as of year-end and anything impacting that other than income/surplus generated in a year less any cash contributions/outlays made
- 2) Better understanding (and history) of cash contributions made to City and the basis by which the contribution level in a given year is determined and/or could be evaluated. Percentage of income/surplus or something else. Also understanding of timing on those contributions and how they impact book value – for example, contribution made in 2018 based on surplus generated in 2017 and so are reflected in year-end book value for 2018 but not 2017.
- 3) How "customer rates" are determined and evaluated, along with historical JEA information as well as historical/current information on relevant comparators or index
- 4) Any information on forward looking projections/estimates on these same items.

We are working to deliver the next draft of materials by the end of next week, assuming we get the financial data requested above. Please let us know if we need to schedule a call to talk through these additional data needs or if we are missing anything in the materials we are pulling together for the committee meeting.

Best regards,

David

---

**From:** Maillis, Patricia L. - Director, Employee Services [<mailto:mailpl@jea.com>]

**Sent:** Monday, March 25, 2019 10:08 AM



**To:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Patrick, Michael (Atlanta) <[michael.patrick@willistowerswatson.com](mailto:michael.patrick@willistowerswatson.com)>  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics  
**Importance:** High

David,

Angie received some feedback from Aaron today regarding our meeting last week.

Aaron indicated he had expected to receive an example of a plan (not just a few options). Based on the feedback and input that you received in the meeting last week, will you be providing a draft plan that will detail more of the values by grade or level, the metrics, thresholds, timing of payouts, etc.? If so, what is the timing on receipt of this information?

Pat

---

**From:** Maillis, Patricia L. - Director, Employee Services  
**Sent:** Thursday, March 21, 2019 8:58 AM  
**To:** 'Wathen, David (Atlanta)' <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Patrick, Michael (Atlanta) <[michael.patrick@willistowerswatson.com](mailto:michael.patrick@willistowerswatson.com)>  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics

As LTI structure takes form, I think we will need to state at some point where gaps in STI may be made up in LTI or reference Total Comp so that we also have flexibility to shift the mix, if the company chooses. It seems the message will or should focus on Total Comp (not just the cash components).

Again, thanks. Talk soon.

Pat

---

**From:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>  
**Sent:** Wednesday, March 20, 2019 6:41 PM  
**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>  
**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Patrick, Michael (Atlanta) <[michael.patrick@willistowerswatson.com](mailto:michael.patrick@willistowerswatson.com)>  
**Subject:** RE: Follow-up from Meeting - FY19 Metrics



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Pat:

Nice to meet you yesterday. We enjoyed getting to meet the JEA team. Also, thanks for the update on the STI plan. We are working through assessing the gaps to market based on current STI levels, not proposed, but will likely be in touch with you and Scott if we have any follow up questions or data needs.

Best regards,

David

---

**From:** Maillis, Patricia L. - Director, Employee Services [<mailto:mailpl@jea.com>]

**Sent:** Wednesday, March 20, 2019 9:24 AM

**To:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>; Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>

**Cc:** Strackbine, Scott I. <[strasi@jea.com](mailto:strasi@jea.com)>

**Subject:** Follow-up from Meeting - FY19 Metrics

David and Andrea,

Thank you for a great meeting yesterday.

As follow-up to our conversation yesterday, wanted to provide some clarification on the current state of the STI plan. There have been no changes to date in total opportunity for employees. There were originally discussions regarding not having a payout for 2019, but this was not communicated to employees and so employees are thinking it is status quo. At the beginning of the performance period, October 1, 2018, there was clear communication regarding the 2019 goals. These were new in many respects so it was not clear (from my perspective as to which of the goals would translate to the STI). Last week, I was asked to incorporate the new goals into the plan. No change in payout values, (except maybe the executives – this discussion has not been finalized).

Providing you the new dashboard so you can see the goals (the first 21, in four categories that align with our Corporate Measures of Value; Customer Value, Financial Value, Environmental Value and Community Impact Value. To the far right of the attached spreadsheet, is Compensation's calculations re the payout values for each metric based on the achievement of a meets or exceeds. The leadership team has confirmed that we will have these 21 measures. This is Comp's draft for cost modelling.

The one item that is up in the air is a comment made by the team last week re "make the spreads between the meets and exceeds wider".

The plan has progressed over the last 5 years from a set payout based on achievement of 5 operational measures, then \$500 - \$3000 for all employees, much like a Profit Sharing Plan with little to no differentiation and below the market for all managers and above. In 2014, , we incorporated individual performance factor for the appointed further differentiating the payout between line and management employees. In 2016, we increased the payouts further for the management to director level (and have done minor fine tuning since). We were not able to do this for the SLT due to optics, so we focused on making sure their base pay was at or moving towards 50<sup>th</sup> percentile. Today, the difference between a meets and exceeds for non-SLT is 160%. I am going to pitch that this is wide enough for now and that we don't want to make changes based on this project. However, I do not think that we will win this battle with the SLT pieces.

As we have discussed, with the addition of a broad based LTI plan, the LTI component can make up that difference in market value for the non-management and lower level managers that don't normally receive LTI in the market place. We probably still need to increase some levels of management STI with the addition of the LTI as well.

**Pat Maillis**

Director, Employee Services

Direct: (904-665-4132)

Cell : (904-703-3453)

<image002.jpg> <image004.jpg> <image006.jpg> <image010.jpg> <image013.jpg>

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**From:** [Maillis, Patricia L. - Director, Employee Services](#)  
**To:** [Kendrick, Jonathan A. \(Jon\) - Interim VP & HR Officer](#)  
**Subject:** FW: Updated Committee Meeting Materials  
**Date:** Monday, April 29, 2019 12:29:19 PM  
**Attachments:** [JEA Comp Committee Draft 4.22.19 v2.pptx](#)  
[Comp Committee 1.15.19 Presentation - Total Market Compensation Strategy.pdf](#)  
**Importance:** High

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Jon,

Back in January, Angie directed me to have Willis Towers Watson conduct a Compensation Study of: CEO Compensation; Total Compensation for all employees with a focus on base salary, total cash and total compensation. Additionally they were asked to provide guidance on the design of LTI plans and to make recommendation on the cost and the structure. I can fill you in on the history of work dating back to September 2018 and why we chose WTW.

To date, Aaron does not have a contract. He is seeking to implement / add an LTI plan to our compensation package. Because LTI is rarely found in the government sector, Angie and I sought a 3<sup>rd</sup> party counsel on this, WTW. Typically, Angie would have worked directly with the Compensation Committee Chair and led them through the study for the CEO Compensation and the resultant contract. In the past, WTW has been present at the Committee Meeting and led the discussion with the Committee and had meetings with the Chair prior to the actual meeting. The CEO was not typically in the discussions with the Chair. Last Comp Committee, Aaron indicated that we were going to do this study(see attached ) and that he would not finalize his compensation until the study was complete for the whole company.

Aaron (and Ryan W) received the attached last week. Angie and I reviewed this with WTW prior and made modifications/edits – so the next step would be for Aaron and WTW to have a call to discuss and make the final changes. Compensation Committee is scheduled for May 28 at 1:00.

I do not get the impression that he is happy with the product. Let's plan to talk about this so I can give you the history and put our heads together to make sure Aaron gets the product he is seeking.

Pat

---

**From:** Maillis, Patricia L. - Director, Employee Services  
**Sent:** Monday, April 29, 2019 11:22 AM  
**To:** Taylor, Brandi N. - Executive Assistant <taylbn@jea.com>  
**Subject:** FW: Updated Committee Meeting Materials

---

**From:** Maillis, Patricia L. - Director, Employee Services  
**Sent:** Thursday, April 25, 2019 10:24 AM  
**To:** Zahn, Aaron F. - Managing Director/CEO <[zahnaf@jea.com](mailto:zahnaf@jea.com)>  
**Subject:** RE: Updated Committee Meeting Materials



Here is the PPT version as well.

---

**From:** Maillis, Patricia L. - Director, Employee Services  
**Sent:** Thursday, April 25, 2019 8:51 AM  
**To:** Zahn, Aaron F. - Managing Director/CEO <[zahnaf@jea.com](mailto:zahnaf@jea.com)>  
**Subject:** RE: Updated Committee Meeting Materials

Hi Aaron,

Heard you are traveling. Do you want me to convert the Adobe doc to a PowerPoint? I've also left a physical copy in your office.

Pat

---

**From:** Zahn, Aaron F. - Managing Director/CEO <[zahnaf@jea.com](mailto:zahnaf@jea.com)>  
**Sent:** Wednesday, April 24, 2019 6:25 PM  
**To:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>  
**Cc:** Wannemacher, Ryan F. - Chief Financial Officer <[wannrf@jea.com](mailto:wannrf@jea.com)>; Strackbine, Scott I. - Compensation Specialist <[strasi@jea.com](mailto:strasi@jea.com)>; Dykes, Melissa H. - President/COO <[dykemh@jea.com](mailto:dykemh@jea.com)>  
**Subject:** Re: Updated Committee Meeting Materials

Can you please get me the ppt? Thanks.

Aaron F. Zahn  
JEA  
Managing Director & Chief Executive Officer  
Email: [zahnaf@jea.com](mailto:zahnaf@jea.com)  
Phone: (312) 286-1040

On Apr 24, 2019, at 8:33 AM, Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)> wrote:

Aaron and Ryan,

Attached is the draft Comp Committee presentation regarding the compensation study and recommendations from Willis Towers Watson. Once you have had an opportunity to review, we can schedule a brief conference call with WTW should there be any modifications needed and discuss Committee prep.

Pat

---

**From:** Wathen, David (Atlanta) <[david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)>  
**Sent:** Monday, April 22, 2019 4:58 PM

**To:** Hiers, Angelia R. - VP & Chief Human Resources Officer <[hierar@jea.com](mailto:hierar@jea.com)>; Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>; Strackbine, Scott I. - Compensation Specialist <[strasi@jea.com](mailto:strasi@jea.com)>  
**Cc:** Deeb, Andrea (Atlanta) <[andrea.deeb@willistowerswatson.com](mailto:andrea.deeb@willistowerswatson.com)>; Hwang, Paul (Atlanta) <[paul.hwang@willistowerswatson.com](mailto:paul.hwang@willistowerswatson.com)>; Meng, Patrick (Atlanta) <[Patrick.Meng@willistowerswatson.com](mailto:Patrick.Meng@willistowerswatson.com)>  
**Subject:** Updated Committee Meeting Materials

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Angie, Pat and Scott:

Attached is the updated committee meeting materials. We incorporated all of the edits we discussed on our last call. Please review and let us know if there are any additional changes.

Best regards,

**David Wathen**  
Senior Director, Rewards

**Willis Towers Watson**  
5 Concourse Parkway (Please note new address and work phone number)  
Atlanta, GA 30328  
Work: 678.684.0751  
Cell: 404.285.9848  
Email: [david.wathen@willistowerswatson.com](mailto:david.wathen@willistowerswatson.com)

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<JEA Comp Committee\_Draft\_4.22.19 v2.pdf>





**From:** [Maillis, Patricia L. - Director, Employee Services](#)  
**To:** [Kendrick, Jonathan A. - Interim VP & HR Officer](#)  
**Cc:** [Strackbine, Scott I. - Compensation Specialist](#)  
**Subject:** RE: comp draft  
**Date:** Tuesday, May 7, 2019 9:34:51 AM

---

Hi,

Looked at it last night. Sending an email to David at WTW shortly. Will copy you.

Started thinking about page 30 and 31.

I believe that Aaron is seeking to align with the Board's approved compensation philosophy – total compensation at 50<sup>th</sup> percentile. Suggest they remove the **Proposed** and perform the cost calculation based on delta between what we pay today and the market. Assuming we are adopting full market 50<sup>th</sup>. **Please run this by him and I will include this in my email.**

Also made a minor tweak to the p 7 2017 pension change.

- Effective beginning FY18, the defined benefit plan was closed to new hires. All new hires will participate in the new defined contribution plan.

As a note, sometime folks are not aware that typically, each component of compensation is calculated independently because it is submitted separate. Therefore, the variable components of compensation specifically, incentives, total cash and total comp will not be an aggregate of the differences. Data includes those that are eligible but do not receive, those that receive and those that don't have the element of compensation. This is not the issue Aaron is questioning – just offering it as a sidebar fyi.

Pat

---

**From:** Kendrick, Jonathan A. - Interim VP & HR Officer <kendja@jea.com>  
**Sent:** Monday, May 6, 2019 4:35 PM  
**To:** Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>  
**Subject:** FW: comp draft

---

**From:** Zahn, Aaron F. - Managing Director/CEO <zahnaf@jea.com>  
**Sent:** Monday, May 6, 2019 3:34 PM  
**To:** Kendrick, Jonathan A. - Interim VP & HR Officer <kendja@jea.com>  
**Cc:** Bartley, La'Trece M. - Mgr Executive Administration <bartlm@jea.com>; Wannemacher, Ryan F. - Chief Financial Officer <wannrf@jea.com>  
**Subject:** comp draft

Jon –

See attached. We should talk. I've edited but still have a number of comments "in red"

**Aaron Zahn**

Managing Director & Chief Executive Officer

Direct: (904) 665-4396

Mobile: (312) 286-1040

Fax: (904) 665-4238

Email: [zahnaf@jea.com](mailto:zahnaf@jea.com)

**From:** [Rhode, Lynne C. \(City of Jacksonville\)](#)  
**To:** [Maillis, Patricia L. - Director, Employee Services](#)  
**Cc:** [Kendrick, Jonathan A. - VP & Chief Human Resources Officer](#)  
**Subject:** RE: Confidential - Feedback on PUPs Plan Docs  
**Date:** Friday, September 13, 2019 3:29:02 PM

---

Pat,

Thanks for sending your concerns. Responses below. It is important to note that this plan has been fully vetted, including through four subject matter expert attorneys, prior to be presented to the JEA Board for approval in July.

- 1) Agree that the letter is too technical. It is being revised. It is wholly appropriate to reference the financial statements in the assessment of risks.
- 2) The example is a placeholder in the q&a section that has not been filled in yet but will be completed before the information is distributed.
- 3) This is for tax reasons: risk of forfeiture is a critical fact for tax purposes. Can give you more color if you would like to discuss.
- 4) Yes

Lynne C. Rhode  
Vice President and Chief Legal Officer  
21 West Church Street Jacksonville, FL 32202  
Office: (904) 665-4115  
Email: [rhodlc@jea.com](mailto:rhodlc@jea.com)



---

**From:** Maillis, Patricia L. - Director, Employee Services <[mailpl@jea.com](mailto:mailpl@jea.com)>  
**Sent:** Thursday, September 12, 2019 2:36 PM  
**To:** Rhode, Lynne C. (City of Jacksonville) <[rhodlc@jea.com](mailto:rhodlc@jea.com)>  
**Cc:** Kendrick, Jonathan A. - VP & Chief Human Resources Officer <[kendja@jea.com](mailto:kendja@jea.com)>  
**Subject:** Confidential - Feedback on PUPs Plan Docs

Hi Lynne,

I reviewed the PUP docs from the v9/10. From an employee and benefits perspective, here are some concerns:

- 1) The documents read very legalize. Typically there is a Plan document that is very legal and formal in nature (which is appropriate), however, the employee letter and an exhibit(s) would be highlights of interest with references to see the Plan doc. The exhibit should include an example of the how the benefit is calculated: metrics, calculation and potential results. Referencing the Financial Statements is not appropriate.



- 2) The Plan does not provide clear calculation of how monies will grow.
- 3) The goals for the Plan as a Retention Tool don't align with a tool where an employee is investing their dollars. There is no Company investment. Usually when there is an investment from the employee it is to ensure success and ownership in the company. The Plan appears to hold employees captive. Understand there are Plans that have provisions to vest, but this is typically where there is an investment made by the company, not the employee. While there are typically penalties associated with certain investments for early withdrawal, e.g., timeframes to retain the investment, I do believe that most investments tools have forfeiture rules, whereby a person may receive a refund, but not a return of your money at \$0 (unless it is a stock and it crashes). Employees who separate from the company whether for cause or voluntarily should have the right to a refund of their money or if the value is less than their purchase, the decreased value. Increased value can have the caveat of vesting or retention.

Example: If an employee voluntarily or involuntarily terminates, they will be refunded 100% of the value of the units at the purchase price. They will not be eligible for any increase in the value. If the value has decreased, the person may only receive the value of the units as of the termination date.

- 4) Does this Plan comply with all applicable non-qualified IRS rules for government Deferred Compensation plans.

**Pat Maillis**

Director, Employee Services

Direct: (904-665-4132)

Cell : (904-703-3453)

## **JEA LONG-TERM PERFORMANCE UNIT PLAN**

### **RECITALS:**

WHEREAS, all Employees of JEA, a body politic and corporate under the laws of the State of Florida and an independent agency of the Consolidated City of Jacksonville ("JEA"), perform valuable services for the customers and citizens they serve;

WHEREAS, JEA provides a work environment which emphasizes safety and a positive culture;

WHEREAS, JEA operates in a rapidly evolving business climate to provide energy, water and wastewater utility services;

WHEREAS, JEA desires to recognize the past and continued service of its Employees;

WHEREAS, JEA desires to have long-term incentives, in accordance with its total compensation philosophy approved by the Board in January 2019 and the compensation framework approved by the Board in June 2019, that motivates Employees to drive the customer, community and environmental value of JEA;

WHEREAS, in recognition of the Employees obtaining performance standards that shall be individually determined and evaluated based on the Employees' proportionate contribution to JEA, JEA desires to allow Employees to participate in a long-term performance unit plan on the terms and conditions set forth herein; and

WHEREAS, except as otherwise recommended by JEA's Chief Executive Officer and approved by the Administrator, all Employees are eligible to participate in the plan.

### **SECTION 1 PURPOSE**

(a) The purpose of this JEA Long-Term Performance Unit Plan (this "Plan") is to provide a means by which employees of JEA may be given incentives to (i) remain with JEA, (ii) drive value for customers, (iii) drive value for the community of North East Florida, (iv) drive environmental value, and (v) drive financial value for JEA and the City of Jacksonville.

(b) JEA hereby seeks to retain the services of Employees and to provide incentives for such Employees to exert maximum efforts for the success of JEA and for the benefit of JEA's customers and the community it serves and the City of Jacksonville.

### **SECTION 2 CERTAIN DEFINITIONS**

As used in this Plan, the following terms shall have the meanings given to them in this Section 2. Certain other terms are defined elsewhere in this Plan.

(a) “Administrator” means the Chair of the Compensation Committee of the Board and, following a Recapitalization Event, the entity designated in the definitive agreement entered into in connection with such Recapitalization Event to act as the representative of JEA’s interests under such agreement (and, in the absence of such a designation, the Chair of the Board).

(b) “Agreement” means a Long-Term Performance Unit Agreement in the form prescribed by the Administrator for the purchase of Performance Units under this Plan.

(c) “Applicable Law” means any constitution, law, statute, ordinance, rule, regulation, regulatory requirement, code, order, judgment, injunction or decree enacted, issued, promulgated, enforced or entered by a federal, state, provincial or local government or other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of any such government or political subdivision.

(d) “Board” means the Board of Directors of JEA.

(e) “Cause” means (x) in the case where a Participant has an employment agreement, consulting agreement or similar agreement in effect with JEA at the time of purchase of the Performance Units that defines a termination for “cause” (or words of like import), “cause” as defined in such agreement or (y) in the case where a Participant does not have an employment agreement, consulting agreement or similar agreement in effect with JEA at the time of purchase of the Performance Units or where there is such an agreement but it does not define “cause” (or words of like import):

(ii) the Participant has been convicted of, pled guilty or no contest to or entered into a plea agreement with respect to, (A) any felony under Applicable Law or (B) any crime involving dishonesty or moral turpitude;

(iii) the Participant has engaged in (A) any willful misconduct or gross negligence or (B) any act of dishonesty, violence or threat of violence, in each case with respect to this clause (B), that would reasonably be expected to result in a material injury to the JEA Group;

(iv) the Participant willfully fails to perform the Participant’s duties to the JEA Group and/or willfully fails to comply with lawful directives of the Board;

(v) the Participant materially breaches any term of any contract to which the Participant and any member of the JEA Group is a party; or

(vi) the Participant materially breaches any term of this Plan and/or his or her Agreement;

provided that, with respect to clauses (iii), (iv) and (v) and if the event giving rise to the claim of Cause is curable, JEA provides written notice to the Participant of the event within thirty (30) days of JEA learning of the occurrence of such event, and such Cause event remains uncured fifteen (15) days after JEA has provided such written notice; provided further that any



termination of the Participant's employment for "Cause" with respect to clause (iii), (iv) or (v) occurs no later than thirty (30) days following the expiration of such cure period.

Notwithstanding the foregoing, to the extent that this definition of "Cause" is inconsistent with a definition of "cause" (or words of like import) in any applicable and lawful collective bargaining agreement or the applicable and lawful Civil Service and Personnel Rules and Regulations of the City of Jacksonville (the "Civil Service Rules"), the definition of "cause" (or words of like import) in such collective bargaining agreement or the Civil Service Rules, as applicable, shall control.

(f) "Closing Date" means the date on which the Recapitalization Event occurs.

(g) "Code" means the Internal Revenue Code of 1986, as amended, and the rules, regulations and guidance issued thereunder.

(h) "Deferral Election" means an election by an Employee under the Agreement to defer pay to purchase Performance Units under this Plan; payable for services to be performed in calendar years beginning after the date the Election Notice becomes irrevocable. An Employee shall make a new Deferral Election with respect to each Performance Period to the extent that such Employee is eligible to participate in this Plan for such Performance Year.

(i) "Disability" means (i) if JEA provides long-term disability insurance to its employees generally and if JEA's long-term disability plan defines the term "disability," then the same meaning as in JEA's long-term disability plan or (ii) if JEA does not provide long-term disability insurance to its employees generally, a condition that renders a Participant unable to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment as determined by JEA's absence management vendor; provided, however, that the absence management vendor has no obligation to investigate whether Disability exists, unless the Participant or representative thereof puts JEA on notice within ninety (90) days after the Participant's termination of employment.

(j) "Election Notice" means the notice or notices established from time to time by the Administrator for making Deferral Elections under this Plan. The Election Notice shall include the amount of compensation to be deferred and the number of Performance Units to be purchased (subject to any minimum or maximum amounts set forth herein). Each Election Notice shall become irrevocable as of December 31st of the calendar year immediately preceding the calendar year in which the Purchase Date occurs (or such earlier date as determined by the Administrator).

(k) "Employee" means, except as otherwise recommended by JEA's Chief Executive Officer and approved by the Administrator, any (i) full-time employee of the JEA Group who has been employed by any member of the JEA Group for at least three (3) months prior to the Purchase Date ~~or any~~ and (ii) full-time attorney from the Office of the General Counsel of the City of Jacksonville who is dedicated exclusively to JEA for at least three (3) months prior to the Purchase Date.

(l) “Involuntary Termination” means, with respect to a Participant, a termination of the Participant’s employment by any member of the JEA Group without Cause or due to such Participant’s death or Disability.

(m) “JEA Group” means JEA and its affiliates, assigns, subsidiaries and successors.

(n) “Participant” means any Employee who makes a Deferral Election to purchase Performance Units under this Plan.

(o) “Performance Period” means a three (3)-year period used to measure the Value Change Percentage beginning on the applicable Purchase Date and ending on the earlier to occur of the third anniversary of the Purchase Date ~~or~~ and the Closing Date.

(p) “Performance Unit” means a bookkeeping entry representing a potential right to receive a payment under this Plan.

(q) “Purchase Date” means the date on which Performance Units are purchased by Participants under this Plan, which shall be each January 15th of the calendar year following the calendar year in which JEA’s annual financial statements audit is completed (or, if January 15th falls on a weekend or a holiday, the next business day thereafter). The first Purchase Date under the Plan shall be January 15, 2020.

(r) “Purchase Price” means the price to be paid by a Participant for each Performance Unit under this Plan which shall be no less than \$10.00 per Performance Unit.

(s) “Recapitalization Event” means the closing and funding of a transaction or a series of related transactions in accordance with Article 21 of the Charter of the City of Jacksonville and any other Applicable Law that results in either (i) unencumbered cash proceeds to the City of Jacksonville of at least Three Billion Dollars (\$3,000,000,000) or (ii) at least fifty percent (50%) of the net depreciated property, plant and equipment value of either JEA’s electric system or JEA’s water and wastewater system being transferred, assigned, sold or otherwise disposed of.

(t) “Redemption Price” means a price per Performance Unit payable by JEA to each Participant calculated in accordance with the redemption price schedule substantially in the form attached hereto as Schedule A (the “Redemption Price Schedule”); provided, however, that if the Threshold Value Target (as defined on Schedule A attached hereto) set forth on the Redemption Price Schedule is not attained during the applicable Performance Period, the Redemption Price for such Performance Period may be reduced to \$0. The Redemption Price shall include the Purchase Price per Performance Unit.

(u) “Retirement Eligible Employee” means an Employee who has attained one of the retirement milestones as described in the General Employees Retirement Plan.

(v) “Vesting Date” means the ~~earlier to occur of (i) the first anniversary of the last day of the Performance Period and (ii) the date on which a Recapitalization Event occurs.~~



### **SECTION 3 ADMINISTRATION; CERTIFICATION**

(a) Appointment; Delegation. This Plan shall be interpreted and administered by the Administrator, whose actions shall be final and binding on all persons, including the Participants. The Administrator may delegate all or any of its responsibilities hereunder to the Board, a committee of the Board or any member of JEA's senior executive management.

(b) Powers. The Administrator, in its sole but reasonable discretion, shall have the power, subject to, and within the limitations of, the express provisions of this Plan:

(i) to determine whether any individual has status as a Participant, the number of Performance Units that may be purchased by a Participant, and whether a Participant is entitled to payment hereunder;

(ii) to determine for a Participant any additional terms and conditions of participation in this Plan not inconsistent with the terms of this Plan, which such additional terms and conditions shall be set forth in the Agreement;

(iii) to certify whether or not the performance metrics set forth on the Redemption Price Schedule for the applicable Performance Period have been attained, including whether or not the Value Target for the applicable Performance Period has been attained;

(iv) to establish procedures to allow Employees to make deferral elections (provided that such procedures shall be designed to comply with requirements of Applicable Law);

(v) to take all other action as may be required hereunder; and

(vi) to interpret this Plan.

Notwithstanding the foregoing, JEA's Chief Financial Officer shall determine the amount of the Redemption Price.

(c) Certification. As soon as practicable following the completion of JEA's financial statements audit for the applicable Performance Period and in no event later than thirty (30) days following the end of such Performance Period, the Administrator shall certify in writing the Value Change Percentage as set forth on the applicable Redemption Price Schedule for such Performance Period. Notwithstanding the foregoing, if a Recapitalization Event occurs, the Administrator shall certify in writing the Value Change Percentage as set forth on the applicable Redemption Price Schedule for such Performance Period no later than thirty (30) days following such Recapitalization Event.

### **SECTION 4 EFFECTIVE DATE; NUMBER OF PERFORMANCE UNITS**



- (a) Effective Date. This Plan is effective as of July 23, 2019 (the “Effective Date”).
- (b) Performance Unit Limit. The aggregate number of Performance Units which may be purchased by Participants under this Plan is one hundred thousand (100,000) Performance Units.

## **SECTION 5**

### **VESTING; REDEMPTION PRICE**

(a) Agreement. Each Performance Unit purchased under this Plan by a Participant shall represent a contractual right to receive, on the terms and subject to the conditions of this Plan and the applicable Agreement evidencing such purchase, payments under this Plan on the terms and subject to the conditions of this Plan and the applicable Agreement.

(b) Number of Units. The number of Performance Units purchased by each Participant shall be set forth in such Participant’s Agreement.

(c) Time of Purchase. On or before the Recapitalization Event, upon the conclusion of JEA’s annual financial statements audit, Employees may purchase Performance Units on an annual basis. Following the Recapitalization Event, no Performance Units may be purchased.

(d) Vesting Schedule. The Performance Units purchased by any Participant shall vest on the Vesting Date if a Participant’s employment with any member of the JEA Group had not previously terminated. Notwithstanding the foregoing, in the event of a Participant’s Involuntary Termination prior to the applicable Vesting Date, such Participant shall be eligible to receive all of his or her Performance Units and such Performance Units shall vest on the Vesting Date. Any amount payable to a Participant pursuant to the foregoing sentence shall be paid to such Participant at the same time as the Redemption Price for the Performance Units (to the extent unpaid) would have been paid had there been no termination of employment.

(e) Forfeiture. Unvested Performance Units held by a Participant whose employment with any member of the JEA Group is terminated prior to the applicable Vesting Date shall be forfeited for no consideration (but only after giving effect to any vesting pursuant to Section 5(d)). Performance Units forfeited pursuant to the preceding sentence may be available for purchase by other Participants in accordance with the terms of this Plan. If a Participant forfeits all or any of his or her Performance Units, he or she shall be refunded the Purchase Price paid by such Participant for such Performance Units; provided, however, that any forfeiture due to a termination of employment for Cause or a resignation of employment for any reason shall result in a forfeiture of unvested Performance Units and the Purchase Price paid for such unvested Performance Units.

(f) Retirement Eligible Employees. Notwithstanding Section 5(d), if a Participant becomes a Retirement Eligible Employee prior to the applicable Vesting Date and such Participant retires from employment with any member of the JEA Group prior to the Applicable Vesting Date, such Participant’s Performance Units shall vest on the applicable Vesting Date. Any amount payable to a Participant pursuant to the foregoing sentence shall be paid to such Participant at the same time as the Redemption Price for the Performance Units (to the extent



unpaid) would have been paid had the Participant not retired from employment. The Administrator shall determine in its sole and absolute discretion whether a Participant's termination shall qualify as a retirement for purposes of this Section 5(f).

(g) Civil Service Reversion. If at any time during the period commencing on the date on which an Employee is notified by JEA of his or her eligibility to participate in the Plan and ending on the last day of the Performance Period, such Employee's designation changes from appointed to civil service (whether or not such change is voluntary), the level at which such Employee participates in the Plan shall be adjusted to reflect such change. If such change occurs (i) at any time prior to the Purchase Date, the number of Performance Units that such Employee shall be eligible to purchase shall be reduced to a number of Performance Units that is equal to the number of Performance Units such Employee would have been eligible to purchase had such Employee been civil service on the date on which such Employee was notified of his or her eligibility to participate in the Plan or (ii) at any time on or after the Purchase Date, but prior to the last day of the Performance Period, the Employee shall forfeit a number of Performance Units such that the Employee shall have purchased a number of Performance Units that is equal to the maximum number of Performance Units such Employee would have been eligible to purchase had such Employee been civil service on the Purchase Date (it being understood that such number of forfeited Performance Units may be zero) and JEA shall refund to the Employee the aggregate Purchase Price in respect of such forfeited Performance Units. Performance Units forfeited pursuant to the preceding sentence may be available for purchase by other Participants in accordance with the terms of this Plan.

(h) Redemption Price. On the applicable payment date, each Participant shall receive an amount equal to the number of his or her vested Performance Units multiplied by the Redemption Price per Performance Unit.

## **SECTION 6**

### **PURCHASE OF PERFORMANCE UNITS; PAYMENT AND DISTRIBUTIONS**

(a) Purchase of Performance Units. To ~~receive a Purchase Price~~purchase Performance Units under this Plan, a Participant must pay to JEA a Purchase Price for each Performance Unit that he or she would like to purchase. To pay the Purchase Price for a Performance Unit, an Employee must elect to defer a portion of his or her pay by completing an Election Notice and filing it with the Administrator no later than December 31st of the calendar year immediately preceding the calendar year to which the Deferral Election relates. The Election Notice must specify the amount of pay that the Employee would like to defer (such pay must be payable for services rendered in a calendar year beginning after the date the Election Notice becomes irrevocable) and the number of Performance Units that such Employee would like to purchase. The Administrator shall notify each Employee of the maximum number of Performance Units that the Employee is eligible to purchase (it being understood that an Employee may not defer an amount of pay in excess of the aggregate Purchase Price for the maximum number of Performance Units that may be purchased by such Employee).

(b) Payments. On the terms and subject to the conditions set forth in this Plan and any Agreement, a Participant who holds vested Performance Units as of the applicable Vesting Date shall be entitled to receive the Redemption Price for such Performance Units. Payments

shall be made to the Participants no later than thirty (30) days following the date on which performance is certified pursuant to Section 3(c).

## **SECTION 7 CONDITIONS TO RECEIPT OF PAYMENT**

A Participant's right to receive a payment in consideration for his or her Performance Units is conditioned on his or her execution of an Agreement and all of the following: (a) the Participant's continuous employment with any member of the JEA Group through the Vesting Date (except as set forth herein), (b) the Participant's execution and non-revocation of a release of claims in favor of the JEA Group ("Release") in a form reasonably satisfactory to JEA, (c) the Employee's compliance with the covenants set forth in the Agreement, and (d) satisfaction of the conditions set forth in Section 215.425(3), Florida Statutes. Within sixty (60) days prior to the anticipated payment date, JEA shall deliver the Releases to the Participants and, to the extent required by Applicable Law, the Participants shall have twenty-one (21) or forty-five (45) days from the date of the Releases are delivered to the Participants to review the Releases and an additional seven (7) days to revoke the Releases. Each Participant must have executed an irrevocable Release prior to the applicable payment date to receive any payment in respect of his or her Performance Units ~~(it being understood that a Participant shall only be required to execute one Release prior to the first payment date for payments outside of a Recapitalization Event).~~

## **SECTION 8 AMENDMENT AND TERMINATION OF PLAN**

(a) General. This Plan (including the template Redemption Price Schedule attached hereto and any Redemption Price Schedule created for specific Performance Periods) may be amended or terminated at any time or from time to time by the Board; provided, however, that no such amendment or termination shall impair the then-existing rights of a Participant with regard to this Plan without such Participant's written consent.

(b) Final Distribution. This Plan shall automatically terminate upon the payment or distribution of all amounts owed to all Participants under this Plan following a Recapitalization Event.

## **SECTION 9 MISCELLANEOUS**

(a) Rounding. All payments provided under this Plan shall be rounded down to the nearest whole cent.

(b) Tax Withholding. The JEA Group shall be entitled to make deductions from the payments hereunder in respect of any applicable income and employment tax, up to the maximum amount permitted by Applicable Law, subject to the JEA Group's normal withholding procedures.

(c) Unfunded Plan. This Plan is intended to constitute an "unfunded" program, and no amounts shall be set aside to fund any payments hereunder prior to the end of the



Performance Period. JEA's obligations under this Plan are unfunded and unsecured, and the Participants have no rights other than those of general unsecured creditors of the JEA Group with respect to any payment hereunder.

(d) Sections 409A and 457(f). This Plan and any ~~Agreement~~Agreements are intended to provide payments that are exempt from Sections 409A and 457(f) of the Code ("Code Sections 409A and 457(f)"), or alternatively that comply with Code Sections 409A and 457(f), and the terms of this Plan and any Agreements shall be construed and administered in a manner that is exempt from or in compliance with Code Sections 409A and 457(f), as appropriate. Each payment hereunder is intended to be treated as one of a series of separate payments for purposes of Code Sections 409A and 457(f). Notwithstanding anything herein to the contrary, no amendment may be made to this Plan or any Agreement if it would cause this Plan, any Agreement or any payment hereunder or thereunder not to be in compliance with Code Sections 409A and 457(f).

(e) Successors and Assigns.

(i) This Plan and any Agreements shall be binding on and shall inure to the benefit of JEA and its successors (including any organization(s) that succeeds to a substantial portion of the assets and business of JEA) and assigns, and the term "JEA" whenever used in this Plan and any Agreements shall mean and include any such successors or assigns. This Plan and any Agreements shall be assigned to and assumed by any successor of JEA (including any organization(s) that succeeds to a substantial portion of the assets and business of JEA) and this Plan and any applicable Agreements may be assigned in part to and assumed by any successor of a substantial portion of the assets and business of JEA as determined by the Administrator in its sole discretion, which such determination shall be final and binding on JEA, the Participants (and their respective beneficiaries) and any such successor. Upon such assignment and assumption, the rights and obligations of JEA under this Plan and any applicable Agreements shall become the rights and obligations of such successor. Further, JEA shall require any successor to assume expressly and agree to perform this Plan and any applicable Agreements in the same manner and to the same extent that JEA would be required to perform this Plan and any such Agreements if no such succession had taken place. This Plan and any Agreements shall be administered in a manner which best reflects the spirit and purpose of this Section 9(e)(i), and the Board may amend or clarify this Plan and/or any Agreements to reflect the spirit and purpose of this Section 9(e)(i) in accordance with the amendment procedures set forth in Section 8(a).

(ii) Neither this Plan nor any Agreements nor any right or interest hereunder or thereunder shall be assignable or transferable by any Participants or their beneficiaries or legal representatives, except by will or by the laws of descent and distribution. Notwithstanding the foregoing, in the event of the death of a Participant, payments that otherwise would have been made to the Participant shall instead be made to the Participant's estate.

(f) Governing Law. All questions concerning the construction, validity and interpretation of this Plan and any Agreement shall be governed by the laws of the State of

Florida, applicable to contracts to be executed and performed entirely therein, regardless of the laws of any other jurisdiction that might otherwise govern due to applicable conflicts of laws principles.

(g) Arbitration. Except for suits seeking injunctive relief or specific performance or as otherwise prohibited by law, the parties hereby agree that any dispute, controversy or claim arising out of, connected with and/or otherwise relating to this Plan and/or any Agreement and the arbitrability of any controversy or claim relating hereto shall be finally settled by binding arbitration. The parties hereby knowingly and voluntarily waive any rights that they may have to a jury trial for any such disputes, controversies or claim. The parties agree to resolve any dispute arising out of this Plan and/or any Agreement before the American Arbitration Association (the "AAA") in accordance with the AAA's then existing National Rules of Resolution of Employment Disputes. The arbitration shall be administered by the AAA and the hearing shall be conducted in Duval County of the State of Florida before a neutral arbitrator, who must have been admitted to the practice of law for at least the last ten (10) years (the "Arbitrator"). Each party further agrees to pay its or his own arbitration costs, attorneys' fees, and expenses, unless otherwise required by the AAA's then-existing arbitration rules. The Arbitrator shall issue an opinion within thirty (30) days of the final arbitration hearing and shall be authorized to award reasonable attorneys' fees to the prevailing party, which decision of the Arbitrator shall be final, conclusive, unappealable and binding on the parties. Subject to Applicable Law, the arbitration proceeding and any and all related awards, relief or findings shall be confidential, except that any arbitration award may be filed in a court of competent jurisdiction by either party for the purpose of enforcing the award.

(h) Survival. The provisions of this Plan and any Agreement that are intended to survive this Plan and any Agreement and to survive the Participant's termination of employment shall survive in accordance with their terms.

(i) Severability. If any provision of this Plan or any Agreement becomes or is deemed invalid, illegal or unenforceable in any applicable jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the minimum extent necessary to conform to Applicable Law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision shall be stricken and the remainder of this Plan or any Agreement (as applicable) shall continue in full force and effect.

(j) Collective Bargaining; Civil Service Rules. If or as required, JEA shall collectively bargain this Plan and/or any Agreement with unions representing covered bargaining unit employees of JEA. This Plan and any Agreement shall not be interpreted to be inconsistent with the Civil Service Rules, as applicable.

(k) Penalties. In the event that any payments under this Plan and/or any Agreement to any Participant are subject to any excise tax, interest or penalties under the Code (the "Penalties"), the JEA Group shall pay to such Participant an amount equal to the full amount of the Penalties. Such payment is intended to place the Participant in the same economic position such Participant would have been in if the Penalties did not apply and shall be calculated in accordance with such intent. Notwithstanding anything to the contrary contained herein, the

JEA Group shall not make any Participant economically whole for Penalties caused by, relating to or arising from such Participant's breach of this Plan or any Award Agreement or such Participant's failure to comply with his or her obligations under Applicable Law.

(l) Compliance with Applicable Law. No provision of this Plan and/or any Agreement shall be deemed to violate Applicable Law and this Plan and any Agreement shall be interpreted in accordance with this intent.

(m) Determinations. All determinations regarding the Performance Units, including the amount of the Redemption Price, shall be made by JEA in its sole and absolute discretion in accordance with the terms of this Plan and any Agreement, and shall be final, conclusive and binding on all parties.

(n) Section Headings. The headings in this Plan are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning hereof.

(o) Savings Account. The aggregate Purchase Price paid by the Participants in respect of the Performance Units shall be deposited by JEA into a FDIC-insured savings account. JEA shall be entitled to any interest on the amount deposited into the savings account.

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**SCHEDULE A**  
**[YEAR] REDEMPTION PRICE SCHEDULE**

The Redemption Price shall increase by \$100.00 per Performance Unit for each Value Change Percentage increase of 1.00% in excess of the Challenge Value Target and shall decrease by \$0.50 per Performance Unit for each Value Change Percentage decrease of 1.00% below the Threshold Value Target, but in no event shall the Redemption Price per Performance Unit be less than \$0.00.

For purposes of this Schedule A, the following defined terms shall mean:

(a) “Base Year Value” means \$[AMOUNT].<sup>1</sup>

(b) “Challenge Value Target” means [PERCENT].<sup>2</sup>

(c) “Current Year Value” means, with respect to each Performance Period, the sum of (i) JEA’s Net Position, as shown on JEA’s audited financial statements for such Performance Period (or, in the case of a Recapitalization Event, JEA’s Net Position as shown on JEA’s audited financial statements immediately following the Closing Date), (ii) the aggregate consideration paid directly or otherwise transferred to the City of Jacksonville whether in cash or in-kind (excluding any public service taxes or franchise fees) during the twelve (12)-month period prior to the end of the Performance Period, and (iii) the aggregate consideration (including refunds, rebates and distributions) paid, distributed, credited or otherwise provided to the customers of the JEA Group during the twelve (12)-month period prior to the end of the Performance Period. For the avoidance of doubt, for purposes of calculating the amounts in clauses (i), (ii) and (iii), any consideration and change in Net Position, as applicable, in connection with the Recapitalization Event shall be taken into account.

(d) “Value Change Percentage” means a percentage equal to the Current Year Value divided by the Base Year Value.

(e) “Threshold Value Target” means [PERCENT].<sup>3</sup>

Any amounts paid, distributed, credited or otherwise provided in a form other than cash shall be valued at the value ascribed to them in the documents governing, or if none, then at their fair market value as determined by the Administrator in its sole discretion.

<sup>1</sup> For the first performance period, this amount will be equal to the Current Year Value for fiscal year 2019 as reflected on the audited financial statements when available.

<sup>2</sup> For the first performance period, insert 110%.

<sup>3</sup> For the first performance period, insert 100%.

<b>Summary report:</b> <b>Litera® Change-Pro for Word 10.5.0.0 Document comparison done on</b> <b>9/10/2019 11:06:22 AM</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> JEA - Long-Term Performance Unit Plan.docx	
<b>Modified filename:</b> JEA - Long-Term Performance Unit Plan(1).docx	
<b>Changes:</b>	
Add	13
Delete	8
Move From	0
Move To	0
Table Insert	0
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>21</b>





**From:** [Scheetz, Michael](#)  
**To:** [Maillis, Patricia L. - Director, Employee Services](#)  
**Subject:** JEA - Performance Unit Plan - Enrollment Material  
**Date:** Monday, November 4, 2019 2:10:43 PM  
**Importance:** High

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Pat:

Following our conversation on Friday, I made a number of internal inquiries regarding the preparation of enrollment materials for the new plan. Since the enrollment materials are all generated based on how a plan is setup and established on our recordkeeping we will be unable to have the necessary material in four weeks as it takes 60 to 90 days to establish new plans on the system.

I tried but was not successful in pushing for an exception.

I am heading out for meetings the rest of the day. I will be around most of the day tomorrow.

Regards,

**Michael M. Scheetz**  
**Client Engagement Manager | Government Markets**  
**Workplace Solutions**  
**MassMutual**  
100 Bright Meadow Boulevard | Enfield, CT 06082  
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Registered Representative of MML Investors Services, LLC, Member SIPC and a MassMutual subsidiary.



**From:** [Scheetz, Michael](#)  
**To:** [Maillis, Patricia L. - Director, Employee Services](#)  
**Subject:** FW: A Proposal for JEA Non-Qualified Plan  
**Date:** Friday, November 8, 2019 10:36:07 AM  
**Attachments:** [image005.png](#)  
[image003.png](#)  
[image006.png](#)  
[image008.png](#)  
[image009.png](#)  
[MassMutual Pricing Proposal for JEA Non-Qualified Plan.pdf](#)

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Pat:

I am forwarding to your attention the proposal for the annual recordkeeping for the Non-Qualified Performance Unit Plan. Since we do not know the number of participants that will participate in the plan, we had to make some assumptions. We extracted from the database a list of employees with compensation over \$150,000 with the assumption this group of employees are the most likely to contribute. Based on that extraction we arrived at 37 participants for pricing purposes.

Let me know if you have any follow up questions.

Regards,

**Michael M. Scheetz**  
Client Engagement Manager | Government Markets  
Workplace Solutions  
**MassMutual**  
100 Bright Meadow Boulevard | Enfield, CT 06082  
C:(813) 244-0059

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**From:** Girard, Chad <[CGirard@MassMutual.com](mailto:CGirard@MassMutual.com)>  
**Sent:** Friday, November 08, 2019 10:19 AM  
**To:** Scheetz, Michael <[mscheetz@massmutual.com](mailto:mscheetz@massmutual.com)>  
**Subject:** FW: A Proposal for JEA Non-Qualified Plan

Please let me know if you need anything else.

**Chad Girard**  
Sales Consultant



**Workplace Solutions & Strategic Distribution**

**MassMutual**

C: (413) 386-5658  
100 Bright Meadows Blvd  
Enfield, CT 06082

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**We are pleased to present the following proposal for JEA Non-Qualified Plan.**

**\$5,500** Annual Applicable Fee using S shares

This proposal is based on the following information provided to MassMutual:

**For Profit/Top Hat Plan**

**\$0** Assets

**\$370,000** Cash Flow

**37** Participants

Thank you for considering MassMutual as your retirement plan solutions provider.

We can help drive better outcomes for your client's retirement plan and help their employees retire on their own terms.

We look forward to working with you on this opportunity. For more information or assistance, please contact:

John Dolan, Managing Director, at 413-426-6232

Chad Girard, Sales Consultant, at 860-562-1197



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**From:** [Kendrick, Jonathan A. - VP & Chief Human Resources Officer](#)  
**To:** [Maillis, Patricia L. - Director, Employee Services](#)  
**Subject:** RE: A Proposal for JEA Non-Qualified Plan  
**Date:** Monday, November 18, 2019 9:42:04 AM  
**Attachments:** [image002.png](#)  
[image004.png](#)  
[image005.png](#)  
[image006.png](#)  
[image007.png](#)

---

We should have a longer lead time when it's decided to proceed. And you're right – no longer needed right now. Thanks.

**From:** Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>  
**Sent:** Monday, November 18, 2019 8:21 AM  
**To:** Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>  
**Subject:** FW: A Proposal for JEA Non-Qualified Plan

Jon,

If there is an intent to roll this plan out in the future, e.g., 2021, we would prefer 6 mos get contract signed and set-up automated enrollment and administration.

NOTE: assuming we no longer need this at this time.

Pat

**From:** Scheetz, Michael <mscheetz@massmutual.com>  
**Sent:** Friday, November 8, 2019 10:36 AM  
**To:** Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>  
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# JEA BOARD MEETING AGENDA

July 23, 2019 • 9:00 a.m.

21 W. Church Street, 19<sup>th</sup> Floor



I. WELCOME	
A.	Call to Order
B.	Time of Reflection
C.	Pledge to Flag
D.	Introductions
E.	Adoption of the Agenda – Action
F.	Safety Briefing – Aaron Zahn, Managing Director/CEO
G.	Sunshine Law/Public Records Statement – Lynne Rhode, Chief Legal Officer

II. COMMENTS / PRESENTATIONS		
Item(s)		Speaker/Title
A.	Comments from the Public	Public
B.	Council Liaison's Comments	Council Member Danny Becton

III. OPERATIONS (DISCUSSION / ACTION)			
Definition: The "Operations" section of the Board Meeting is for business matters requiring Board discussion, Board action, or for matters being submitted to the Board as information only.			
Item(s)		Speaker/Title	Discussion Action/Information
A.	Consent Agenda – The Consent Agenda consists of agenda items that require Board approval but are routine in nature or have been discussed in previous public meetings of the Board. The Consent Agenda items require no explanation, discussion or presentation and are approved by one motion and vote.		
	Consent Agenda Reference Material (Provided in Appendices)		
	Appendix A:	Board Meeting Minutes June 25, 2019	Action
	Appendix B:	Approval of Bond Counsel	Action
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.		
	Monthly Reports and Updates (Provided in Appendices)		
	Appendix B:	Monthly Financial Statements	Information
	Appendix C:	Monthly FY18 Communications & Engagement Calendar and Plan Update	Information
	Appendix D:	Sole Source & Emergency Procurement/Procurement Appeals Board Report	Information
	Appendix E:	Corporate Campus Update	Information
C.	Monthly Financial and Operations Dashboard		Melissa Dykes, President/COO Information
D.	Strategic Planning		Senior Leadership Team Action
	A.	Scenario 2A: Traditional Utility Response Implementation Plan	Senior Leadership Team



# Total Market Compensation Strategy

Performance Unit Plan  
July 2019







**GUIDING PRINCIPLES**  
ACCELERATING UTILITY INNOVATION

## **Core Competencies**

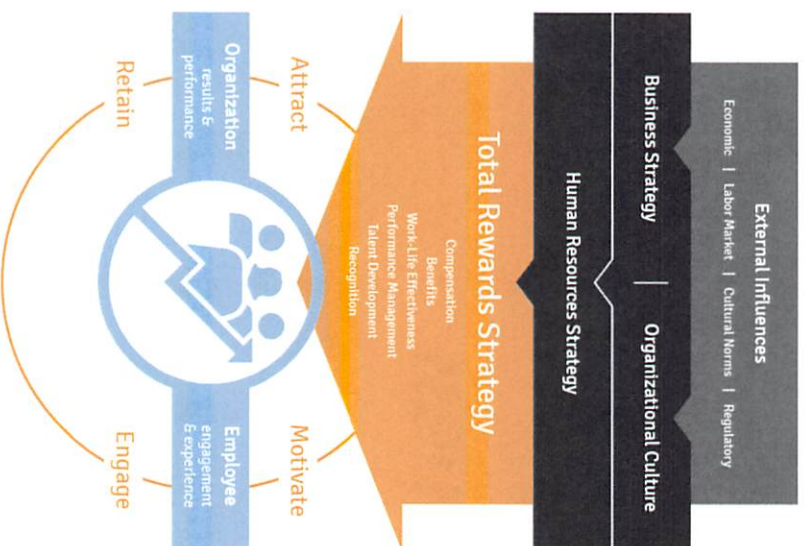
*The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision*



**Work together to elevate the entire team**

Core competencies accelerate results





# ELEVATE THE ENTIRE TEAM

1. Ensure JEA's corporate compensation philosophy is aligned with JEA's Guiding Principles
2. Encourage long-term culture of value creation
3. Establish formal compensation policy to align behavior to 4 Corporate Measures of Value and market based compensation
4. Ensure policy promotes collaboration to drive Vision and Mission

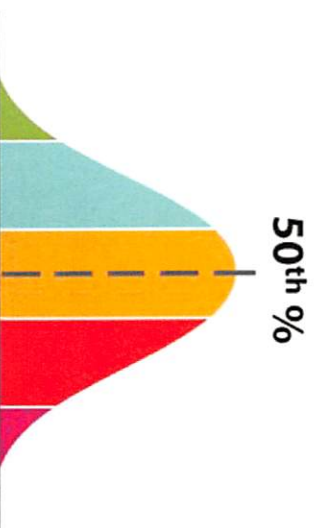
Employee incentives should drive “value” & “teamwork”

## JEA Board Policy Manual

(Revision to Policy 2.7 adopted by JEA Board on January 22, 2019)

“With respect to employment, compensation, and benefits to employees, consultants, and contract workers, the CEO shall-promote a compensation philosophy that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits that align with and drive JEA’s Corporate Measures of value: 1) Customer; 2) Financial; 3) Environmental; and 4) Community Impact.

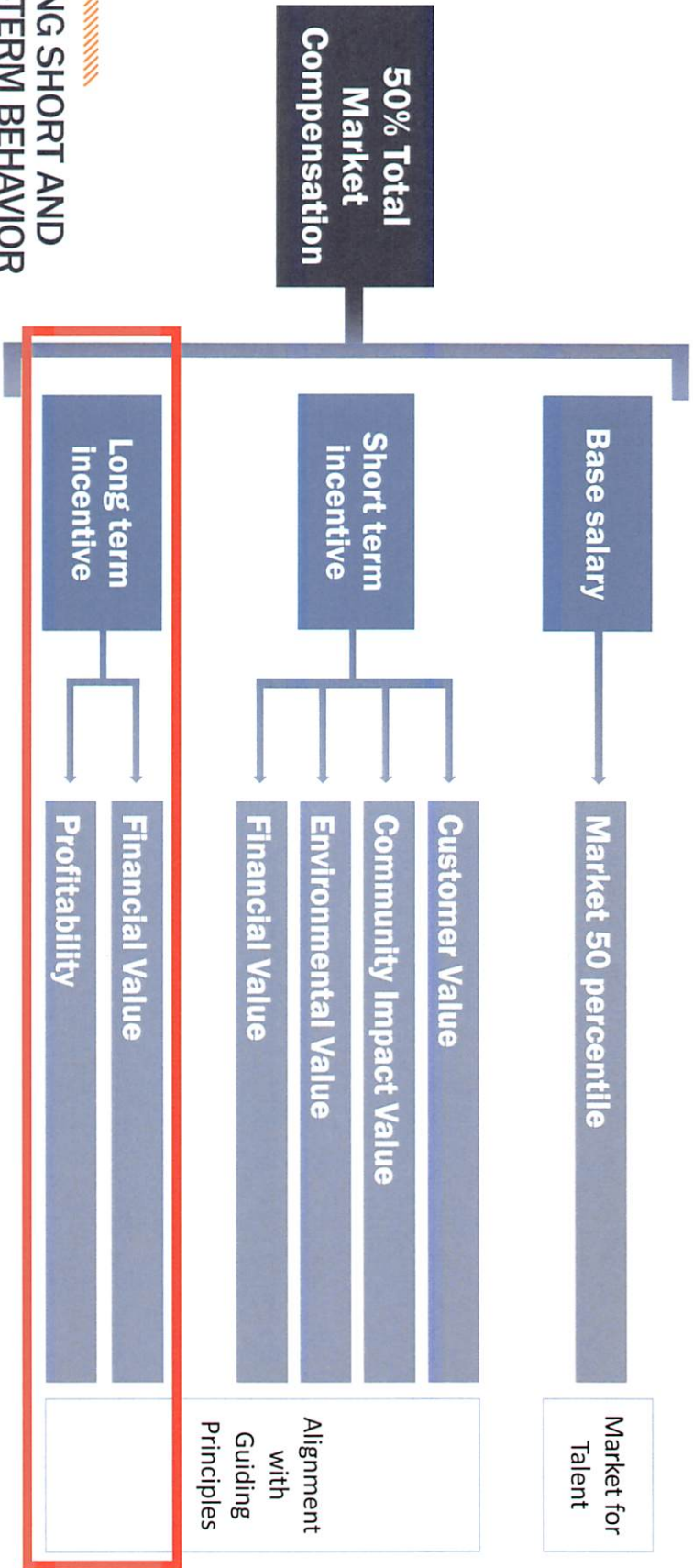
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JEA’s total compensation structure should both compete with the market for talent & drive results aligned with “guiding principles”

JEA’S COMPENSATION  
PHILOSOPHY

# Establish a Formal Compensation Policy to Align with: 1) Talent Market and 2) Guiding Principles



DRIVING SHORT AND  
LONG-TERM BEHAVIOR





## PERFORMANCE UNIT PROGRAM

- Compensation committee proposes adoption of a performance unit plan ("PUP") which would be a new benefit program provided to employees
- It is designed to allow employees to participate in the upside and downside as the business changes
- Employees will be eligible to purchase JEA performance units for \$10 per unit
- Units will increase or decrease in value based on the financial performance of JEA over a 3-year performance period
- Employees will be required to remain employed through the end of the performance period to benefit from any increase in value
- For the first performance period (FY2020 to FY2022) it is recommended that 30,000 performance units be made available for purchase

# EXAMPLE REDEMPTION VALUE OF THE PUPS



- Employee PUP pool equal to 10% of value created in excess of the challenge target value
- Employees must increase the value of JEA by at least \$300 million by 2022 to receive the benefit
- Calculated value is sum of the net position, city contribution and any refunds to customers

**JEA COMPENSATION COMMITTEE MINUTES**  
January 15, 2019

The Compensation Committee of JEA met on Tuesday, January 15, 2019, in the 8<sup>th</sup> Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

**Agenda Item I – Opening Considerations**

- A. Call to Order – Interim Committee Chair Johnson called the meeting to order at 9:00 AM with Committee Member April Green in attendance, as well as Board Chair Alan Howard in observance. Also present were Aaron Zahn, Melissa Dykes, Angie Hiers, Jody Brooks, Mike Hightower, Gerri Boyce, Gina Kyle and David Bauerlein, Florida Times-Union.
- B. Adoption of Agenda – The Agenda was adopted on **motion** by Ms. Green and second by Board Chair Howard.
- C. Approval of Minutes – The May 14, 2018 minutes were approved on **motion** by Ms. Green and second by Board Chair Howard.

**Agenda Item II – New Business**

- A. Introduction – Aaron Zahn, Managing Director/CEO introduced the subjects that would be discussed during the meeting.
- B. JEA Total Compensation Philosophy – Aaron Zahn, Managing Director/CEO reviewed the Total Market Compensation Strategy, which demonstrates a commitment to results and the values of JEA. Mr. Zahn spoke of the process of alignment of stakeholders to JEA's corporate initiatives and the path taken to gain consensus of all stakeholders to the Guiding Principles and Corporate Measures. He spoke of the need to elevate the entire team and ensure that employee incentives drive value and teamwork. Mr. Zahn then provided the definition of total compensation and short term/long term incentives and provided a recommendation for a change in the JEA Board Policy Manual to incorporate these changes. This item was presented for information to the committee.
- C. 5-to-5 Innovation Program – Melissa Dykes, President/Chief Operating Officer and Angie Hiers, VP & Chief Human Resources Officer presented the 5-to-5 Innovation Program, which is JEA's new ideas program. With this program, employees are encouraged to present ideas and are rewarded for developing and submitting innovative ideas that benefit JEA and the community. Employees who submit an idea that is implemented will be eligible for incentives ranging from \$500 to \$5,000 depending on the scope, cost savings and/or revenue generation associated with the idea and corresponding results. This item was presented for information to the committee.
- D. Executive Contract – Aaron Zahn, Managing Director/CEO and Interim Committee Chair Johnson discussed the executive contract and discussed extending the current contract until July 31, 2019, to allow time for the total compensation plan to be worked out prior to finalizing the contract for the Managing Director/CEO. Contract discussions were deferred.
- E. Other New Business
- F. Announcements
  - 1. Schedule Next Meeting as Appropriate
- G. Adjournment



Compensation Committee

January 15, 2019

Page - 2

APPROVED BY:

\_\_\_\_\_  
Camille Johnson, Interim Committee Chair

Date: \_\_\_\_\_

Submitted by:

\_\_\_\_\_  
Cheryl Mock  
Executive Assistant



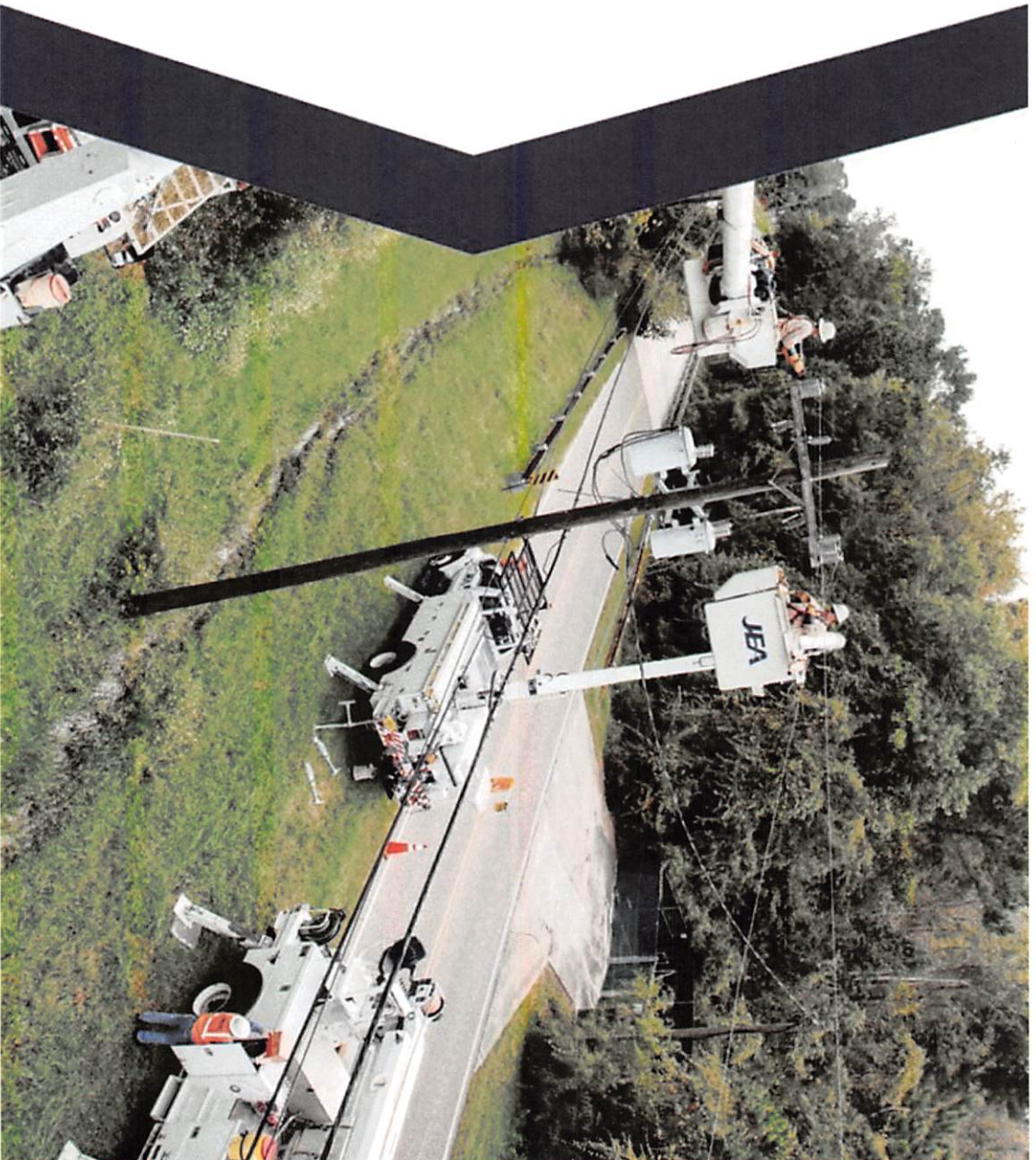
# Total Market Compensation Strategy

January 2019





**COMMITMENT TO  
RESULTS & VALUE**



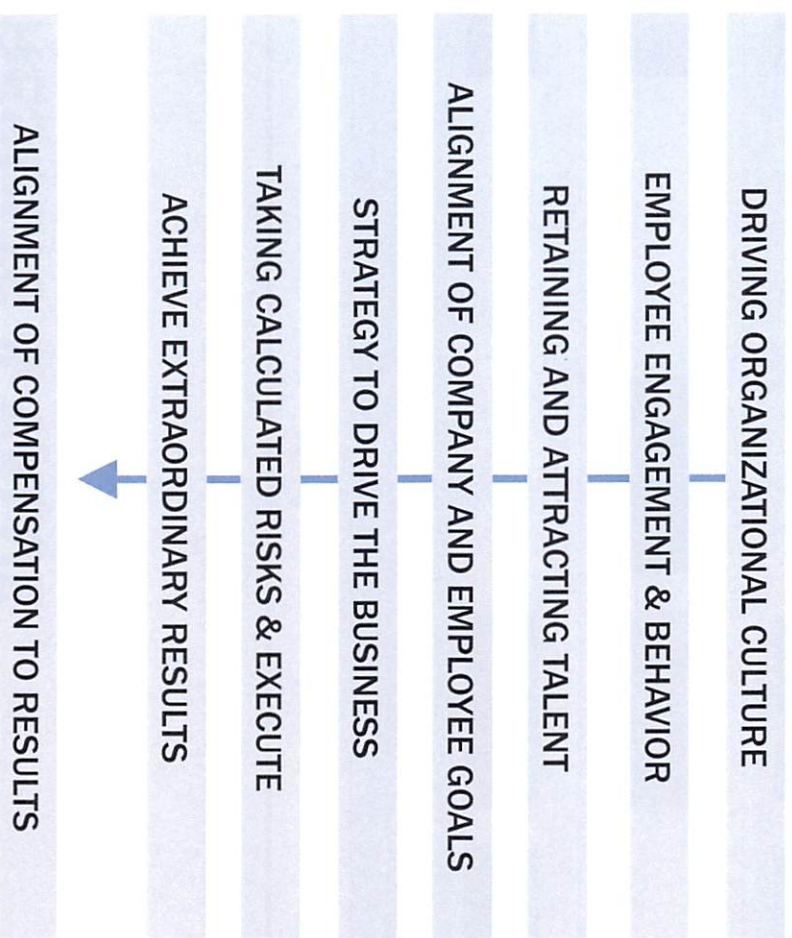
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## Company Culture and Strategy Driven by Good Well Aligned "Total Compensation Program"

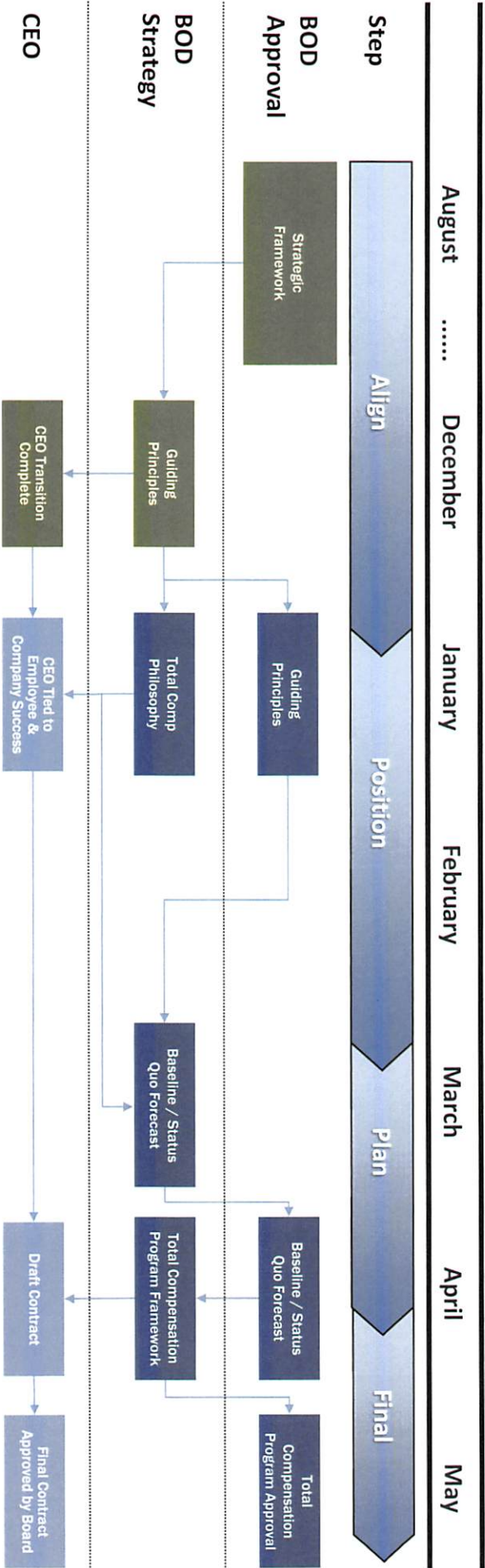


LEADING BY EXAMPLE

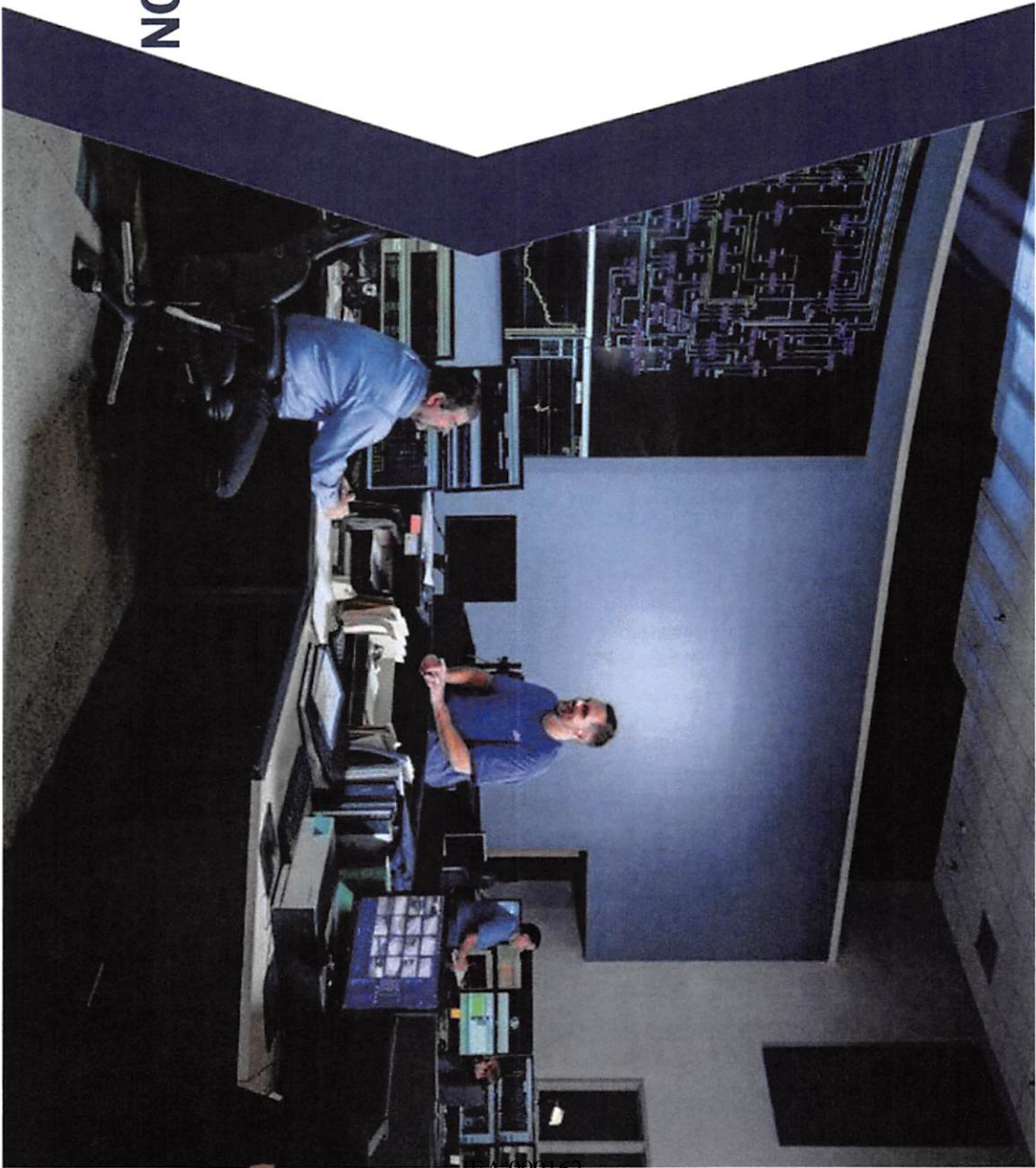


# ALIGNING TO RESULTS & VALUE

- Board wants all employee compensation to be aligned with: 1) Total Compensation Philosophy; and 2) driving Results vs. Baseline
- Board to agree on TC Philosophy and Baseline before finalizing Total Compensation Program for all employees



» TOTAL COMPENSATION  
PHILOSOPHY



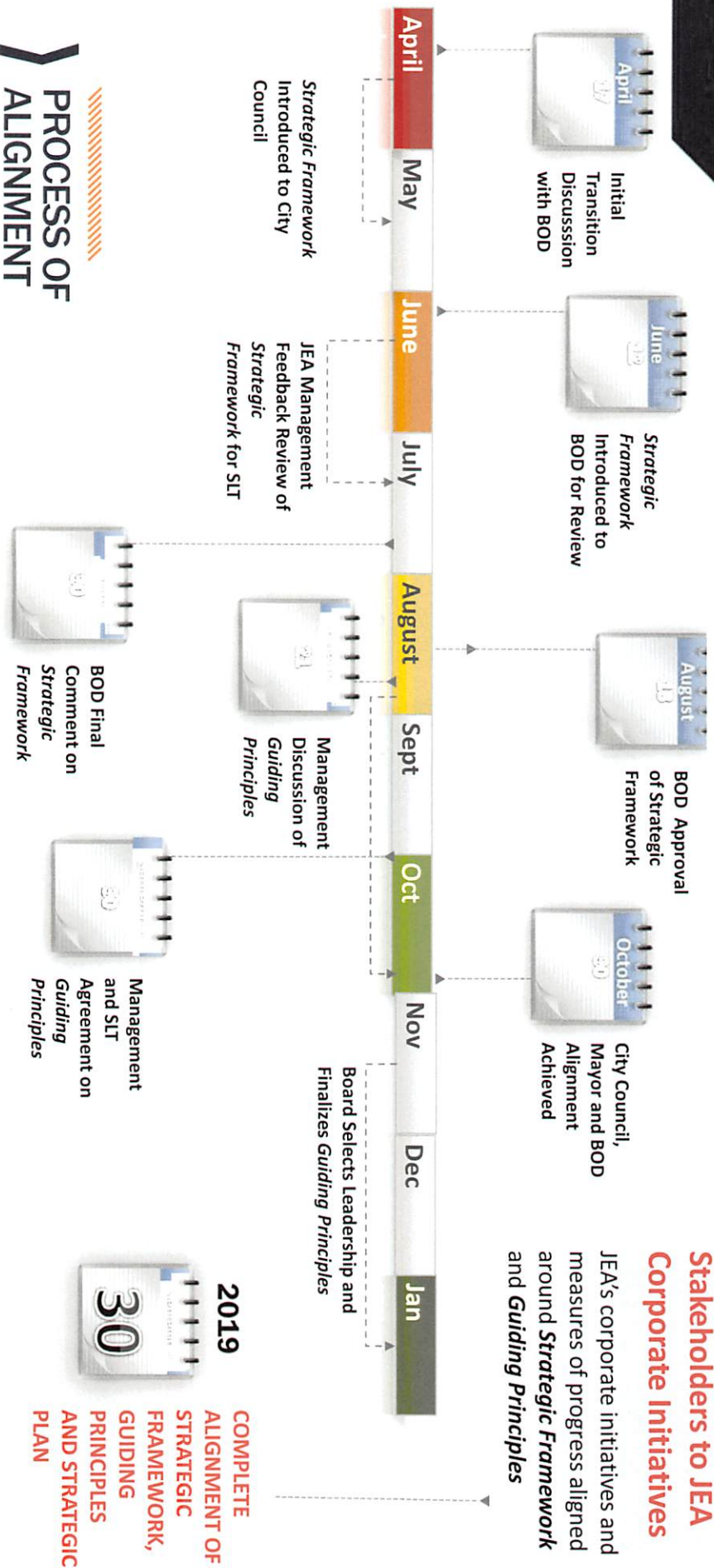




# "Guiding Principles" More Than Talk

**Result: Alignment of Stakeholders to JEA Corporate Initiatives**

JEA's corporate initiatives and measures of progress aligned around **Strategic Framework** and **Guiding Principles**



PROCESS OF ALIGNMENT



## **GUIDING PRINCIPLES**

### **ACCELERATING UTILITY INNOVATION**

#### **Vision**

*Why we exist and who we want to be in the future*

**Improve lives by accelerating innovation**

#### **Mission**

*How we are going to pursue our vision and what we need to do today to get there*

**Provide the best service by becoming the center of our customers' energy and water experience**

#### **Corporate Measures**

*Our mission will be guided by and evaluated against how we as employees drive these four basic Corporate Measures of JEA's value*

**The fundamental goal is to maximize each value both now and in the future:**

##### **1) Customer value**

What a customer expects to get in exchange for the price they pay

##### **2) Financial value**

The monetary value and risk profile, both today and tomorrow, of JEA as it relates to the City

##### **3) Community impact value**

Improving the quality of life through innovative and cost-effective service offerings, employee volunteerism and ambassadorship, relevant and timely communications, and support of economic development and job growth throughout JEA's service territory; foster a collaborative and respectful corporate culture that provides exceptional employee value to equip the JEA team to deliver outstanding service and value to its community

##### **4) Environmental value**

Ensuring a sustainable environment for future generations

#### **Core Competencies**

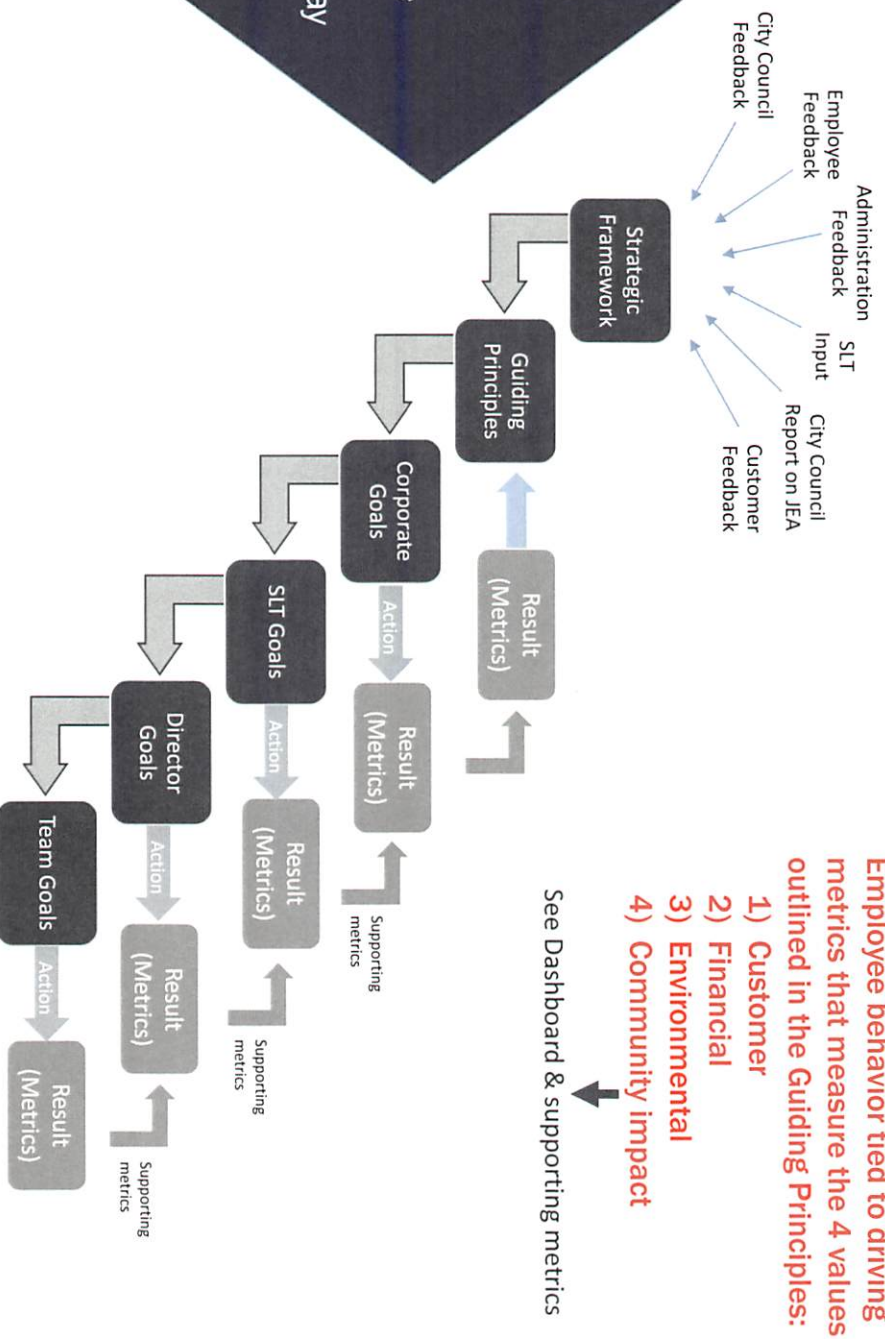
*The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision*

- Deliver an unparalleled positive customer experience
- Work together to elevate the entire team
- Innovate and evolve to match our customer's needs with market trends

# STAKEHOLDER ALIGNMENT

Alignment logic of *Strategic Framework* and *Guiding Principles* through day-to-day actions of employees

Employees aligned to Board and COJ







## **GUIDING PRINCIPLES**

ACCELERATING UTILITY INNOVATION

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- 1) Customer Value**
- 2) Financial Value**
- 3) Environmental Value**
- 4) Community Impact Value**

Employee behavior key to maximizing value



## **GUIDING PRINCIPLES**

ACCELERATING UTILITY INNOVATION

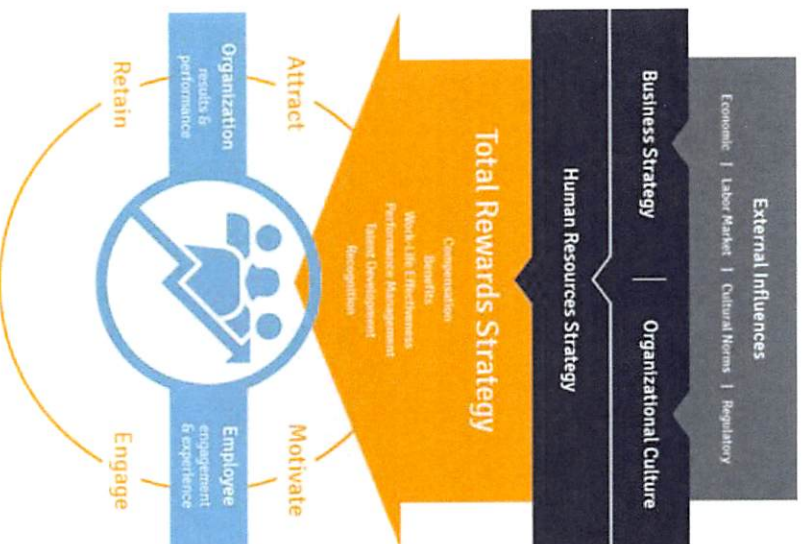
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## ELEVATE THE ENTIRE TEAM

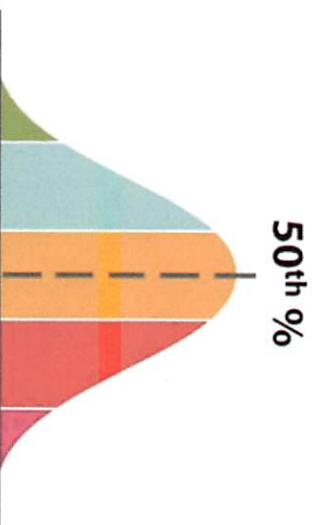
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Employee incentives should drive "value" & "teamwork"



## JEA Board Policy Manual

(Policy 2.7 adopted by JEA Board on June 17, 2014)



JEA's current total compensation structure aims to compete with the market for talent

JEA'S COMPENSATION  
PHILOSOPHY

"With respect to employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the CEO shall not cause or allow jeopardy to financial integrity or to public image. Accordingly, the CEO will not: Promote a compensation philosophy that is contradictory to JEA's philosophy of providing a total rewards package that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits.

Salary/wages will meet the market (50% percentile), which is where the majority of companies in the geographical area reside. The 50th percentile pays competitively for behavior that meets expectations. Additional consideration will be given to behaviors that exceeds expectations which are typically rewarded at the 75th percentile. Internal equity will be achieved by evaluating differences in skill, effort, responsibility and working conditions among jobs."

# HOW DO WE DEFINE TOTAL COMPENSATION?

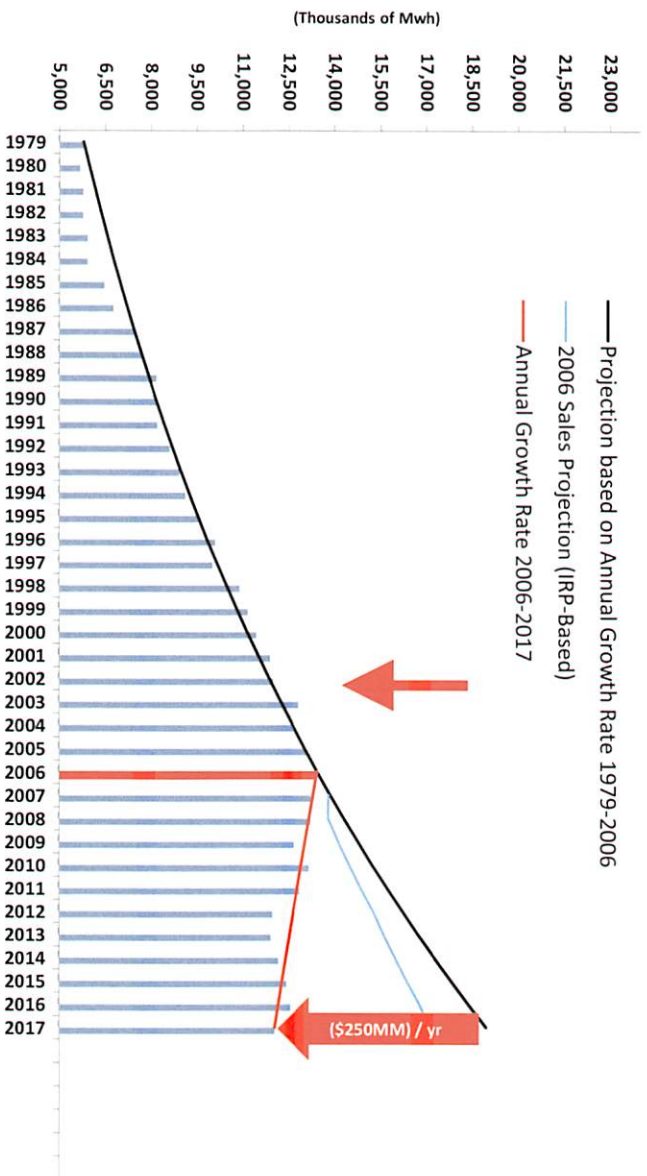
	BASE	+	SHORT TERM INCENTIVE	+	LONG TERM INCENTIVE
JEA	\$132.8		\$5.2		\$0.0
50% Percentile	\$124.9		\$10.5		\$5.5
DELTA ▲	\$7.9		(\$5.3)		(\$5.5)

Above numbers exclude healthcare and retirement

Dollars above are in millions

JEA's total compensation structure does not reward value creation

## 2007 to 2017 JEA lost Avg. of \$130 MM / yr in FCF (\$1.4B of cash) vs IRP Case



## WHY FOCUS AND COMPENSATION ALIGNMENT MATTERS

### Industry Macro Trends Impacting JEA

#### Energy Efficiency (2000's tech trend)

- Mandates account for >90% of reduction in electric sales
- 30% lower sales in 2017 than forecasted back in 2006

#### Distributed Generation (2010's tech trend)

- Solar growth increasing in JEA territory 67% CAGR since FY 14
- >\$2.5MM of Net Income lost to distributed generation annually

#### Distributed Storage & iDER (2020's tech trend)

- Similar cost / performance trends to distributed generation being witnessed
- Storage will change the entire energy sector once cost parity with utility achieved

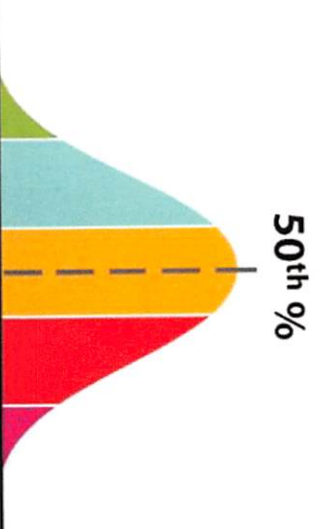


## RECOMMENDED: JEA Board Policy Manual

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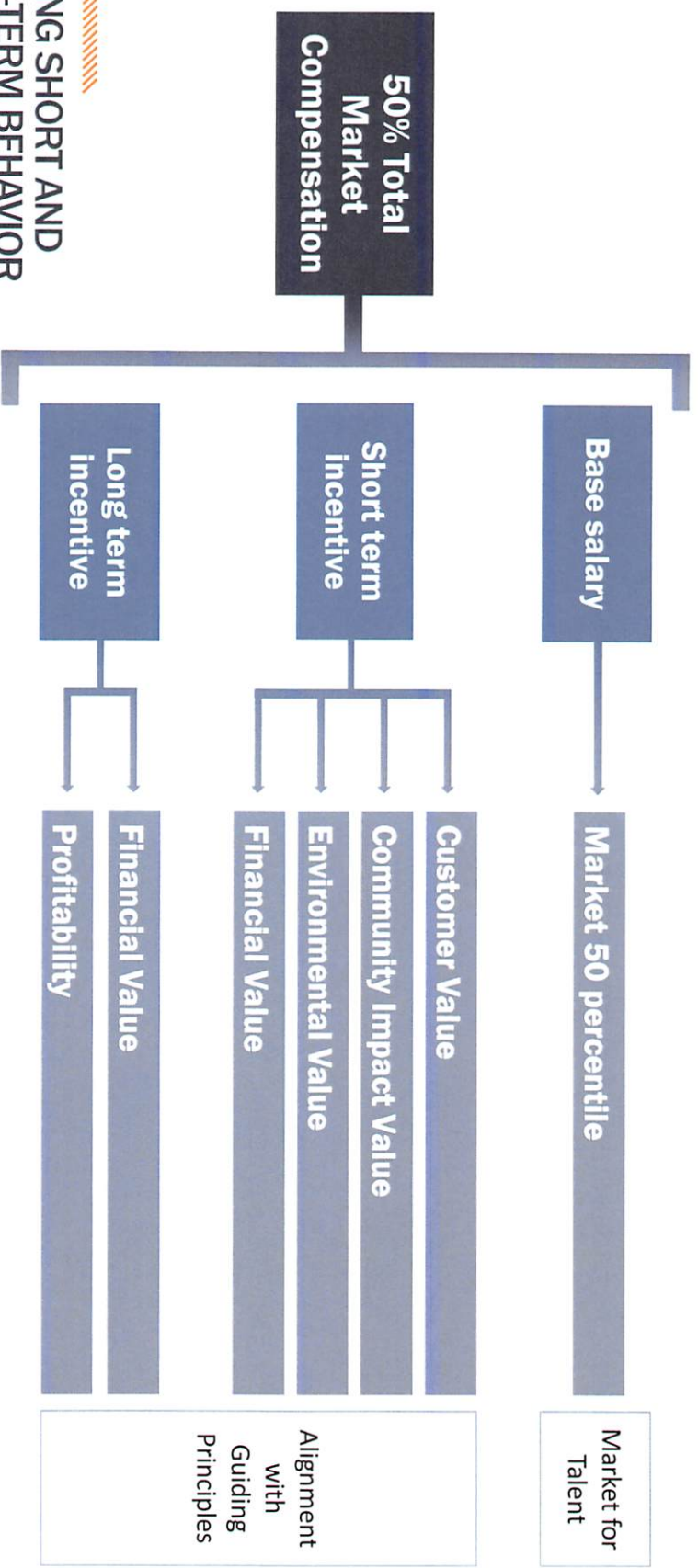


JEA's total compensation structure should both compete with the market for talent & drive results aligned with "guiding principles"



JEA'S COMPENSATION  
PHILOSOPHY

## Establish a Formal Compensation Policy to Align with: 1) Talent Market and 2) Guiding Principles



DRIVING SHORT AND  
LONG-TERM BEHAVIOR







# Cultural Values

Safety

Service

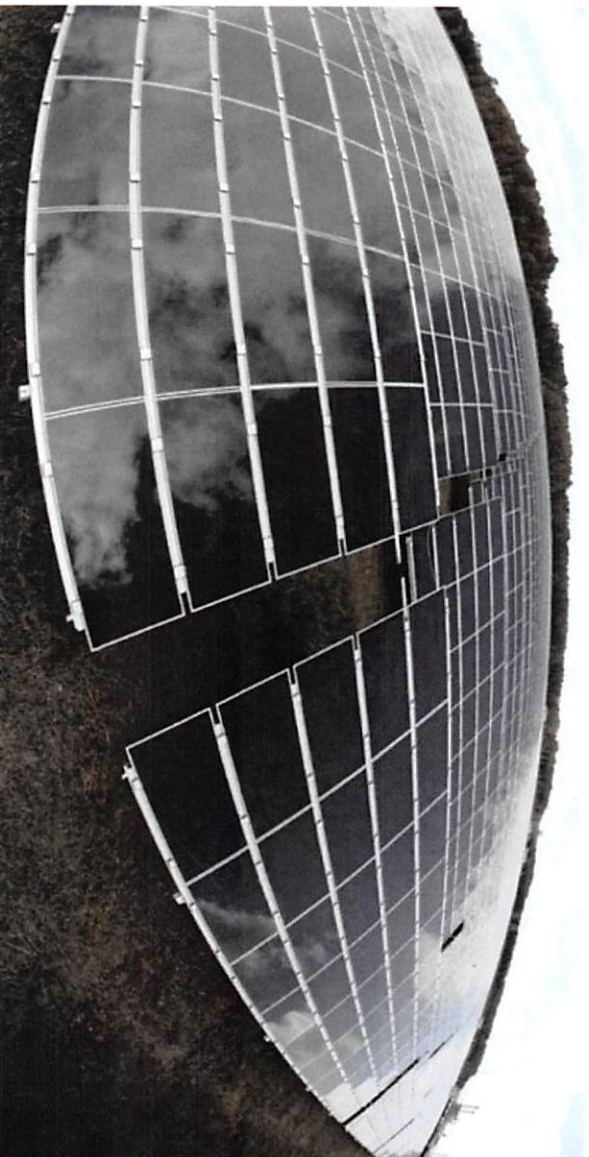
Growth<sup>2</sup>

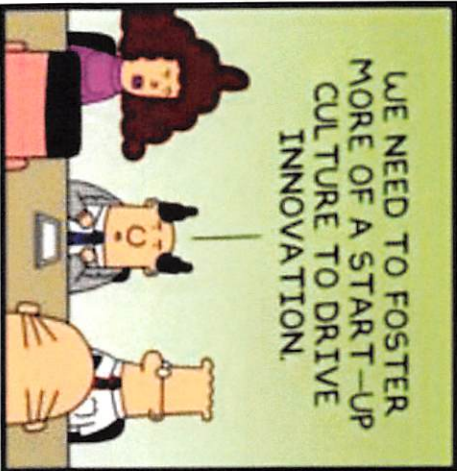
Accountability

Integrity

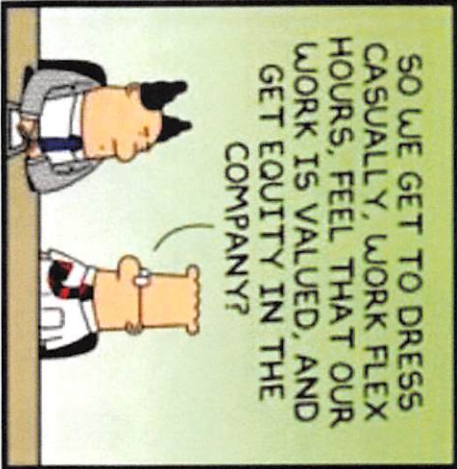
*Ideas*

/// **CULTURE EATS  
STRATEGY**

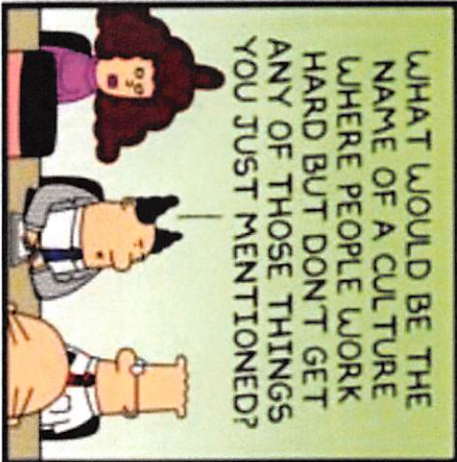




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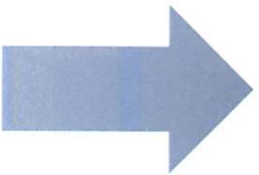
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/// **CULTURE IS  
CELEBRATED**

## Driving Toward Success

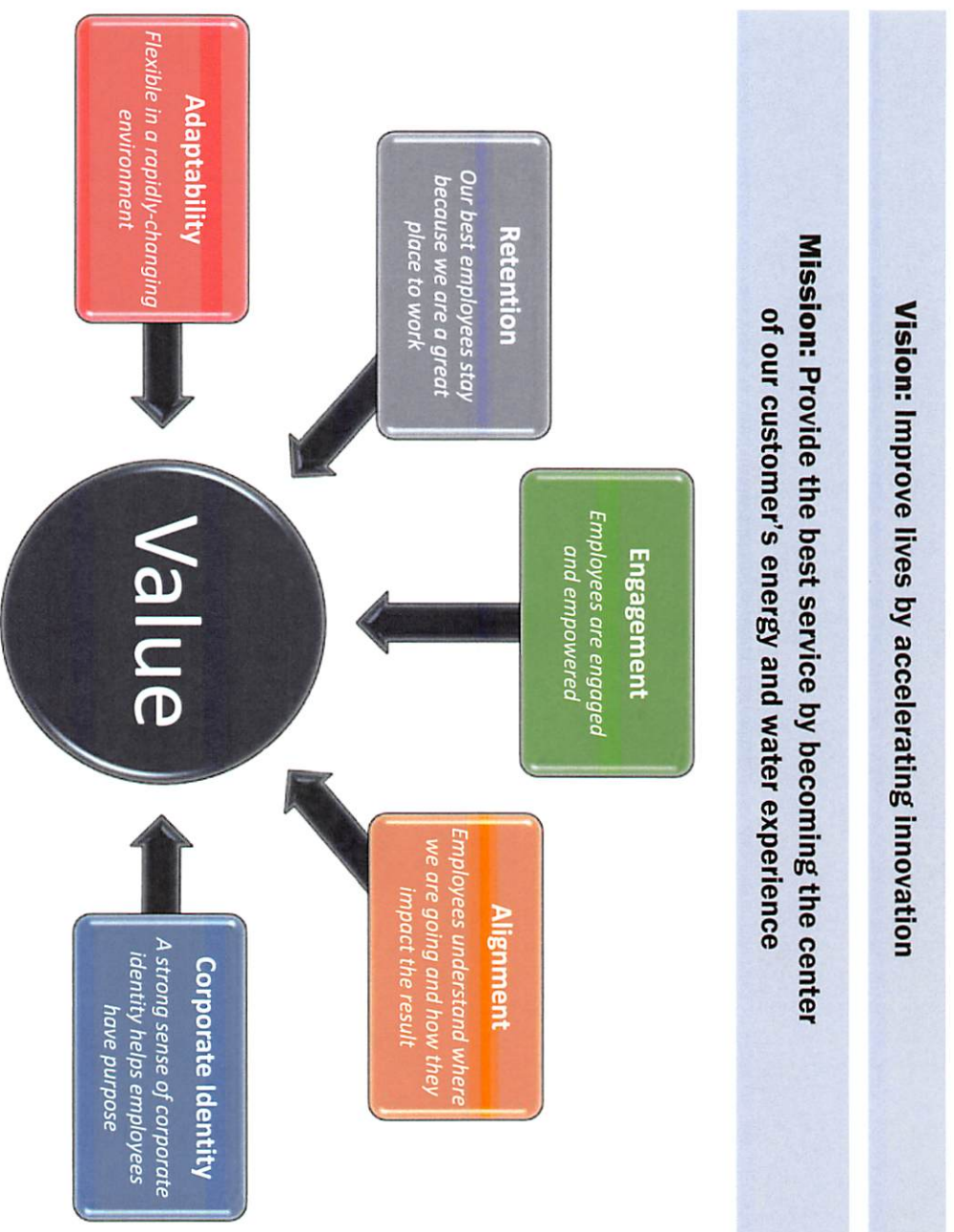
*Willing to take appropriate and calculated risks and fail from time to time in order to achieve extraordinary results*



## Working Not to Fail

*Culture and individuals motivated by risk aversion striving not to fail rather than to succeed*

WHERE ARE WE  
GOING?







## INTRODUCING THE

# 5 to 5 Innovation Incentive Program

- 5 to 5 is about culture
- Purpose of the **5 to 5 Innovation Incentive Program** is to encourage and reward employees for developing and submitting innovative **ideas** (**Ideas** being one of JEA's core values) that benefit JEA and our community.
- Employees who submit an **idea** that is implemented will be eligible for incentives ranging between **\$500 to \$5,000** depending on the scope, cost savings, and/or revenue generation associated with the submitted **idea** and corresponding results.
- **Ideas** will align with JEA's corporate measures:
  - Customer Value
  - Financial Value
  - Environmental Value
  - Community Impact Value

ACCELERATING AN  
INNOVATIVE CULTURE



# Total Market Compensation Strategy

Compensation Committee  
June 2019





**GUIDING PRINCIPLES**  
ACCELERATING UTILITY INNOVATION

## **Core Competencies**

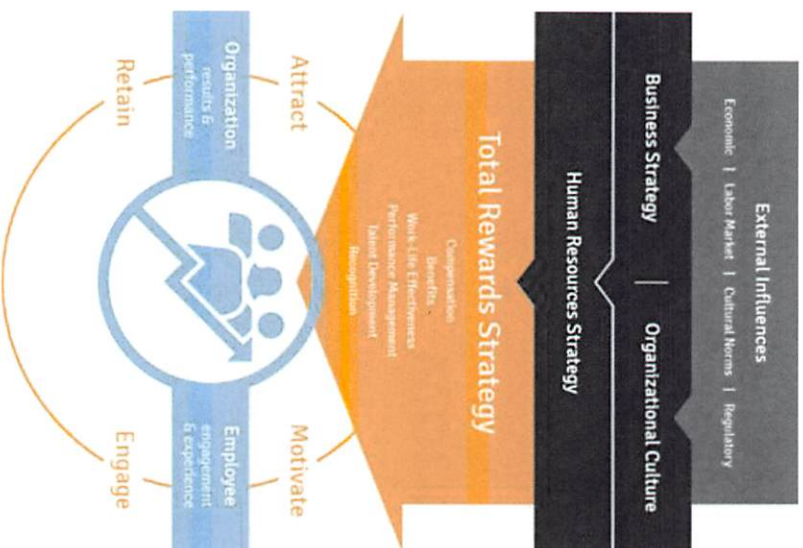
*The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision*



**Work together to elevate the entire team**

Core competencies accelerate results





## ELEVATE THE ENTIRE TEAM

1. Ensure JEA's corporate compensation philosophy is aligned with JEA's Guiding Principles
2. Encourage long-term culture of value creation
3. Establish formal compensation policy to align behavior to 4 Corporate Measures of Value and market based compensation
4. Ensure policy promotes collaboration to drive Vision and Mission

Employee incentives should drive "value" & "teamwork"

# Compensation Efforts to Date

January

February - June

Board Approval of:

- Guiding Principles
- Development of a Compensation Framework
- Extending CEO contract through 7/31/19
- Change to Board Policy Manual

Status Quo developed and presented to the Board

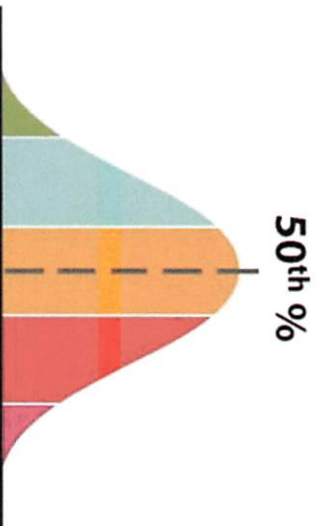
Total Compensation Framework developed with the assistance of Willis Towers Watson

Draft CEO Contract prepared

# JEA Board Policy Manual

(Revision to Policy 2.7 adopted by JEA Board on June 17, 2014)

“With respect to employment, compensation, and benefits to employees, consultants, and contract workers, the CEO shall-promote a compensation philosophy that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits that align with and drive JEA’s Corporate Measures of value: 1) Customer; 2) Financial; 3) Environmental; and 4) Community Impact.



JEA’s total compensation structure should both compete with the market for talent & drive results aligned with “guiding principles”

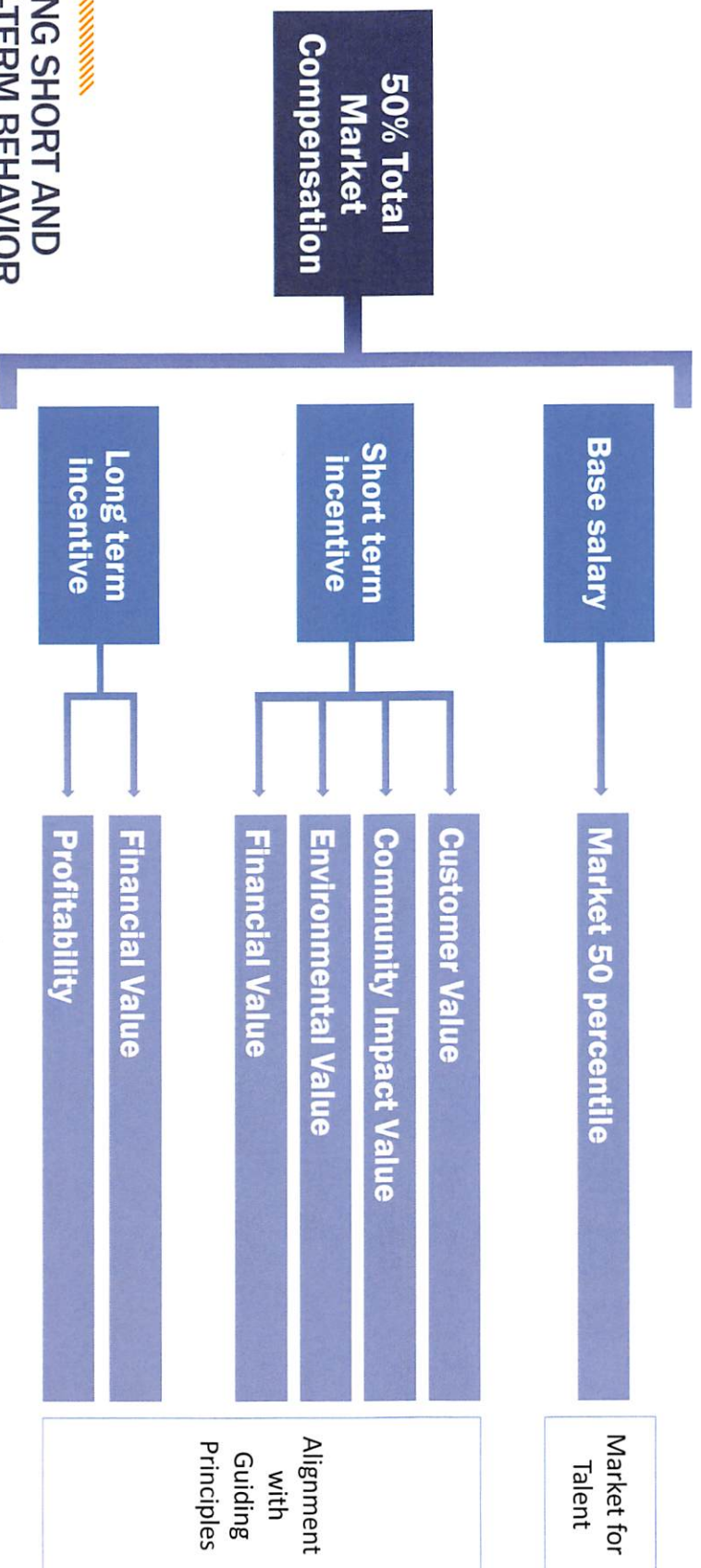


JEA’S COMPENSATION  
PHILOSOPHY

Total compensation will meet the market (50% percentile), which is where the majority of companies in the industry and geographical area reside. Total compensation will include Base Salary, Short Term Incentives and Long Term Incentives. The 50th percentile pays competitively for behavior that meets expectations. Short term and long term incentives will align to and drive JEA’s Corporate Measures of Value. Internal equity will be achieved by evaluating differences in skill, effort, responsibility and working conditions among jobs.”



# Establish a Formal Compensation Policy to Align with: 1) Talent Market and 2) Guiding Principles



DRIVING SHORT AND  
LONG-TERM BEHAVIOR

## Compensation Benchmarking Summary

### ***Appointed Population vs. Market 50<sup>th</sup> Percentile Variances By Job Level***

- The following exhibits summarize variances comparing incumbent pay data with market data from job weighted perspective for the Appointed population only
- Variances are lower to market for executives and directors at target bonus %, target TCC, and target TDC compared to the other job levels
  - JEA provided performance bonuses to Appointed employees in April to begin closing the gap on base salary – the budget was 2.5%.

#### **Job Weighted:**

Level	Average Base Salary Variance	Average Target Bonus % Absolute Variance	Average Target TCC Variance	Average Long-term Incentive % Absolute Variance	Average Target TDC Variance
<b>Executive</b>	-12%	-33%	-28%	--	-42%
<b>Director</b>	-1%	-10%	-8%	--	-13%
<b>Manager</b>	-2%	-5%	-6%	--	-6%
<b>Individual Contributor</b>	-1%	-2%	-1%	--	-1%
<b>Total</b>	-2%	-7%	-6%	--	-7%

# Short-Term Incentive Plan Practices

## Target Incentive Award Opportunities

- Target incentive opportunities typically increase with job level, and are relatively similar in both the Utility and General Industries
- Note that we have recommended STI targets as part of our analysis to “close the gap” between market and JEAs desired competitive positioning

Target Incentive Award Opportunities – By Job Level

Role/Career Level	Target STI Opportunities	
	Utilities	General Industry
Senior Directors	25%	24%
Managers	15%	13%
Supervisors	10%	9%
Senior Level Professionals	13-20%	11-18%
Entry-Mid Level Professionals	7-10%	5-8%
Non-exempt	5%	3-5%

Source: Willis Towers Watson 2018 General Industry and Energy Services MMPS Compensation Survey Reports – U.S.



# Long-Term Incentive Plan Design

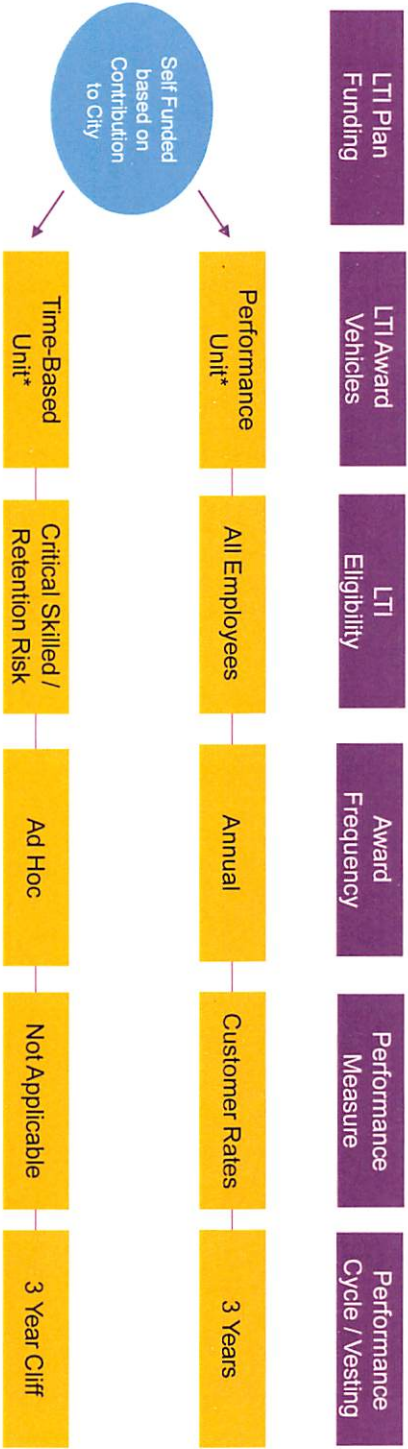
## Introduction

Why Companies Have Long-Term Incentive Plans	Factor Driving JEA Inclusion of LTI
Focus on long-term performance and align performance to long-term business strategies	✓
Necessary component of a market competitive compensation program for investor owned utilities	✓
Aligns the interests of employees with stakeholders	✓
Fosters long-term retention	✓
Encourages teamwork and collaboration across groups, functions, businesses, etc.	✓
Rewards for long-term shareholder/stakeholder value creation	✓
Balances focus on short-term results that are driven by annual incentives	✓

# Long-Term Incentive Plan Design

## Proposed Design

- Given consideration of the overarching goal to allow all employees the opportunity to share in the long-term success of the company, we propose a multi-pronged LTI design approach below:



\* Value of units tied to JEA Net Book Value.

# Long-Term Incentive Plan Design

## Proposed Design Details: Performance Unit

### Performance Unit

Plan Design Element	Plan Design Details						
Award Vehicle							
Eligibility	<ul style="list-style-type: none"><li>• Performance Unit: value of unit tied to JEA Net Book Value; unit valuation formula to be determined</li><li>• All employees would be eligible in order to drive collective focus on JEA long-term performance</li></ul>						
Target Award Opportunity (as % of base salary)	<ul style="list-style-type: none"><li>• Award opportunities vary based on level in the organization (see page 31 for proposed targets); Management and Board's intent is to close competitive gap to market for LTI in first year of grant and ensure JEA compensation is competitive with market 50<sup>th</sup> percentile</li></ul>						
Award Frequency	<ul style="list-style-type: none"><li>• Annual</li></ul>						
Circuit Breaker	<ul style="list-style-type: none"><li>• Defined level of contribution to the City will be established for each award cycle; intent is for contribution level to ensure LTI plan is self funded</li></ul>						
Performance Measures	<ul style="list-style-type: none"><li>• Net Book Value: used to determine Performance Unit value</li><li>• Customer Rates: performance measure used to modify the number of Performance Units earned; performance goal to be determined</li></ul>						
Performance Period	<ul style="list-style-type: none"><li>• 3-year performance cycle with overlapping cycles due to annual grant frequency</li></ul>						
	<table><tr><td>2019</td><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr></table>	2019	2020	2021	2022	2023	2024
2019	2020	2021	2022	2023	2024		
	<table><tr><td>Target Established</td><td>Award Payout</td></tr><tr><td>Target Established</td><td>Award Payout</td></tr></table>	Target Established	Award Payout	Target Established	Award Payout		
Target Established	Award Payout						
Target Established	Award Payout						
Payout Range	<ul style="list-style-type: none"><li>• Threshold: 50% of Target</li><li>• Maximum: 150% of Target</li></ul>						
Estimated Cost	<ul style="list-style-type: none"><li>• Estimated cost of annual Performance Unit awards to all employees based on current incumbent base salaries* is \$3.4M</li></ul>						

\*Bargaining Unit costs calculated based on step structure data if incumbent data are not available.



## Proposed Compensation Adjustments

### *Market Positioning Based on Proposed Pay Adjustments*

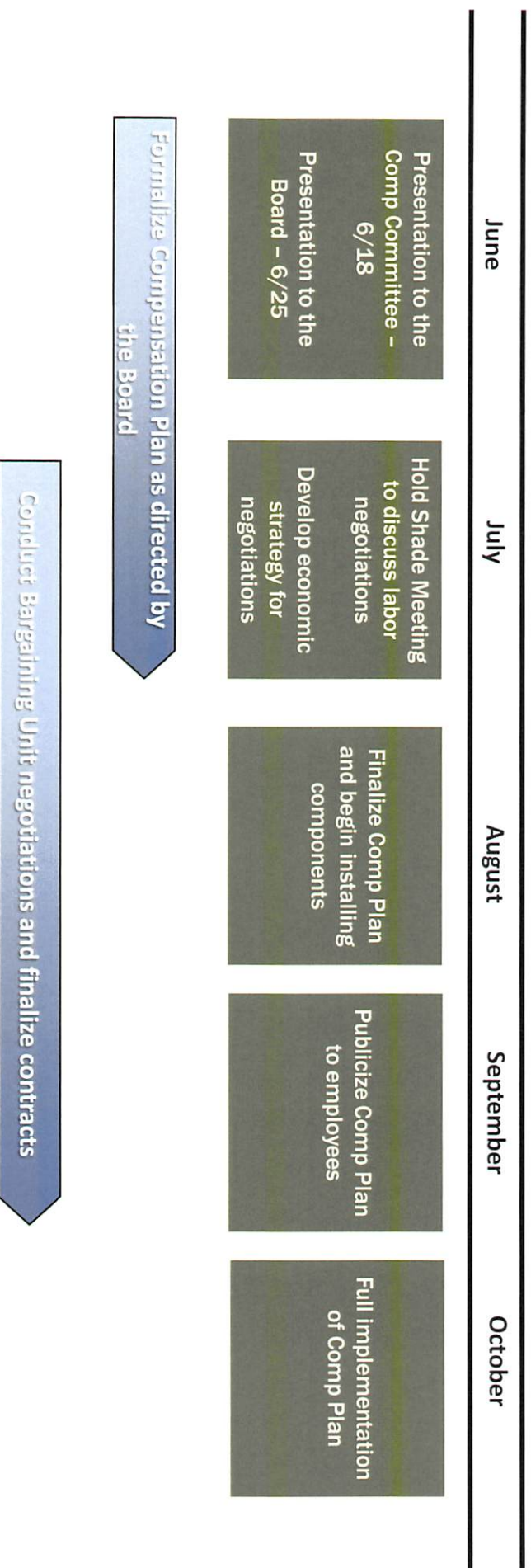
- The following exhibit summarizes the competitive position of JEA pay based on the target bonus % and LTI % adjustments needed to align pay with market median
  - All levels approximate or exceed the market median for target TDC, thereby aligning with the Board's articulated competitive compensation positioning
  - Proposed target bonus % and LTI % for executives bring target TDC to market competitive levels; therefore, material base salary adjustments are not required
  - Bargaining Unit variance exceeds market median target TDC due primarily to variances that are calculated based off of step structure base salaries

#### Job Weighted:

Level	Average Base Salary/Midpoint Variance (Median)	Average Target Bonus %		Proposed Target TCC Variance (Median)		Average Long-term Incentive %		Proposed Target TDC Variance (Median)
	JEA	JEA	Market	JEA	JEA	Proposed	Market	JEA
Executive	-12%	45%	43%	-6%	40%	40%	40%	-2%
Director	-1%	20%	18%	2%	5%	8%	8%	1%
Manager	-2%	10%	13%	-3%	3%	--	--	-1%
Individual Contributor	-1%	7%	10%	-1%	3%	--	--	2%
Bargaining Units	11%	2%	7%	8%	1%	--	--	9%
Total	3%	8%	12%	2%	3%	19%	19%	3%

Note: Market data provided by JEA.

# Compensation Plans



# Compensation Program Appendix for Compensation Committee Meeting

Prepared for JEA

June 18, 2019



JEA 000192



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# Introduction

## Summary

- JEA engaged Willis Towers Watson (“WTW”) to complete the following:
  - Conduct a competitive market assessment for JEA’s entire employee population
  - Provide a summary of market practices related to short-term incentive plan design
  - Conduct a competitive market analysis of long-term incentive (“LTI”) plan design practices and develop a proposed design
- This report includes the following:
  - Confirmation of JEA’s current compensation philosophy
  - Review of the evolution of JEA’s compensation programs
  - Analysis of the compensation variances for JEA’s employee population
  - Analysis of the gaps to market for JEA’s Appointed population and Bargaining Units
  - Proposed LTI plan design
  - Total rewards market best practices

# Compensation Philosophy Review

## JEA's Current Compensation Philosophy

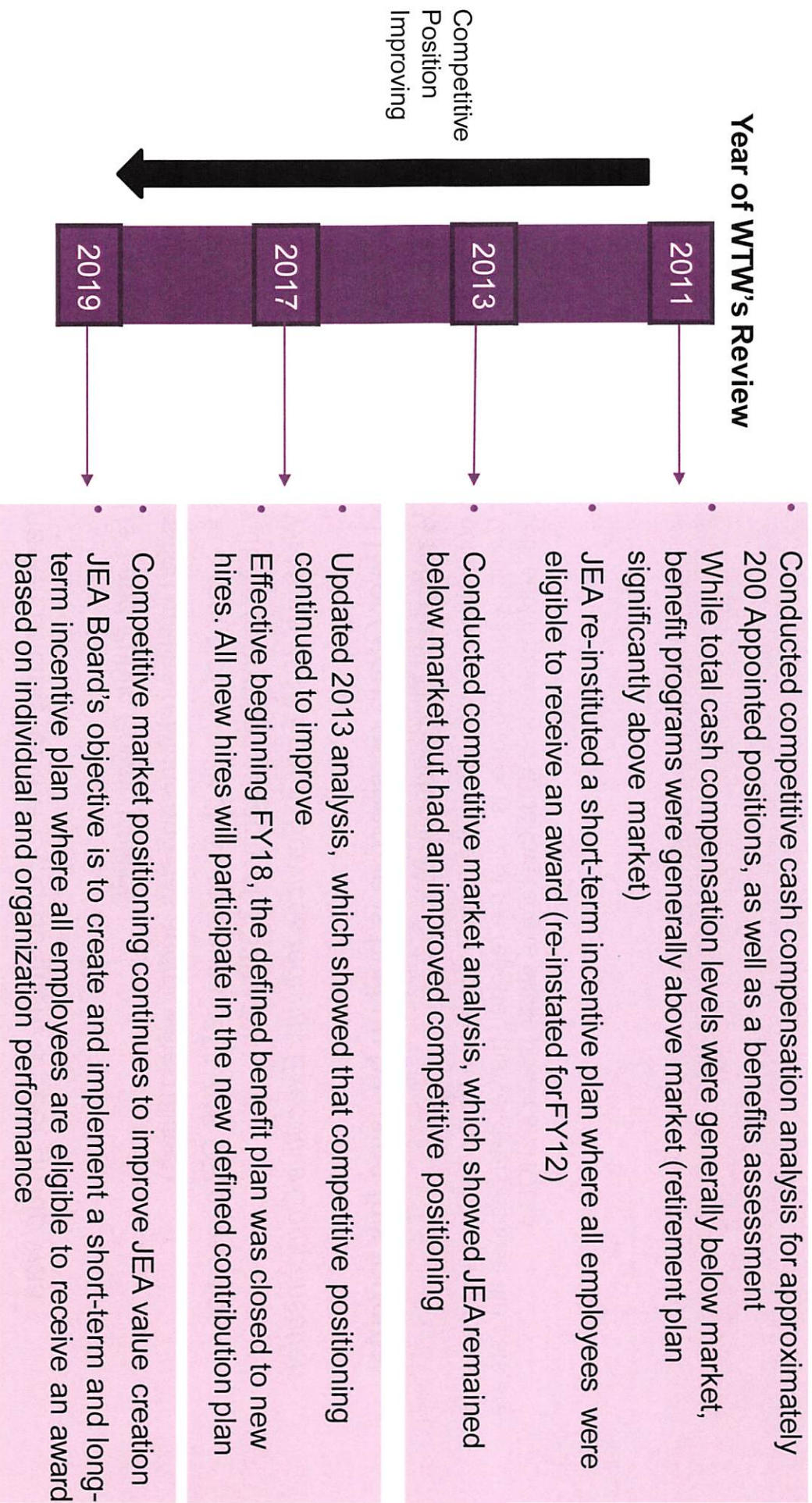
- The following table summarizes JEA's current compensation philosophy, which guided WTW's review of JEA's competitive market assessments:

Compensation Philosophy Element	Details
<b>Alignment of Interest Between Employees, Stakeholders, and Organization</b>	JEA's compensation philosophy should support the overall business and board strategy with the ultimate goal of driving performance of the organization
<b>Market for Talent</b>	JEA's geographic market for talent varies by job level: <ul style="list-style-type: none"> <li>• <u>Individual Contributors/Managers</u> – local and regional scope</li> <li>• <u>Directors/Executives</u> – national scope</li> </ul>
<b>Target Competitiveness</b>	Targets the market 50 <sup>th</sup> %ile for all pay elements (Base Salary, Short-Term Incentive, and Long-Term Incentive)
<b>Pay Mix</b>	JEA's pay mix currently consists of base salary and a short-term incentive award, but JEA is implementing a long-term incentive plan in 2020 to align the interests of employees to JEA's Guiding Principles and four (4) Corporate Measures of Value (Customer, Community, Environmental and Financial)
<b>Industry Perspectives</b>	For <u>functional roles</u> – a 50/50 weighted mix of Utility/General Industry market data For <u>operational roles</u> – only Utility Industry market data



# Evolution of JEA's Compensation Program

## Timeline of Goals and Major Changes



# CEO Competitive Market Pricing Methodology

- To conduct the competitive market pricing for the CEO position, a peer group was developed reflecting:
  - Investor Owned Utilities (“IOUs”) and Public Power Utilities
  - Focus on electric and/or diversified utilities (electric and gas and/or water utilities)
  - Comparably-sized (revenues in a range of ½ to 2x JEA’s revenues of \$1.79B OR generation capacity in a range of ½ to 2x JEA’s generation capacity of 3,330 kWh)
  - Survey source: Willis Towers Watson’s 2018 *Energy Services Industry Executive Compensation Database*
- Target TDC for the Combined Peer Group perspective is built up by using this formula:
  - Target TCC + (Base Salary \* ½ reported LTI opportunity %)
    - Given public power utilities do not typically provide LTI, market data is not shown for the public power peers; therefore, the Combined Peer Group perspective reflects 1/2 of the reported market data because the data are comprised of responses from both public power and IOUs (average of public power and IOUs)

# CEO Competitive Market Pricing

## Market Pricing Details

Chief Executive Officer		Competitive Market Data <sup>(5)</sup>		
Pay Component	Data Perspective	25th %ile 50th %ile 75th %ile		
Base (\$000s)	Combined Peer Group	\$605.0	\$800.0	\$980.0
	Investor Owned Utility Peers	\$730.0	\$835.0	\$995.0
	Public Power Peers	\$475.0	\$580.0	\$920.0
	Combined Peer Group	48%	100%	108%
Target Bonus % <sup>(1)</sup>	Investor Owned Utility Peers	100%	100%	110%
	Public Power Peers <sup>(2)</sup>	---	---	---
	Combined Peer Group	\$760.0	\$1,275.0	\$1,790.0
Target TCC (\$000s)	Investor Owned Utility Peers	\$1,380.0	\$1,725.0	\$2,065.0
	Public Power Peers	\$515.0	\$720.0	\$985.0
	Combined Peer Group	107%	125%	166%
LTI % <sup>(2)</sup>	Investor Owned Utility Peers	213%	249%	331%
	Public Power Peers	---	---	---
	Combined Peer Group <sup>(4)</sup>	\$1,515.0	\$2,270.0	\$3,010.0
Target TDC (\$000s)	Investor Owned Utility Peers	\$2,845.0	\$3,970.0	\$5,110.0
	Public Power Peers	\$515.0	\$720.0	\$985.0

"--"= Data not available.

- (1) Target bonus percentages are represented as a percentage of base salary.
- (2) Long-term incentive (LTI) percentages are represented as a percentage of base salary. LTI figures are based on ASC 718 (FAS 123R) "accounting values". Given public power utilities do not typically provide LTI, market data is not shown for the public power peers; therefore, the Combined Peer Group perspective reflects 1/2 of the reported market data because the data are comprised of responses from both public power and IOUs (average of public power and IOUs).
- (3) Only 4 public power peers report a target bonus opportunity (sample size less than 5 is too small to report data). Responses range from 8-35% with an average of 22%.
- (4) Target TDC for the Combined Peer Group perspective is built up by using Base Salary, Target TCC, and LTI % data.
- (5) Market data greater than \$100,000 rounded to the nearest \$5,000.



# Compensation Benchmarking Summary

## *Methodology*

- The following page contains a summary of WTW's review of JEA's competitive market data for its Appointed population (including 13 executives)
- WTW reviewed the most current incumbent and market data provided by JEA
  - Market data for the positions below the Director-level reflect a -5% geographic differential to account for the cost of labor of Jacksonville, FL vs. the US national average
  - Analysis of competitive positioning focused on market data at the 50<sup>th</sup> percentile

## Compensation Benchmarking Summary

### Appointed Population vs. Market 50<sup>th</sup> Percentile Variances By Job Level

- The following exhibits summarize variances comparing incumbent pay data with market data from job weighted perspective for the Appointed population only
- Variances are lower to market for executives and directors at target bonus %, target TCC, and target TDC compared to the other job levels

#### Job Weighted:

Level	Average Base Salary Variance	Average Target Bonus % Absolute Variance	Average Target TCC Variance	Average Long-term Incentive % Absolute Variance	Average Target TDC Variance
Executive	-12%	-33%	-28%	--	-42%
Director	-1%	-10%	-8%	--	-13%
Manager	-2%	-5%	-6%	--	-6%
Individual Contributor	-1%	-2%	-1%	--	-1%
Total	-2%	-7%	-6%	--	-7%

# Short-Term Incentive Plan Practices

## *Introduction*

- JEA re-instated a broad-based short-term incentive plan several years ago, both to address competitive pay levels, as well as to reinforce specific messages related to performance expectations
- The following pages summarize market practices related to short-term incentive plan design
  - As appropriate, JEA may consider these practices as they continue to evolve their incentive plan design
  - Key design features covered include eligibility, target award opportunities, payout ranges, bonus pool funding, performance measures and performance range
- The market practices information has been summarized from survey research, as well as our consulting experiences

JEA 000201



## Short-Term Incentive Plan Practices *Eligibility*

- Eligibility for short-term incentive plans is typically broad for both the Utility and General Industries, with prevalence actually higher in the Utility Industry (particularly at the lower job levels)
- Over 60% of organizations in the industry extend eligibility to the lower exempt and non-exempt roles
  - Lower roles may not have an expressed target opportunity, but they may be part of a “sharing program” based on organizational performance
  - In some cases, overall funding and participation at lower levels may be discretionary

# Short-Term Incentive Plan Practices

## Target Incentive Award Opportunities

- Target incentive opportunities typically increase with job level, and are relatively similar in both the Utility and General Industries
- Note that we have recommended STI targets as part of our analysis to “close the gap” between market and JEA’s desired competitive positioning

Target Incentive Award Opportunities – By Job Level		
Role/Career Level	Target STI Opportunities	
	Utilities	General Industry
Senior Directors	25%	24%
Managers	15%	13%
Supervisors	10%	9%
Senior Level Professionals	13-20%	11-18%
Entry-Mid Level Professionals	7-10%	5-8%
Non-exempt	5%	3-5%

Source: Willis Towers Watson 2018 General Industry and Energy Services MMPS Compensation Survey Reports – U.S.

## Short-Term Incentive Plan Practices

### *Payout Ranges*

- Payout ranges reflect the total award opportunity as a percentage of the target award, and represent the minimum award opportunity if threshold performance is achieved, and the maximum opportunity if maximum performance is achieved
- Payout ranges are typically 50% of target at threshold performance and 200% of target at maximum performance
  - In WTW's consulting experience, public power utilities typically have a maximum payout of 150% of target
- In most cases (and based on the specific performance standards), organizations will interpolate actual performance between threshold, target and maximum to provide appropriate incentive to improve performance at every possible increment
- Note that it is important to calibrate the payout range with the performance range to ensure that the awards are aligned with the probability of achievement



# Short-Term Incentive Plan Practices

## *Bonus Pool Funding*

- There are two primary approaches to determine bonus pool funding:
  1. Sum-of-targets: specific target opportunities are defined (typically by role or grade) and the sum of these targets determines the bonus “pool” (the aggregated award which would be generated at target performance)
  2. Financial results-based formula: typically a financially-driven formula (e.g., bonus pool equals 10% of profits above a specific threshold)
- The sum-of-targets approach is typically the most common in both the Utility and General Industries
  - Prevalence for financial results-based formulas increases slightly for broad-based plans that are separate from executive plans because there is often a greater requirement that they be self-funding
- Particularly for sum-of-target plans, circuit breakers are a common design feature
  - A circuit breaker represents a single performance measure (typically a financial measure) that must be reached before any incentive award is paid regardless of performance in other measures
  - In other words, if the circuit breaker financial performance isn't achieved, it shuts down the entire plan regardless of performance on other performance measures
  - Note that a financial circuit breaker may be set at levels below threshold levels for payout
- Another design feature is a modifier, which can be used to adjust the initial funding up or down based on another important measure (e.g. determine pool based on financial performance, and then modify by operational or customer performance measures)

## Short-Term Incentive Plan Practices

### *Performance Measures*

- Performance measures send an important message about what an organization must achieve, and how individual employees can contribute to those objectives
- We consider it a best practice to have a portfolio of performance measures to balance expectations across financial, operational and customer service categories
  - However, in order to ensure appropriate focus, we typically see 4-6 performance measures, with each measure having at least a 10% weight
- It is typical for organizations in both the Utility and General Industries to include at least one profit or income measure, with profit / operating income being the most common in both industries
- For non-financial performance measures, environmental health and safety, as well as operating / strategic measures are the most common in the Utility Industry
- Individual performance measures are also common in the Utility and General Industries
  - These measures help create line-of-sight to broader corporate measures

## **Short-Term Incentive Plan Practices**

### ***Performance Range***

- Performance ranges reflect the minimum acceptable performance as a percentage of target performance, and the maximum performance recognized as a percentage of target performance
- Narrow performance ranges are typically used for measures where results are not expected to vary significantly from target (e.g., revenues)
- Wider performance ranges are typically used for measures where performance can fluctuate significantly year to year (e.g., profitability)
- In the Utility Industry, performance ranges for profitability at minimum is typically set to be 90% of target and for maximum is typically set to be 115% of target
- An important consideration in establishing the performance range is the probability of achievement
  - A best practice is to set threshold performance goals where the probability of achievement is 80-90% to ensure appropriate motivation
  - Similarly, probability of achievement for target performance should be 50-60% and 10-20% for maximum performance
- As noted earlier, it is important to calibrate the performance range with the payout range



# Long-Term Incentive Plan Design

## Introduction

Why Companies Have Long-Term Incentive Plans	Factor Driving JEA Inclusion of LTI
Focus on long-term performance and align performance to long-term business strategies	✓
Necessary component of a market competitive compensation program for investor owned utilities	✓
Aligns the interests of employees with stakeholders	✓
Fosters long-term retention	✓
Encourages teamwork and collaboration across groups, functions, businesses, etc.	✓
Rewards for long-term shareholder/stakeholder value creation	✓
Balances focus on short-term results that are driven by annual incentives	✓

# Long-Term Incentive Plan Design

## Market Practices Summary

Design Aspect	Public Power Utilities	Investor Owned Utility (IOU) Peer Group	Broader Utility Industry
<b>Prevalence</b>	LTI plans are used selectively	All 13 IOU peers have an LTI plan	LTI plans are very prevalent with almost all IOUs using an LTI plan
<b>Eligibility</b>	For those Public Power Utilities with an LTI plan, eligibility typically limited to select executives	Typically executives down to director level positions	Typically executives down to director level positions
<b>Target Opportunity (% of Base Salary)</b>	Varies widely based on the organization, but targets will be lower than IOU levels	Median for CEOs: 230% Median for NEOs*: 110% Median for Directors: NA	Median for CEOs: 240% Median for NEOs*: 75% Median for Directors: 15-25%
<b>Award Frequency</b>	Annual awards with overlapping cycles are most common	All 13 peers grant annual awards with overlapping cycles	98.1% of organizations grant annual awards and overlapping cycles are the most common

NEOs\* = Named Executive Officers, as disclosed in the IOU's proxy statement.



# Long-Term Incentive Plan Design

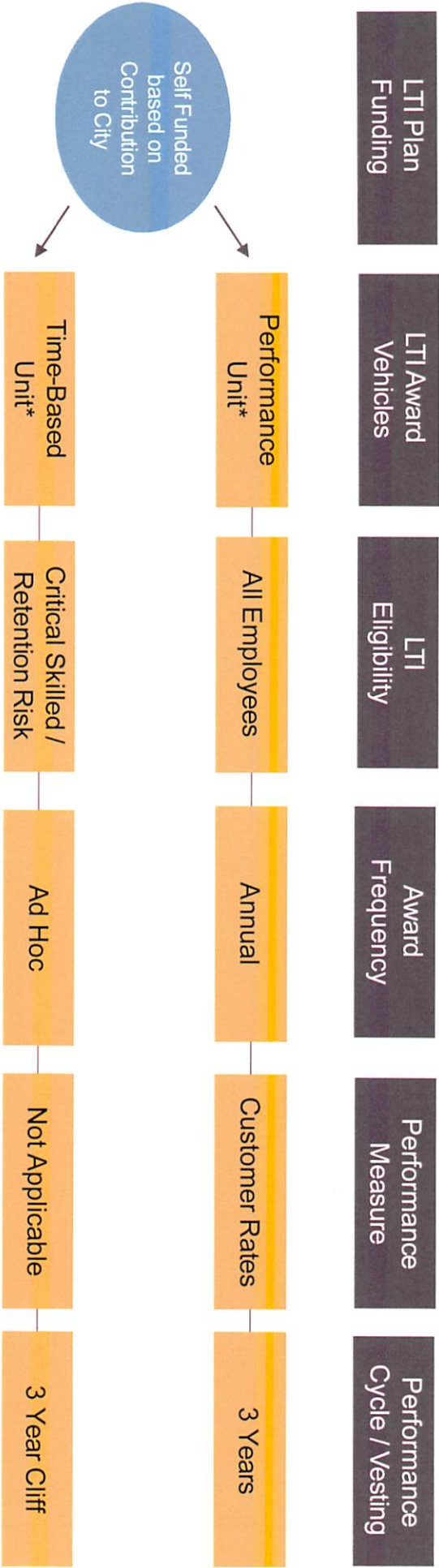
## Market Practices Summary (continued)

Design Aspect	Public Power Utilities	Investor Owned Utility (IOU) Peer Group	Broader Utility Industry
Award Vehicles	Cash-based performance plans	100% of peers use performance plans 69% use restricted stock No peers use stockoptions	93% of organizations use performance plans 66% use restricted stock 16% use stockoptions
Performance Metrics	Financial and operational	TSR (100%) EPS (38%) Operational (15%)	TSR (64%) EPS (22%) Other operational metrics are also common
Performance Metrics Weights	Operational metrics weighted more heavily than financial metrics	TSR and financial metrics weighted more heavily than operational metrics	Not available
Performance Range	More conservative compared to IOUs	Relative TSR: 28 <sup>th</sup> %ile at threshold, 50 <sup>th</sup> %ile at target, and 90 <sup>th</sup> %ile at maximum	Relative TSR: 25 <sup>th</sup> %ile at threshold, 50 <sup>th</sup> %ile at target, and 90 <sup>th</sup> %ile at maximum
Payout Range	Threshold: 50% of Target Maximum: 150% of Target	Threshold: 0-50% of Target Maximum: 150-200% of Target	Threshold: 50% of Target Maximum: 200% of Target



# Long-Term Incentive Plan Design Proposed Design

- Given consideration of the overarching goal to allow all employees the opportunity to share in the long-term success of the company, we propose a multi-pronged LTI design approach below:



\* Value of units tied to JEA Net Book Value.

# Long-Term Incentive Plan Design

## Proposed Design Details: Performance Unit

### Performance Unit

Plan Design Element	Plan Design Details
Award Vehicle	<ul style="list-style-type: none"> <li>Performance Unit: value of unit tied to JEA Net Book Value; unit valuation formula to be determined</li> </ul>
Eligibility	<ul style="list-style-type: none"> <li>All employees would be eligible in order to drive collective focus on JEA long-term performance</li> </ul>
Target Award Opportunity (as % of base salary)	<ul style="list-style-type: none"> <li>Award opportunities vary based on level in the organization (see page 31 for proposed targets); Management and Board's intent is to close competitive gap to market for LTI in first year of grant and ensure JEA compensation is competitive with market 50<sup>th</sup> percentile</li> </ul>
Award Frequency	<ul style="list-style-type: none"> <li>Annual</li> </ul>
Circuit Breaker	<ul style="list-style-type: none"> <li>Defined level of contribution to the City will be established for each award cycle; intent is for contribution level to ensure LTI plan is self funded</li> </ul>
Performance Measures	<ul style="list-style-type: none"> <li>Net Book Value: used to determine Performance Unit value</li> <li>Customer Rates: performance measure used to modify the number of Performance Units earned; performance goal to be determined</li> </ul>
Performance Period	<ul style="list-style-type: none"> <li>3-year performance cycle with overlapping cycles due to annual grant frequency</li> </ul>
Payout Range	<ul style="list-style-type: none"> <li>Threshold: 50% of Target</li> <li>Maximum: 150% of Target</li> </ul>
Estimated Cost	<ul style="list-style-type: none"> <li>Estimated cost of annual Performance Unit awards to all employees based on current incumbent base salaries* is \$3.4M</li> </ul>

\*Bargaining Unit costs calculated based on step structure data if incumbent data are not available.



# Long-Term Incentive Plan Design

## Proposed Design Details: Time-Based Unit

### Time-Based Unit

Plan Design Element	Plan Design Details
Award Vehicle	<ul style="list-style-type: none"> <li>Time-Based Unit: value of unit tied to JEA Net Book Value; unit valuation formula to be determined</li> </ul>
Eligibility	<ul style="list-style-type: none"> <li>All employees eligible, but awards targeted to critically skilled employees or employees viewed as retention risk; awards generally intended for Manager level positions and below in order to enhance employee retention</li> <li>Target 10% of employees below the Director level (approximately 1,500 including Bargaining Units) or approximately 150 employees below the Director level to receive awards each year</li> </ul>
Target Award Opportunity (as % of base salary)	<ul style="list-style-type: none"> <li>Retention award values range from 10% to 20% depending on criticality of role and/or retention need</li> </ul>
Award Pool Funding	<ul style="list-style-type: none"> <li>Defined level of contribution to the City will be established each year with intent for contribution level to ensure LTI plan, covering both Performance Unit and Time-Based Unit awards, is self funded</li> </ul>
Award Frequency	<ul style="list-style-type: none"> <li>Ad hoc awards</li> </ul>
Vesting Period	<ul style="list-style-type: none"> <li>3-year cliff vesting period</li> </ul>
Estimated Cost	<ul style="list-style-type: none"> <li>Estimated cost of annual Time-Based Unit awards to employees below the Director level based on current incumbent base salaries* is \$1.2M</li> </ul>

\*Bargaining Unit costs calculated based on step structure data if incumbent data are not available.



## Proposed Compensation Adjustments

### Competitive Pay Gaps to Market by Pay Element

- The following exhibit summarizes the current gaps to market for JEA's population (excluding the M&C roles due to lack of incumbent data) by each pay element:
  - JEA's base salary, target TCC, and target TDC show variances comparing incumbent pay to market for the Appointed population
  - Bargaining Units' pay elements and JEA target bonus % are based off of pay structures (many of the Bargaining Units are in step structures)
- Gaps to market exist at target bonus % and long-term incentive %, particularly for the executives and directors, which lead to higher variances to market at target TCC and target TDC

#### Job Weighted:

Level	Average Base Salary/Midpoint Variance (Median)	Average Target Bonus %		Proposed Target TCC Variance (Median)		Average Long-term Incentive %		Proposed Target TDC Variance (Median)
	JEA	JEA	Market	JEA	JEA	JEA	Market	JEA
Executive	-12%		43%	-28%		--	40%	-42%
Director	-1%		18%	-8%		--	8%	-13%
Manager	-2%		13%	-6%		--	--	-6%
Individual Contributor	-1%		10%	-1%		--	--	-1%
Bargaining Units	11%		7%	8%		--	--	8%
Total	3%		12%	-1%		--	19%	-2%

Note: Market data provided by JEA.

# Proposed Compensation Adjustments

## Proposed Base Salary, Target Bonus and Long-Term Incentive Adjustments

- **Base Salary:** assess individual competitive position to market; for individual positions well below market, JEA could bring positions to within the competitive range of the market median within two to three years, assuming performance expectations are being met
- **Target Bonus % and LTI % (as % of salary):** the tables below summarize JEA's current average target bonus and LTI incentive opportunities and proposed target values
  - The incentive targets below are intended to close the gap to market for target total direct compensation within the first year in order to align with the Board's compensation philosophy
  - **Note:** when material gaps to market exist, typical market practice is to make incremental adjustments over a multi-year period (2 to 3 years) to close the gap to market. Company performance, cost considerations and stakeholder optics will influence the level of pay adjustment and the timeframe over which pay is brought to market

Level	Target Bonus %			LTI Opportunity %			Total At Risk Compensation		
	Current	Market	Proposed	Current	Market	Proposed	Current	Market	Proposed
Executive	10%	43%	45%	--	40%	40%	10%	83%	85%
Director	8%	18%	20%	--	8%	5%	8%	26%	25%
Manager	7%	13%	10%	--	--	3%	7%	13%	13%
Individual Contributor	6%	10%	7%	--	--	3%	6%	10%	10%
Bargaining Units	2%	7%	2%	--	--	1%	2%	7%	3%

- **Estimated Cost Impact:** estimated incremental cost impact of proposed target bonus and LTI adjustments to bring JEA compensation to the market median is **\$5.8M**; see details below for cost breakdown:
  - Target Bonus Cost: **\$2.4M** based off current incumbent base salaries
  - LTI Cost: **\$3.4M** based off current incumbent base salaries for performance unit award (total cost of **\$4.6M** if time-based unit award is included)

Note: Market data provided by JEA.



## Proposed Compensation Adjustments

### Market Positioning Based on Proposed Pay Adjustments

- The following exhibit summarizes the competitive position of JEA pay based on the target bonus % and LTI % adjustments needed to align pay with market median
  - All levels approximate or exceed the market median for target TDC, thereby aligning with the Board's articulated competitive compensation positioning
    - Proposed target bonus % and LTI % for executives bring target TDC to market competitive levels; therefore, material base salary adjustments are not required
    - Bargaining Unit variance exceeds market median target TDC due primarily to variances that are calculated based off of step structure base salaries

#### Job Weighted:

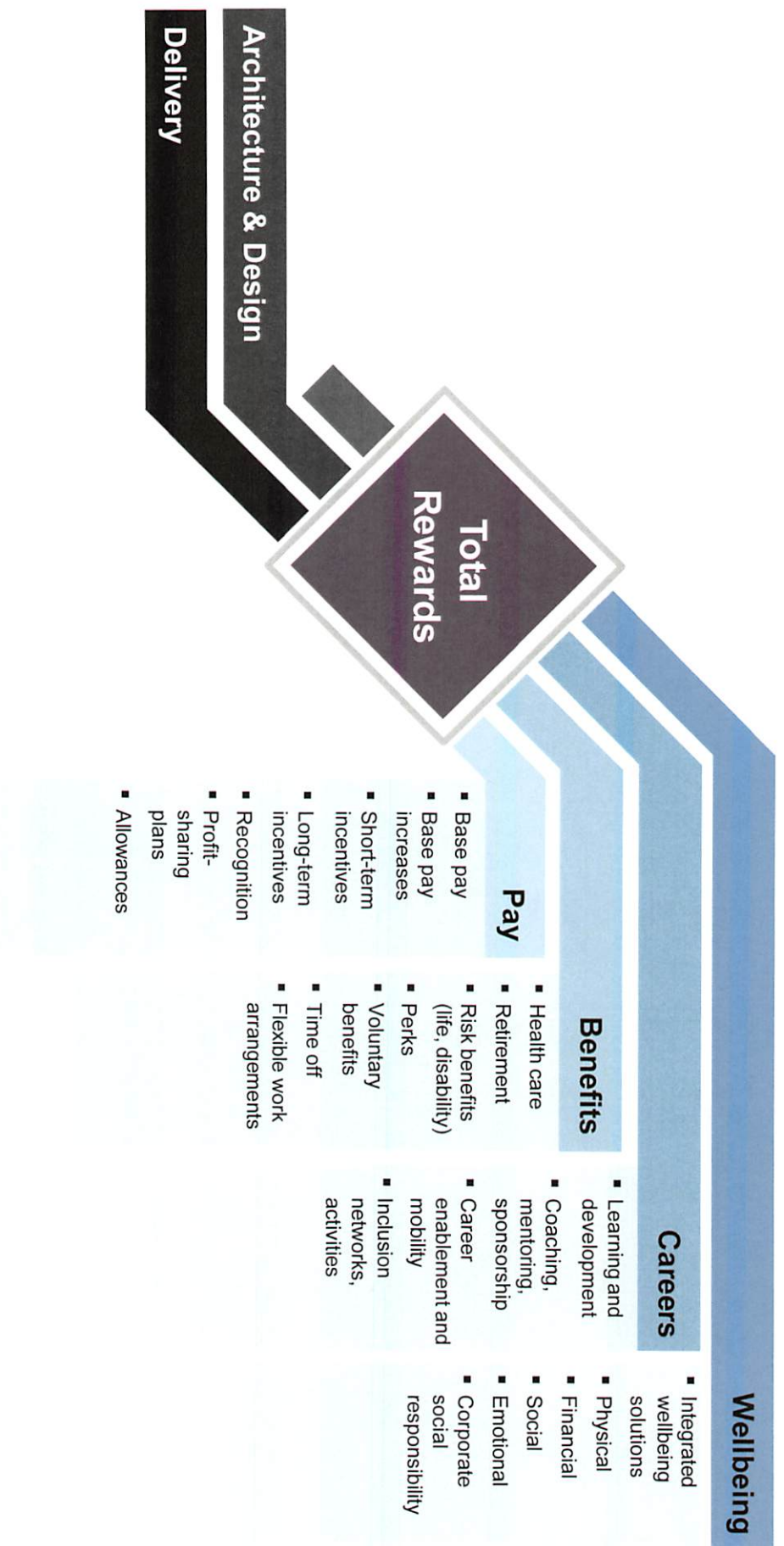
Level	Average Base Salary/Midpoint Variance (Median)	Average Target Bonus %		Proposed Target TCC Variance (Median)	Average Long-term Incentive %		Proposed Target TDC Variance (Median)
	JEA	JEA Proposed	Market	JEA	JEA Proposed	Market	JEA
Executive	-12%	45%	43%	-6%	40%	40%	-2%
Director	-1%	20%	18%	2%	5%	8%	1%
Manager	-2%	10%	13%	-3%	3%	--	-1%
Individual Contributor	-1%	7%	10%	-1%	3%	--	2%
Bargaining Units	11%	2%	7%	8%	1%	--	9%
Total	3%	8%	12%	2%	3%	19%	3%

Note: Market data provided by JEA.



# Modernizing Total Rewards

## Integrated Total Rewards strategy, architecture & design and delivery for a superior Talent Value Proposition



Source: 2018 Willis Towers Watson Modernizing Total Rewards Survey

# Modernizing Total Rewards

**Key themes emerging in the market with implications for Total Rewards**

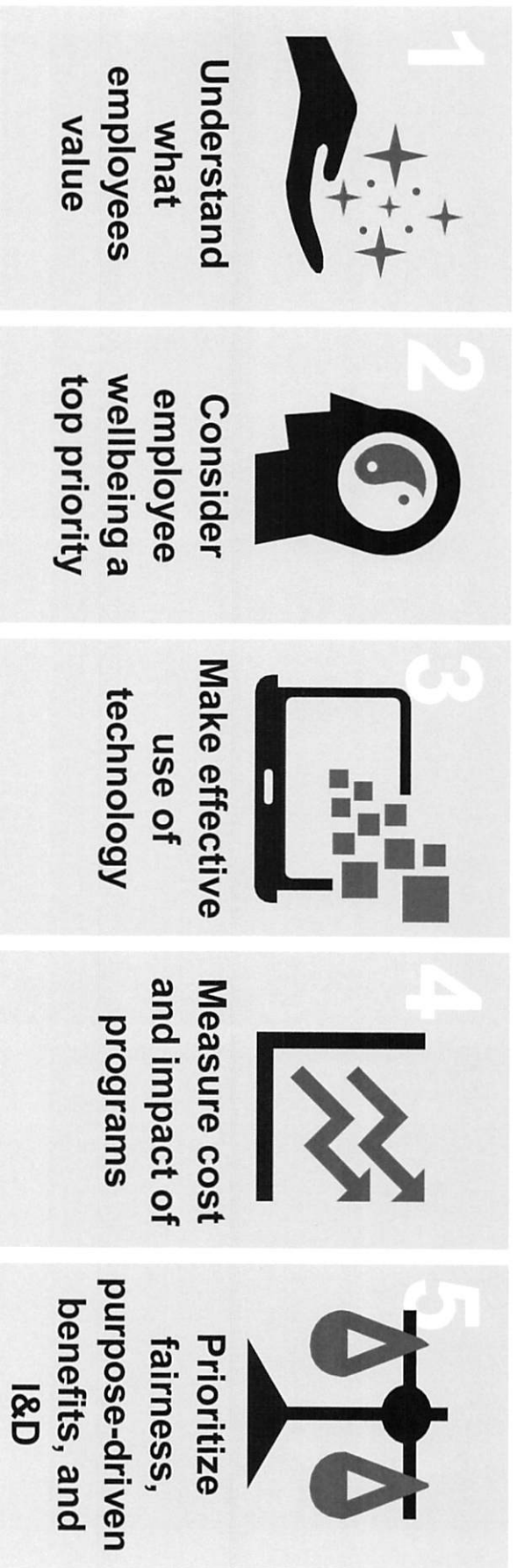


*Source: 2018 Willis Towers Watson Modernizing Total Rewards Survey*



## Modernizing Total Rewards

*Our findings identify five areas critical to meeting employees' Total Rewards expectations and delivering a consumer-grade experience*



Source: 2018 Willis Towers Watson Modernizing Total Rewards Survey

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Willis Towers Watson **Insights**



## **RESOLUTION 2019-10**

### **A RESOLUTION APPROVING LONG-TERM PERFORMANCE UNIT PLAN AND RELATED DOCUMENTATION AND AUTHORIZING THE CEO TO TAKE ANY AND ALL ACTION TO PURSUE THE IMPLEMENTATION OF SUCH PLAN AND RELATED DOCUMENTATION**

**WHEREAS**, in accordance with Board Policy 2.7, the Compensation Committee directed JEA management in January 2019 to develop a compensation policy to align with talent market and guiding principles, JEA management presented to the Compensation Committee and the Compensation Committee approved in June 2019 the framework for a compensation plan, including a long-term incentive plan;

**WHEREAS**, at its June 2019 Board meeting, the Board approved the framework of JEA's long-term compensation plan and authorized JEA management to develop the plan and present it to the Board at the July 2019 Board meeting for final approval;

**WHEREAS**, the Board believes that it is in the best interest of JEA to adopt a long-term performance unit plan in connection with annual performance reviews and general operation of JEA; and

**WHEREAS**, the Board has reviewed the summary of the terms and conditions of the Long-Term Performance Unit Plan, which summary is attached hereto as Exhibit 1 (the "Long-Term Performance Plan Summary").

**BE IT RESOLVED**, by the Board that:

1. The Chief Executive Officer and Managing Director (the "CEO") or his designee shall have the authority to (i) implement a long-term performance unit plan (the "Long-Term Performance Unit Plan") on the terms and conditions set forth on the Long-Term Performance Plan Summary, (ii) execute with each actively employed eligible full-time employee, any full-time JEA employee as otherwise recommended by the CEO and approved by the Administrator of the Long Term Performance Unit Plan, and each actively employed eligible full-time attorney from the Office of General Counsel of the City of Jacksonville who is dedicated exclusively to JEA an agreement under the Long-Term Performance Unit Plan, (iii) in consultation with the Office of General Counsel, make technical and clerical amendments to the Long-Term Performance Unit Plan and/or the Form Long-Term Performance Agreement, all of which do not increase the financial obligations or liability of JEA under the Long-Term Performance Unit Plan and/or the Form Long-Term Performance Agreement, and (iv) take, or cause to be taken, any and all action and to prepare, execute and deliver, or cause to be prepared, executed and delivered, any and all documents that the CEO or his designee deems necessary or advisable to carry out the intent of this resolution.
2. The Chair of the Compensation Committee of the Board be, and hereby is, appointed as the Administrator of the Long-Term Performance Unit Plan with full power and authority to administer the Long-Term Performance Unit Plan in accordance with the terms

therewith.

3. The 2019 Redemption Price Schedule under the Long-Term Performance Unit Plan for the Performance Units to be purchased by Participants in January 2020 attached hereto as Exhibit 2 is hereby approved.
4. This resolution shall be effective immediately upon its adoption.

Dated this 23<sup>rd</sup> day of July 2019.

JEA

By: \_\_\_\_\_  
April Green, Chair

\_\_\_\_\_  
Secretary

Form Approved:

\_\_\_\_\_  
Office of General Counsel

**RESOI**  
**The Long-1**

**BIT 1**  
**Summary**



## RESOLUTION 2019-10 EXHIBIT 1

### Long-Term Performance Plan Summary

<b>Overview</b>	<p>Subject to the satisfaction of the conditions described below, each eligible employee may purchase a specified number of performance units from JEA on January 15th of each year. Eligible employees will be notified in and will execute the Long-Term Performance Unit Plan Agreement in Q4 of calendar year 2019 that they may purchase performance units and the first purchase date will be January 15, 2020.</p> <p>Each performance unit represents a potential right to receive a cash payment equal to the redemption price (as described below) for such unit.</p>
<b>Documentation</b>	<p>All eligible employees will be subject to a plan and will be required to sign an agreement with JEA.</p>
<b>Eligible Employees</b>	<p>All (i) full-time employees who are actively employed with JEA for at least three months prior to the purchase date and (ii) full-time attorneys from the Office of the General Counsel of the City of Jacksonville who are dedicated exclusively to JEA for at least three months prior to the purchase date are eligible to purchase performance units.</p> <p>Any exceptions to the above must be recommended by JEA's CEO and approved by the administrator (as described below).</p>
<b>Pool</b>	<p>A total of 100,000 performance units are available for purchase under the plan.</p>
<b>Purchase Price Payment</b>	<p>Each performance unit will have a purchase price of \$10.00.</p> <p>To pay the purchase price, an eligible employee will elect to defer a portion of his or her pay equal to the aggregate purchase price for the performance units.</p> <p>Each eligible employee may elect to defer his or her pay in a lump sum or equal installments during the payroll periods as selected by such employee and such employee's pay will be deferred at such time as such pay would otherwise have been paid but not for the deferral election.</p> <p>An eligible employee will elect to defer in the calendar year prior to the year in which the compensation is earned.</p>
<b>Performance Period</b>	<p>Each performance period will be a three-year period that is used to calculate the redemption price (if a Recapitalization Event occurs, the performance period will be truncated and will end on the closing date of such Recapitalization Event).</p>

<p><b>Redemption Price</b></p>	<p>An eligible employee will receive a cash payment equal to the redemption price for each performance unit that such employee purchases. The redemption price will include the purchase price paid by an eligible employee for such unit.</p> <p>The redemption price will increase by \$100.00 per performance unit for each Value Change Percentage increase of 1% in excess of the “Challenge Value Target” and will decrease by \$0.50 per performance unit for each “Value Change Percentage” decrease of 1% below the Threshold Value Target, but the redemption price will not be less than \$0.00 per performance unit.</p> <ul style="list-style-type: none"> <li>• The “Challenge Value Target” will be 110% for the first performance period and the “Threshold Value Target” will be 90% for the first performance period.</li> <li>• The “Value Change Percentage” means a percentage equal to the “Current Year Value” divided by the “Base Year Value.”</li> <li>• “Current Year Value” means, with respect to each performance period, the sum of (i) JEA’s Net Position, as shown on JEA’s audited financial statements for such performance period, (ii) the aggregate consideration paid, distributed, credited or otherwise provided to the City of Jacksonville whether in cash or in-kind (excluding any public service taxes or franchise fees) during the 12-month period prior to the end of the performance period, and (iii) the aggregate consideration (including refunds, rebates and distributions) paid, distributed, credited or otherwise provided to JEA’s customers during the 12-month period prior to the end of the performance period. Any consideration and change in Net Position, as applicable, in connection with the Recapitalization Event will be taken into account for purposes of calculating the amounts in (i) – (iii).</li> <li>• For the first performance period, “Base Year Value” is the amount equal to the Current Year Value for fiscal year 2019 as reflected on JEA’s audited financial statements when available.</li> </ul> <p>JEA’s Chief Financial Officer will calculate the redemption price.</p> <p>The administrator will certify the redemption price as soon as practicable following the completion of JEA’s audit for the applicable performance period, but in no event later than 30 days thereafter (or, if a Recapitalization Event occurs, no later than 30 days following the closing date of such Recapitalization Event).</p>
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<p><b>Payments and Vesting Generally</b></p>	<p>The performance units will vest on the earlier to occur of (i) the first anniversary of the last day of the performance period and (ii) the date on which a Recapitalization Event occurs (the “Vesting Date”). Except as otherwise described herein, an eligible employee must be employed on the Vesting Date for the performance units to vest.</p> <p>Payments will be paid to an eligible employee no later than 30 days after the redemption price has been certified by the administrator as described above.</p>
<p><b>Termination of Employment</b></p>	<p>If an eligible employee experiences an involuntary termination of employment (as described below) prior to the applicable Vesting Date, such employee will receive a payment in respect of all of his performance units. Any amounts payable to a terminated eligible employee in respect of his performance units will be paid to such employee at the same time as the amounts would have been paid had there been no termination of employment.</p> <p>An involuntary termination means a termination of employment by JEA without cause or due to the eligible employee’s death or disability.</p> <p>An eligible employee will forfeit his performance units and aggregate purchase price on a termination of employment that is not involuntary.</p>
<p><b>Retirement Eligible Employees</b></p>	<p>If an eligible employee becomes a retirement eligible employee (as described below) and retires, in each case, prior to the applicable Vesting Date, such employee’s performance units will vest on the applicable Vesting Date.</p> <p>An eligible employee is retirement eligible if such employee has attained one of the retirement milestones as described in the General Employees Retirement Plan.</p>
<p><b>Recapitalization Event</b></p>	<p>“Recapitalization Event” means the closing and funding of a transaction or a series of related transactions in accordance with Article 21 of the Charter of the City of Jacksonville and any other applicable law that results in either (i) unencumbered cash proceeds to the City of Jacksonville of at least Three Billion Dollars (\$3,000,000,000) or (ii) at least 50% of the net depreciated property, plant and equipment value of either JEA’s electric system or JEA’s water and wastewater system being transferred, assigned, sold or otherwise disposed of.</p>
<p><b>Conditions to Receipt</b></p>	<p>An eligible employee will receive the cash payment in respect of his performance units if: (i) he executes an agreement; (ii) the employee is continuously employment with JEA (except as set forth above); (iii) the employee executes and does not revoke a release of claims in favor of JEA and the City of Jacksonville; (iv) the employee complies with the covenants set forth below; and (v) the conditions in Section 215.425(3), Florida Statutes are satisfied.</p>



<b>Employee Covenants</b>	<p>Each eligible employee must (i) devote his best efforts to faithfully discharge his duties on behalf of JEA and not take any action that would be contrary to the best interests of JEA, (ii) not disclose confidential JEA information (except as required by applicable law or to perform his job duties) or (iii) not make any unauthorized public statements about, among others, JEA and government officials of the City of Jacksonville.</p> <p>If an eligible employee breaches or threatens to breach these covenants, such employee will forfeit his unvested performance units and JEA will not pay to such employee any amount in respect of his performance units (including any purchase price paid by such employee for the performance units) and/or such employee will promptly repay all or any portion of the cash payment previously paid to him in respect of his performance units, as applicable.</p>
<b>Administrator</b>	<p>The Chair of the Compensation Committee will be the administrator.</p>
<b>Miscellaneous</b>	<p>Any payments made to an eligible employee will be paid less applicable withholding taxes.</p> <p>The plan and agreements will be subject to Sections 409A and 457(f) of the Internal Revenue Code (the "Code") and will be construed and interpreted accordingly.</p> <p>The agreements will be governed by the laws of the State of Florida and subject to arbitration in Duval County in the State of Florida.</p> <p>If or as required, JEA will collectively bargain the plan and applicable agreements with unions representing covered bargaining unit employees of JEA.</p> <p>If any payments under the plan or an agreement to an eligible employee are subject to any excise tax, interest or penalties under the Code (the "Penalties"), JEA will pay to such employee an amount equal to the full amount of the Penalties. JEA will not pay to an eligible employee any amount in respect of Penalties caused by such employee's breach of his or her agreement or such employee's failure to comply with applicable law.</p>

**RESOLUTION 2019-10 EXHIBIT 2**

**2019 Redemption Price Schedule under the Long-Term Performance Unit Plan**

## **RESOLUTION 2019-10 EXHIBIT 2**

### **Long-Term Performance Unit Plan – 2019 Redemption Price Schedule**

#### **SCHEDULE A 2019 REDEMPTION PRICE SCHEDULE**

The Redemption Price shall increase by \$100.00 per Performance Unit for each Value Change Percentage increase of 1.00% in excess of the Challenge Value Target and shall decrease by \$0.50 per Performance Unit for each Value Change Percentage decrease of 1.00% below the Threshold Value Target, but in no event shall the Redemption Price per Performance Unit be less than \$0.00.

For purposes of this Schedule A, the following defined terms shall mean:

(a) “Base Year Value” means \$[AMOUNT].<sup>1</sup>

(b) “Challenge Value Target” means 110%.

(c) “Current Year Value” means, with respect to each Performance Period, the sum of (i) JEA’s Net Position, as shown on JEA’s audited financial statements for such Performance Period, (ii) the aggregate consideration paid, distributed, credited or otherwise provided to the City of Jacksonville whether in cash or in-kind (excluding any public service taxes or franchise fees) during the twelve (12)-month period prior to the end of the Performance Period, and (iii) the aggregate consideration (including refunds, rebates and distributions) paid, distributed, credited or otherwise provided to the customers of the JEA Group during the twelve (12)-month period prior to the end of the Performance Period. For the avoidance of doubt, for purposes of calculating the amounts in clauses (a), (b) and (c), any consideration and change in Net Position, as applicable, in connection with the Recapitalization Event shall be taken into account.

(d) “Value Change Percentage” means a percentage equal to the Current Year Value divided by the Base Year Value.

(e) “Threshold Value Target” means 100%.

Any amounts paid, distributed, credited or otherwise provided in a form other than cash shall be valued at the value ascribed to them in the documents governing, or if none, then at their fair market value as determined by the Administrator in its sole discretion.

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<sup>1</sup> For 2019, this amount will be equal to the Current Year Value for fiscal year 2019 as reflected on the audited financial statements when available.





## **JEA LONG-TERM PERFORMANCE UNIT PLAN**

### **RECITALS:**

WHEREAS, all Employees of JEA, a body politic and corporate under the laws of the State of Florida and an independent agency of the Consolidated City of Jacksonville ("JEA"), perform valuable services for the customers and citizens they serve;

WHEREAS, JEA provides a work environment which emphasizes safety and a positive culture;

WHEREAS, JEA operates in a rapidly evolving business climate to provide energy, water and wastewater utility services;

WHEREAS, JEA desires to recognize the past and continued service of its Employees;

WHEREAS, JEA desires to have long-term incentives, in accordance with its total compensation philosophy approved by the Board in January 2019 and the compensation framework approved by the Board in June 2019, that motivates Employees to drive the customer, community and environmental value of JEA;

WHEREAS, in recognition of the Employees obtaining performance standards that shall be individually determined and evaluated based on the Employees' proportionate contribution to JEA, JEA desires to allow Employees to participate in a long-term performance unit plan on the terms and conditions set forth herein; and

WHEREAS, except as otherwise recommended by JEA's Chief Executive Officer and approved by the Administrator, all Employees are eligible to participate in the plan.

### **SECTION 1 PURPOSE**

(a) The purpose of this JEA Long-Term Performance Unit Plan (this "Plan") is to provide a means by which employees of JEA may be given incentives to (i) remain with JEA, (ii) drive value for customers, (iii) drive value for the community of North East Florida, (iv) drive environmental value, and (v) drive financial value for JEA and the City of Jacksonville.

(b) JEA hereby seeks to retain the services of Employees and to provide incentives for such Employees to exert maximum efforts for the success of JEA and for the benefit of JEA's customers and the community it serves and the City of Jacksonville.

### **SECTION 2 CERTAIN DEFINITIONS**

As used in this Plan, the following terms shall have the meanings given to them in this Section 2. Certain other terms are defined elsewhere in this Plan.

(a) “Administrator” means the Chair of the Compensation Committee of the Board and, following a Recapitalization Event, the entity designated in the definitive agreement entered into in connection with such Recapitalization Event to act as the representative of JEA’s interests under such agreement (and, in the absence of such a designation, the Chair of the Board).

(b) “Agreement” means a Long-Term Performance Unit Agreement in the form prescribed by the Administrator for the purchase of Performance Units under this Plan.

(c) “Applicable Law” means any constitution, law, statute, ordinance, rule, regulation, regulatory requirement, code, order, judgment, injunction or decree enacted, issued, promulgated, enforced or entered by a federal, state, provincial or local government or other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of any such government or political subdivision.

(d) “Board” means the Board of Directors of JEA.

(e) “Cause” means (x) in the case where a Participant has an employment agreement, consulting agreement or similar agreement in effect with JEA at the time of purchase of the Performance Units that defines a termination for “cause” (or words of like import), “cause” as defined in such agreement or (y) in the case where a Participant does not have an employment agreement, consulting agreement or similar agreement in effect with JEA at the time of purchase of the Performance Units or where there is such an agreement but it does not define “cause” (or words of like import):

(i) ~~(ii)~~ the Participant has been convicted of, pled guilty or no contest to or entered into a plea agreement with respect to, (A) any felony under Applicable Law or (B) any crime involving dishonesty or moral turpitude;

(ii) ~~(iii)~~ the Participant has engaged in (A) any willful misconduct or gross negligence or (B) any act of dishonesty, violence or threat of violence, in each case with respect to this clause (B), that would reasonably be expected to result in a material injury to the JEA Group;

(iii) ~~(iv)~~ the Participant willfully fails to perform the Participant’s duties to the JEA Group and/or willfully fails to comply with lawful directives of the Board;

(iv) ~~(v)~~ the Participant materially breaches any term of any contract to which the Participant and any member of the JEA Group is a party; or

(v) ~~(vi)~~ the Participant materially breaches any term of this Plan and/or his or her Agreement;

provided that, with respect to clauses (iii), (iv) and (v) and if the event giving rise to the claim of Cause is curable, JEA provides written notice to the Participant of the event within thirty (30) days of JEA learning of the occurrence of such event, and such Cause event remains uncured fifteen (15) days after JEA has provided such written notice; provided further that any



termination of the Participant's employment for "Cause" with respect to clause (iii), (iv) or (v) occurs no later than thirty (30) days following the expiration of such cure period.

Notwithstanding the foregoing, to the extent that this definition of "Cause" is inconsistent with a definition of "cause" (or words of like import) in any applicable and lawful collective bargaining agreement or the applicable and lawful Civil Service and Personnel Rules and Regulations of the City of Jacksonville (the "Civil Service Rules"), the definition of "cause" (or words of like import) in such collective bargaining agreement or the Civil Service Rules shall control.

(f) "Closing Date" means the date on which the Recapitalization Event occurs.

(g) "Code" means the Internal Revenue Code of 1986, as amended, and the rules, regulations and guidance issued thereunder.

(h) "Deferral Election" means an election by an Employee under the Agreement to defer pay to purchase Performance Units under this Plan, payable for services to be performed in calendar years beginning after the date the Election Notice becomes irrevocable. An Employee shall make a new Deferral Election with respect to each Performance Period to the extent that such Employee is eligible to participate in this Plan for such Performance Year.

(i) "Disability" means (i) if JEA provides long-term disability insurance to its employees generally and if JEA's long-term disability plan defines the term "disability," then the same meaning as in JEA's long-term disability plan or (ii) if JEA does not provide long-term disability insurance to its employees generally, a condition that renders a Participant unable to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment as determined by JEA's absence management vendor; provided, however, that the absence management vendor has no obligation to investigate whether Disability exists, unless the Participant or representative thereof puts JEA on notice within ninety (90) days after the Participant's termination of employment.

(j) "Election Notice" means the notice or notices established from time to time by the Administrator for making Deferral Elections under this Plan. The Election Notice shall include the amount of compensation to be deferred and the number of Performance Units to be purchased (subject to any minimum or maximum amounts set forth herein). Each Election Notice shall become irrevocable as of December 31st of the calendar year immediately preceding the calendar year in which the Purchase Date occurs (or such earlier date as determined by the Administrator).

(k) "Employee" means, except as otherwise recommended by JEA's Chief Executive Officer and approved by the Administrator, any full-time employee of the JEA Group who has been employed by any member of the JEA Group for at least three (3) months prior to the Purchase Date or any full-time attorney from the Office of the General Counsel of the City of Jacksonville who is dedicated exclusively to JEA for at least three (3) months prior to the Purchase Date.

(l) “Involuntary Termination” means, with respect to a Participant, a termination of the Participant’s employment by any member of the JEA Group without Cause or due to such Participant’s death or Disability.

(m) “JEA Group” means JEA and its affiliates, assigns, subsidiaries and successors.

(n) “Participant” means any Employee who makes a Deferral Election to purchase Performance Units under this Plan.

(o) “Performance Period” means a three (3)-year period used to measure the Value Change Percentage beginning on the applicable Purchase Date and ending on the earlier of the third anniversary of the Purchase Date or Closing Date.

(p) “Performance Unit” means a bookkeeping entry representing a potential right to receive a payment under this Plan.

(q) “Purchase Date” means the date on which Performance Units are purchased by Participants under this Plan, which shall be each January 15th of the calendar year following the calendar year in which JEA’s annual financial statements audit is completed (or, if January 15th falls on a weekend or a holiday, the next business day thereafter). The first Purchase Date under the Plan shall be January 15, 2020.

(r) “Purchase Price” means the price to be paid by a Participant for each Performance Unit under this Plan which shall be no less than \$10.00 per Performance Unit.

(s) “Recapitalization Event” means the closing and funding of a transaction or a series of related transactions in accordance with Article 21 of the Charter of the City of Jacksonville and any other Applicable Law that results in either (i) unencumbered cash proceeds to the City of Jacksonville of at least Three Billion Dollars (\$3,000,000,000) or (ii) at least fifty percent (50%) of the net depreciated property, plant and equipment value of either JEA’s electric system or JEA’s water and wastewater system being transferred, assigned, sold or otherwise disposed of.

(t) “Redemption Price” means a price per Performance Unit payable by JEA to each Participant calculated in accordance with the redemption price schedule substantially in the form attached hereto as Schedule A (the “Redemption Price Schedule”); provided, however, that if the Threshold Value Target (as defined on Schedule A attached hereto) set forth on the Redemption Price Schedule is not attained during the applicable Performance Period, the Redemption Price for such Performance Period may be reduced to \$0. The Redemption Price shall include the Purchase Price per Performance Unit.

(u) “Retirement Eligible Employee” means an Employee who has attained one of the retirement milestones as described in the General Employees Retirement Plan.

(v) “Vesting Date” means the earlier to occur of (i) the first anniversary of the last day of the Performance Period and (ii) the date on which a Recapitalization Event occurs.

### **SECTION 3 ADMINISTRATION; CERTIFICATION**

(a) Appointment; Delegation. This Plan shall be interpreted and administered by the Administrator, whose actions shall be final and binding on all persons, including the Participants. The Administrator may delegate all or any of its responsibilities hereunder to the Board, a committee of the Board or any member of JEA's senior executive management.

(b) Powers. The Administrator, in its sole but reasonable discretion, shall have the power, subject to, and within the limitations of, the express provisions of this Plan:

(i) to determine whether any individual has status as a Participant, the number of Performance Units that may be purchased by a Participant, and whether a Participant is entitled to payment hereunder;

(ii) to determine for a Participant any additional terms and conditions of participation in this Plan not inconsistent with the terms of this Plan, which such additional terms and conditions shall be set forth in the Agreement;

(iii) to certify whether or not the performance metrics set forth on the Redemption Price Schedule for the applicable Performance Period have been attained, including whether or not the Value Target for the applicable Performance Period has been attained;

(iv) to establish procedures to allow Employees to make deferral elections (provided that such procedures shall be designed to comply with requirements of Applicable Law);

(v) to take all other action as may be required hereunder; and

(vi) to interpret this Plan.

Notwithstanding the foregoing, JEA's Chief Financial Officer shall determine the amount of the Redemption Price.

(c) Certification. As soon as practicable following the completion of JEA's financial statements audit for the applicable Performance Period and in no event later than thirty (30) days following the end of such Performance Period, the Administrator shall certify in writing the Value Change Percentage as set forth on the applicable Redemption Price Schedule for such Performance Period. Notwithstanding the foregoing, if a Recapitalization Event occurs, the Administrator shall certify in writing the Value Change Percentage as set forth on the applicable Redemption Price Schedule for such Performance Period no later than thirty (30) days following such Recapitalization Event.

### **SECTION 4 EFFECTIVE DATE; NUMBER OF PERFORMANCE UNITS**



- (a) Effective Date. This Plan is effective as of July 23, 2019 (the “Effective Date”).
- (b) Performance Unit Limit. The aggregate number of Performance Units which may be purchased by Participants under this Plan is one hundred thousand (100,000) Performance Units.

## **SECTION 5**

### **VESTING; REDEMPTION PRICE**

(a) Agreement. Each Performance Unit purchased under this Plan by a Participant shall represent a contractual right to receive, on the terms and subject to the conditions of this Plan and the applicable Agreement evidencing such purchase, payments under this Plan on the terms and subject to the conditions of this Plan.

(b) Number of Units. The number of Performance Units purchased by each Participant shall be set forth in such Participant’s Agreement.

(c) Time of Purchase. On or before the Recapitalization Event, upon the conclusion of JEA’s annual financial statements audit, Employees may purchase Performance Units on an annual basis. Following the Recapitalization Event, no Performance Units may be purchased.

(d) Vesting Schedule. The Performance Units purchased by any Participant shall vest on the Vesting Date if a Participant’s employment with any member of the JEA Group had not previously terminated. Notwithstanding the foregoing, in the event of a Participant’s Involuntary Termination prior to the applicable Vesting Date, such Participant shall be eligible to receive all of his or her Performance Units and such Performance Units shall vest on the Vesting Date. Any amount payable to a Participant pursuant to the foregoing sentence shall be paid to such Participant at the same time as the Redemption Price for the Performance Units (to the extent unpaid) would have been paid had there been no termination of employment.

(e) Forfeiture. Unvested Performance Units held by a Participant whose employment with any member of the JEA Group is terminated prior to the applicable Vesting Date shall be forfeited for no consideration (but only after giving effect to any vesting pursuant to Section 5(d)). Performance Units forfeited pursuant to the preceding sentence may be available for purchase by other Participants. If a Participant forfeits all or any of his or her Performance Units, he or she shall be refunded the Purchase Price paid by such Participant for such Performance Units; provided, however, that any forfeiture due to a termination of employment for Cause or a resignation of employment shall result in a forfeiture of unvested Performance Units and the Purchase Price paid for such unvested Performance Units.

(f) Retirement Eligible Employees. Notwithstanding Section 5(d), if a Participant becomes a Retirement Eligible Employee prior to the applicable Vesting Date and such Participant retires from employment with any member of the JEA Group prior to the Applicable Vesting Date, such Participant’s Performance Units shall vest on the applicable Vesting Date. Any amount payable to a Participant pursuant to the foregoing sentence shall be paid to such Participant at the same time as the Redemption Price for the Performance Units (to the extent unpaid) would have been paid had the Participant not retired from employment. The

Administrator shall determine in its sole and absolute discretion whether a Participant's termination shall qualify as a retirement for purposes of this Section 5(f).

(g) Redemption Price. On the applicable payment date, each Participant shall receive an amount equal to the number of his or her vested Performance Units multiplied by the Redemption Price per Performance Unit.

## **SECTION 6**

### **PURCHASE OF PERFORMANCE UNITS; PAYMENT AND DISTRIBUTIONS**

(a) Purchase of Performance Units. To receive a Purchase Price under this Plan, a Participant must pay to JEA a Purchase Price for each Performance Unit that he or she would like to purchase. To pay the Purchase Price for a Performance Unit, an Employee must elect to defer a portion of his or her pay by completing an Election Notice and filing it with the Administrator no later than December 31st of the calendar year immediately preceding the calendar year to which the Deferral Election relates. The Election Notice must specify the amount of pay that the Employee would like to defer (such pay must be payable for services rendered in a calendar year beginning after the date the Election Notice becomes irrevocable) and the number of Performance Units that such Employee would like to purchase. The Administrator shall notify each Employee of the maximum number of Performance Units that the Employee is eligible to purchase (it being understood that an Employee may not defer an amount of pay in excess of the aggregate Purchase Price for the maximum number of Performance Units that may be purchased by such Employee).

(b) Payments. On the terms and subject to the conditions set forth in this Plan and any Agreement, a Participant who holds vested Performance Units as of the applicable Vesting Date shall be entitled to receive the Redemption Price for such Performance Units. Payments shall be made to the Participants no later than thirty (30) days following the date on which performance is certified pursuant to Section 3(c).

## **SECTION 7**

### **CONDITIONS TO RECEIPT OF PAYMENT**

A Participant's right to receive a payment in consideration for his or her Performance Units is conditioned on his or her execution of an Agreement and all of the following: (a) the Participant's continuous employment with any member of the JEA Group through the Vesting Date (except as set forth herein), (b) the Participant's execution and non-revocation of a release of claims in favor of the JEA Group ("Release") in a form reasonably satisfactory to JEA, (c) the Employee's compliance with the covenants set forth in the Agreement, and (d) satisfaction of the conditions set forth in Section 215.425(3), Florida Statutes. Within sixty (60) days prior to the anticipated payment date, JEA shall deliver the Releases to the Participants and, to the extent required by Applicable Law, the Participants shall have twenty-one (21) or forty-five (45) days from the date of the Releases are delivered to the Participants to review the Releases and an additional seven (7) days to revoke the Releases. Each Participant must have executed an irrevocable Release prior to the applicable payment date to receive any payment in respect of his

or her Performance Units (it being understood that a Participant shall only be required to execute one Release prior to the first payment date for payments outside of a Recapitalization Event).

## SECTION 8 AMENDMENT AND TERMINATION OF PLAN

(a) General. This Plan (including the template Redemption Price Schedule attached hereto and any Redemption Price Schedule created for specific Performance Periods) may be amended or terminated at any time or from time to time by the Board; provided, however, that no such amendment or termination shall impair the then-existing rights of a Participant with regard to this Plan without such Participant's written consent.

(b) Final Distribution. This Plan shall automatically terminate upon the payment or distribution of all amounts owed to all Participants under this Plan following a Recapitalization Event.

## SECTION 9 MISCELLANEOUS

(a) Rounding. All payments provided under this Plan shall be rounded down to the nearest whole cent.

(b) Tax Withholding. The JEA Group shall be entitled to make deductions from the payments hereunder in respect of any applicable income and employment tax, up to the maximum amount permitted by Applicable Law, subject to the JEA Group's normal withholding procedures.

(c) Unfunded Plan. This Plan is intended to constitute an "unfunded" program, and no amounts shall be set aside to fund any payments hereunder prior to the end of the Performance Period. JEA's obligations under this Plan are unfunded and unsecured, and the Participants have no rights other than those of general unsecured creditors of the JEA Group with respect to any payment hereunder.

(d) Sections 409A and 457(f). This Plan and any Agreement are intended to provide payments that are exempt from Sections 409A and 457(f) of the Code ("Code Sections 409A and 457(f)"), or alternatively that comply with Code Sections 409A and 457(f), and the terms of this Plan and any Agreements shall be construed and administered in a manner that is exempt from or in compliance with Code Sections 409A and 457(f), as appropriate. Each payment hereunder is intended to be treated as one of a series of separate payments for purposes of Code Sections 409A and 457(f). Notwithstanding anything herein to the contrary, no amendment may be made to this Plan or any Agreement if it would cause this Plan, any Agreement or any payment hereunder or thereunder not to be in compliance with Code Sections 409A and 457(f).

(e) Successors and Assigns.

(i) ~~(e) Successors and Assigns~~. This Plan and any ~~Agreement~~ Agreements shall be binding on and shall inure to the benefit of JEA and its successors (including any



~~organization~~organization(s) that succeeds to ~~substantially all~~a substantial portion of the assets and business of JEA) and assigns, and the term “JEA” whenever used in this Plan and any ~~Agreement~~Agreements shall mean and include any such successors or assigns. This Plan and any ~~Agreement~~Agreements shall be assigned to and assumed by any successor of JEA (including any ~~organization~~organization(s) that succeeds to ~~substantially all~~a substantial portion of the assets and business of JEA); and this Plan and any applicable Agreements may be assigned in part to and assumed by any successor of a substantial portion of the assets and business of JEA as determined by the Administrator in its sole discretion, which such determination shall be final and binding on JEA, the Participants (and their respective beneficiaries) and any such successor. Upon such assignment and assumption, the rights and obligations of JEA under this Plan and any ~~Agreement~~applicable Agreements shall become the rights and obligations of such successor. Further, JEA shall require any successor (~~including any organization that succeeds to substantially all of the assets and business of JEA~~) to assume expressly and agree to perform this Plan and any ~~Agreement~~applicable Agreements in the same manner and to the same extent that JEA would be required to perform this Plan and any ~~Agreement~~such Agreements if no such succession had taken place. This Plan and any Agreements shall be administered in a manner which best reflects the spirit and purpose of this Section 9(e)(i), and the Board may amend or clarify this Plan and/or any Agreements to reflect the spirit and purpose of this Section 9(e)(i) in accordance with the amendment procedures set forth in Section 8(a).

(ii) Neither this Plan nor any ~~Agreement~~Agreements nor any right or interest hereunder or thereunder shall be assignable or transferable by any Participants or their beneficiaries or legal representatives, except by will or by the laws of descent and distribution. Notwithstanding the foregoing, in the event of the death of a Participant, payments that otherwise would have been made to the Participant shall instead be made to the Participant’s estate.

(f) Governing Law. All questions concerning the construction, validity and interpretation of this Plan and any Agreement shall be governed by the laws of the State of Florida, applicable to contracts to be executed and performed entirely therein, regardless of the laws of any other jurisdiction that might otherwise govern due to applicable conflicts of laws principles.

(g) Arbitration. Except for suits seeking injunctive relief or specific performance or as otherwise prohibited by law, the parties hereby agree that any dispute, controversy or claim arising out of, connected with and/or otherwise relating to this Plan and/or any Agreement and the arbitrability of any controversy or claim relating hereto shall be finally settled by binding arbitration. The parties hereby knowingly and voluntarily waive any rights that they may have to a jury trial for any such disputes, controversies or claim. The parties agree to resolve any dispute arising out of this Plan and/or any Agreement before the American Arbitration Association (the “AAA”) in accordance with the AAA’s then existing National Rules of Resolution of Employment Disputes. The arbitration shall be administered by the AAA and the hearing shall be conducted in Duval County of the State of Florida before a neutral arbitrator, who must have been admitted to the practice of law for at least the last ten (10) years (the

“Arbitrator”). Each party further agrees to pay its or his own arbitration costs, attorneys’ fees, and expenses, unless otherwise required by the AAA’s then-existing arbitration rules. The Arbitrator shall issue an opinion within thirty (30) days of the final arbitration hearing and shall be authorized to award reasonable attorneys’ fees to the prevailing party, which decision of the Arbitrator shall be final, conclusive, unappealable and binding on the parties. Subject to Applicable Law, the arbitration proceeding and any and all related awards, relief or findings shall be confidential, except that any arbitration award may be filed in a court of competent jurisdiction by either party for the purpose of enforcing the award.

(h) Survival. The provisions of this Plan and any Agreement that are intended to survive this Plan and any Agreement and to survive the Participant’s termination of employment shall survive in accordance with their terms.

(i) Severability. If any provision of this Plan or any Agreement becomes or is deemed invalid, illegal or unenforceable in any applicable jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the minimum extent necessary to conform to Applicable Law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision shall be stricken and the remainder of this Plan or any Agreement (as applicable) shall continue in full force and effect.

(j) Collective Bargaining; Civil Service Rules. If or as required, JEA shall collectively bargain this Plan and/or any Agreement with unions representing covered bargaining unit employees of JEA. This Plan and any Agreement shall not be interpreted to be inconsistent with the Civil Service Rules, as applicable.

(k) Penalties. In the event that any payments under this Plan and/or any Agreement to any Participant are subject to any excise tax, interest or penalties under the Code (the “Penalties”), the JEA Group shall pay to such Participant an amount equal to the full amount of the Penalties. Such payment is intended to place the Participant in the same economic position such Participant would have been in if the Penalties did not apply and shall be calculated in accordance with such intent. Notwithstanding anything to the contrary contained herein, the JEA Group shall not make any Participant economically whole for Penalties caused by, relating to or arising from such Participant’s breach of this Plan or any Award Agreement or such Participant’s failure to comply with his or her obligations under Applicable Law.

(l) Compliance with Applicable Law. No provision of this Plan and/or any Agreement shall be deemed to violate Applicable Law and this Plan and any Agreement shall be interpreted in accordance with this intent.

(m) Determinations. All determinations regarding the Performance Units, including the amount of the Redemption Price, shall be made by JEA in its sole and absolute discretion in accordance with the terms of this Plan and any Agreement, and shall be final, conclusive and binding on all parties.

(n) Section Headings. The headings in this Plan are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning hereof.

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**SCHEDULE A**  
**[YEAR] REDEMPTION PRICE SCHEDULE**

The Redemption Price shall increase by \$100.00 per Performance Unit for each Value Change Percentage increase of 1.00% in excess of the Challenge Value Target and shall decrease by \$0.50 per Performance Unit for each Value Change Percentage decrease of 1.00% below the Threshold Value Target, but in no event shall the Redemption Price per Performance Unit be less than \$0.00.

For purposes of this Schedule A, the following defined terms shall mean:

- (a) “Base Year Value” means \$[AMOUNT].<sup>1</sup>
- (b) “Challenge Value Target” means [PERCENT].<sup>2</sup>
- (c) “Current Year Value” means, with respect to each Performance Period, the sum of (i) JEA’s Net Position, as shown on JEA’s audited financial statements for such Performance Period (or, in the case of a Recapitalization Event, JEA’s Net Position as shown on JEA’s audited financial statements immediately following the Closing Date), (ii) the aggregate consideration paid, ~~distributed, credited~~ directly or otherwise ~~provided~~ transferred to the City of Jacksonville whether in cash or in-kind (excluding any public service taxes or franchise fees) during the twelve (12)-month period prior to the end of the Performance Period, and (iii) the aggregate consideration (including refunds, rebates and distributions) paid, distributed, credited or otherwise provided to the customers of the JEA Group during the twelve (12)-month period prior to the end of the Performance Period. For the avoidance of doubt, for purposes of calculating the amounts in clauses (i), (ii) and (iii), any consideration and change in Net Position, as applicable, in connection with the Recapitalization Event shall be taken into account.
- (d) “Value Change Percentage” means a percentage equal to the Current Year Value divided by the Base Year Value.
- (e) “Threshold Value Target” means [PERCENT].<sup>3</sup>

Any amounts paid, distributed, credited or otherwise provided in a form other than cash shall be valued at the value ascribed to them in the documents governing, or if none, then at their fair market value as determined by the Administrator in its sole discretion.

<sup>1</sup> For the first performance period, this amount will be equal to the Current Year Value for fiscal year 2019 as reflected on the audited financial statements when available.

<sup>2</sup> For the first performance period, insert 110%.

<sup>3</sup> For the first performance period, insert 100%.

<p align="center"><b>Summary report:</b>  <b>Litera® Change-Pro for Word 10.5.0.0 Document comparison done on</b>  <b>8/26/2019 5:13:10 PM</b></p>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> JEA - Long-Term Performance Unit Plan.docx	
<b>Modified filename:</b> JEA - Long-Term Performance Unit Plan(1).docx	
<b>Changes:</b>	
Add	26
Delete	23
Move From	0
Move To	0
Table Insert	0
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>49</b>





To: Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>  
 Subject: FW: A Proposal for JEA Non-Qualified Plan

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

See previous page. This is an email from 11/8/19

Pat:

I am forwarding to your attention the proposal for the annual recordkeeping for the Non-Qualified Performance Unit Plan. Since we do not know the number of participants that will participate in the plan, we had to make some assumptions. We extracted from the database a list of employees with compensation over \$150,000 with the assumption this group of employees are the most likely to contribute. Based on that extraction we arrived at 37 participants for pricing purposes.

Let me know if you have any follow up questions.

Regards,

**Michael M. Scheetz**  
 Client Engagement Manager | Government Markets  
 Workplace Solutions  
**MassMutual**  
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 Twitter [twitter.com] LinkedIn [linkedin.com]

From: Girard, Chad <CGirard@MassMutual.com>  
 Sent: Friday, November 08, 2019 10:19 AM  
 To: Scheetz, Michael <mscheetz@massmutual.com>  
 Subject: FW: A Proposal for JEA Non-Qualified Plan

Please let me know if you need anything else.

**Chad Girard**  
 Sales Consultant  
 Workplace Solutions & Strategic Distribution

**MassMutual**  
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