

Compensation Program Appendix for Compensation Committee Meeting

Prepared for JEA

June 18, 2019



CEO Competitive Market Pricing

Methodology

- To conduct the competitive market pricing for the CEO position, a peer group was developed reflecting:

[Redacted]

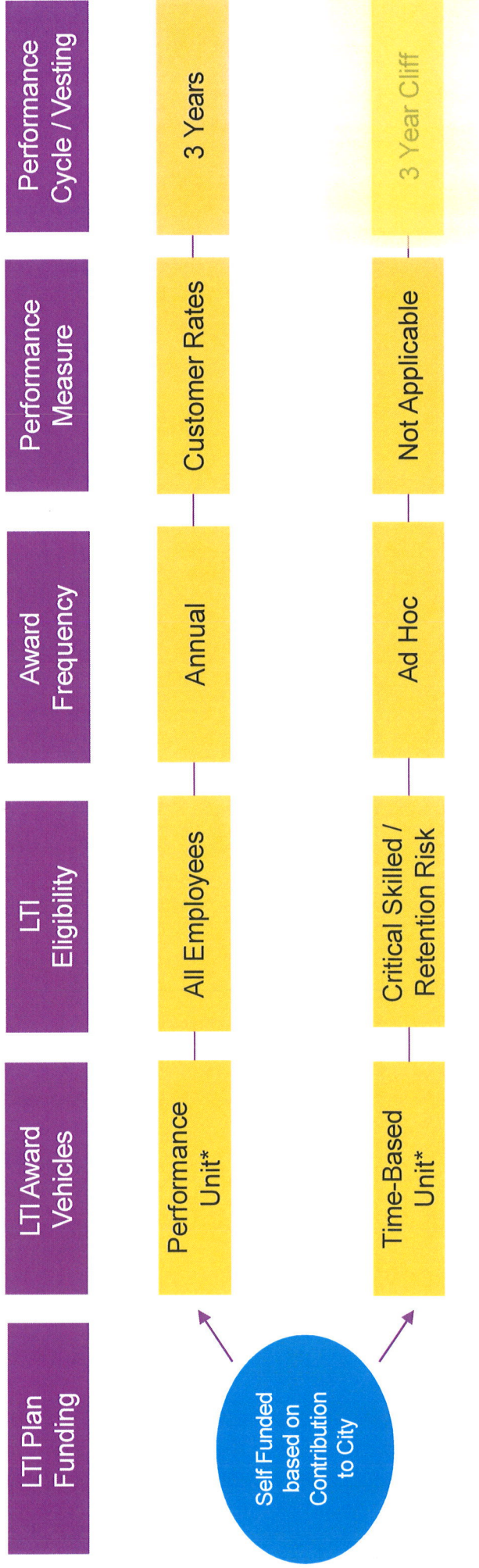
- Survey source: Willis Towers Watson's 2018 Energy Services Industry Executive Compensation Database

[Redacted]

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"> Performance Unit: value of unit tied to JEA Net Book Value; unit valuation formula to be determined
Eligibility	<ul style="list-style-type: none"> All employees would be eligible in order to drive collective focus on JEA long-term performance
Target Award Opportunity (as % of base salary)	<ul style="list-style-type: none"> 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 50th percentile
Award Frequency	<ul style="list-style-type: none"> Annual
Circuit Breaker	<ul style="list-style-type: none"> 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
Performance Measures	<ul style="list-style-type: none"> Net Book Value: used to determine Performance Unit value Customer Rates: performance measure used to modify the number of Performance Units earned; performance goal to be determined
Performance Period	<ul style="list-style-type: none"> 3-year performance cycle with overlapping cycles due to annual grant frequency
Payout Range	<ul style="list-style-type: none"> Threshold: 50% of Target Maximum: 150% of Target
Estimated Cost	<ul style="list-style-type: none"> Estimated cost of annual Performance Unit awards to all employees based on current incumbent base salaries* is \$3.4M

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

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	Current	Market	Proposed
Executive	10%		45%
Director	8%		20%
Manager	7%		10%
Individual Contributor	6%		7%
Bargaining Units	2%		2%

Target Bonus %			
Current	Market	Proposed	
10%		45%	
8%		20%	
7%		10%	
6%		7%	
2%		2%	

LTI Opportunity %			
Current	Market	Proposed	
--		40%	
--		5%	
--		3%	
--		3%	
--		1%	

Total At Risk Compensation			
Current	Market	Proposed	
10%		85%	
8%		25%	
7%		13%	
6%		10%	
2%		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