

Scenario #3

# NON-TRADITIONAL RESPONSE

*The Key to Removing  
all Constraints*



Δ	π EXHIBIT	76
Deponent:	Howard	
Date:	8/18/20	Rptr. JW
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# WHY JEA IS DEVELOPING A NON-TRADITIONAL STRATEGIC PLAN

*The industry is changing and JEA's strategy needs to change*

**OBJECTIVES:** Develop a 10-year strategy for JEA that drives an increase in the value of JEA now and into the future. The strategy will:



Position JEA to succeed in the face of trends



Proactively shape talent and culture



Drive growth in value (CCEF)

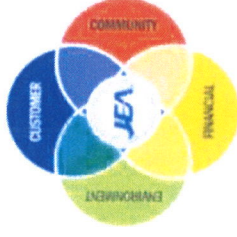


Identify and enable growth investments






Maintain affordability and reliability for customers

# OUTCOME OF SUCCESSFUL STRATEGY: Maximize Each of the Four Corporate Measures of Value to *Improve Lives*



## Customer Value

-  Provide JEA customers with safe and reliable electric, water and wastewater **services at a rate structure equal to or less than industry average**
-  Maintain **customer service standards and experience** within the top quartile of the industry
-  Expand our trusted partner **relationship with our customers**




## Financial Value

-  **Maintain financial performance metrics** necessary to preserve Aa3 / AA- ratings, or similar comparable risk measures as adopted and deemed appropriate by JEA
-  **Establish growth initiatives** to drive values and efficiencies with respect to electric, water, sewer, natural gas and other utility services, systems and/or products

## Community Impact Value

-  Establish and maintain **open, transparent communication** with employee, customer and all our stakeholders
-  Continue investment and leadership of **economic development within Jacksonville**
-  Continue and drive **employment within the region**
-  Foster an environment of **engaged employees** that treat JEA as owners

## Environmental Value

-  Maintain **compliance with all regulations** and meet or exceed industry standards that impact the environment
-  Establish and lead a **sustainability program** for the benefit of the region
-  Set an example of **environmental stewardship**

# TRADITIONAL APPROACHES LEAD TO DECREASES IN CORPORATE MEASURES OF VALUE

	LAST 10 YEARS	SCENARIO 2a: TRADITIONAL RESPONSE	SCENARIO 2b: SOME REMOVAL OF GOVERNMENT CONSTRAINTS
CUSTOMER VALUE	↓	↓	—
COMMUNITY IMPACT VALUE	↓	↓	↓
ENVIRONMENTAL VALUE	↑	↓	↓
FINANCIAL VALUE	↑	—	—

In the face of declining sales, customer rates increased 71%

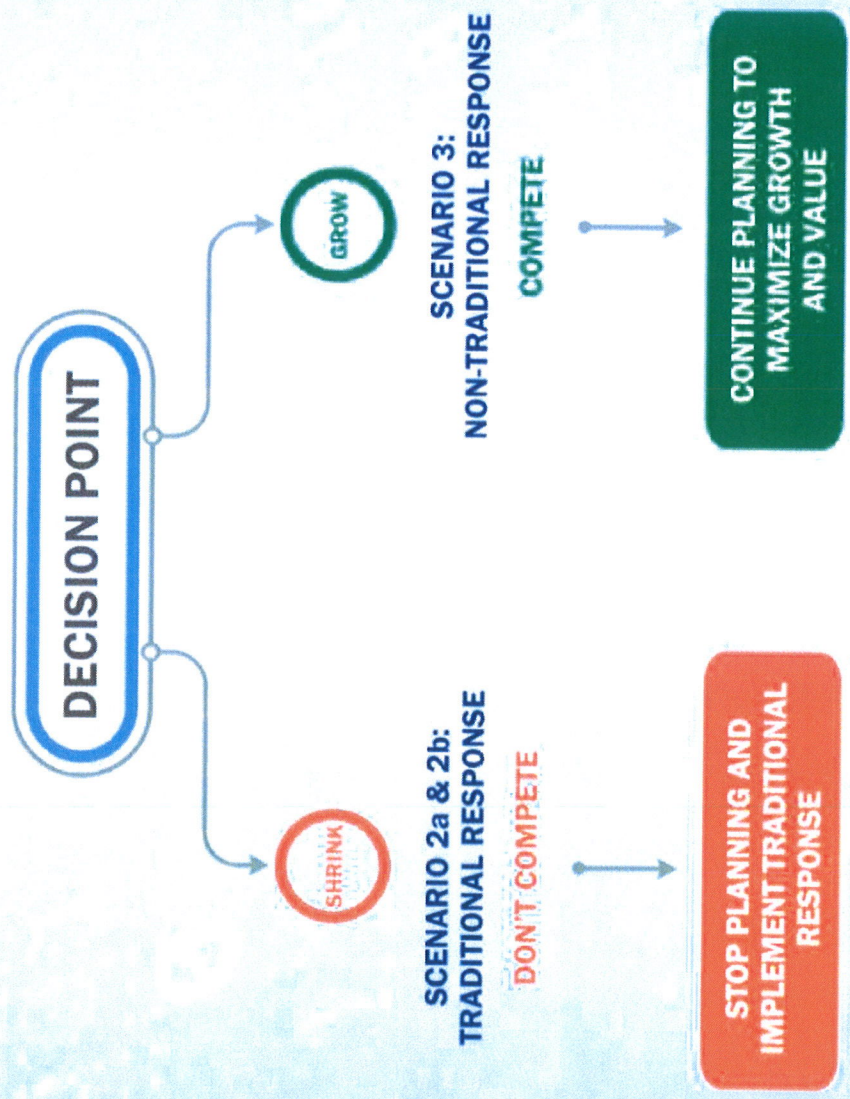
Declines in value due to additional market forces

Alleviating some restraints only delays the inevitable

## UNDER THE FOLLOWING SCENARIOS, CRITICAL CONSTRAINTS REMAIN

BUSINESS OPPORTUNITIES	LAST 10 YEARS	SCENARIO 2a: TRADITIONAL RESPONSE	SCENARIO 2b: SOME CONSTRAINTS REMOVED
Sell more electric and water services	✗	✗	✗
Cut costs and workforce	✓	✓	✓
Increase customer rates	✓	✓	✓
Investment in R&D and IP for an ROI	✗	✗	✗
Sell alternative new product lines or offerings	✗	✗	—
Sell equity and retire debt	✗	✗	✗
Acquire new businesses & customers	✗	✗	—
Reduce investment in capex	✓	✓	✓
Reduce dividend / city contribution	✗	✗	—
Sell assets	✗	✗	—
Create partnerships / joint ventures	✗	✗	✗

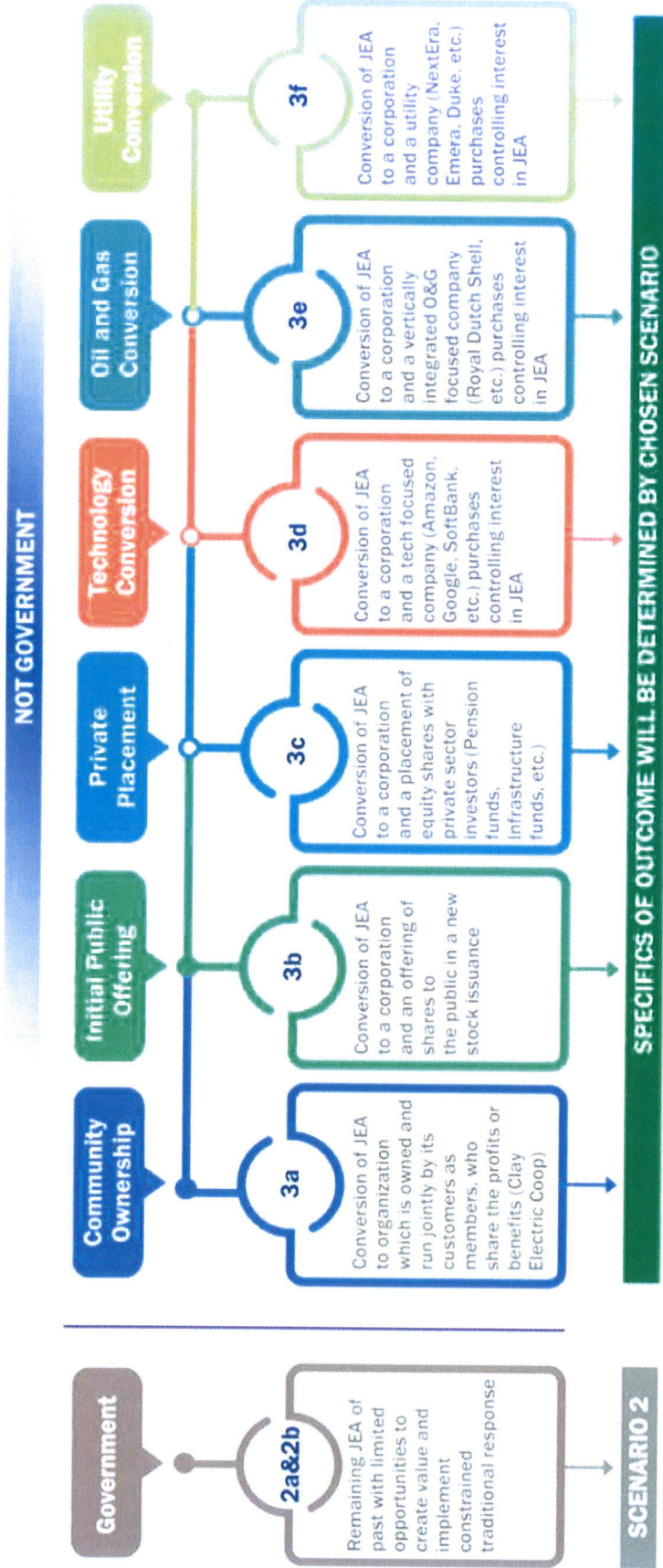
# A BINARY POLICY DECISION FOR JEA: SHOULD JEA BE DESIGNED TO SHRINK OR GROW?



## DEFINE THE ROOT PROBLEM:

The problem is not being community-owned;

The problem is being government with government constraints in a competitive market.



# CONSTRAINT PROFILE OF ALTERNATE STRUCTURES:

While management cannot currently outline specifics of each alternative, it can provide an analysis of constraints

BUSINESS OPPORTUNITIES	2a&2b Government	3a Community Owned	3b Initial Public Offering	3c Private Placement	3d Tech Conversion	3e O&G Conversion	3f Utility Conversion
Sell more electric and water services	✗	✓	✓	✓	✓	✓	✓
Cut costs and workforce	✓	✓	✓	✓	✓	✓	✓
Increase customer rates	✓	✓	✓	✓	✓	✓	✓
Investment in R&D and IP for an ROI	✗	✓	✓	✓	✓	✓	✓
Sell alternative new product lines/offerings	✗	✓	✓	✓	✓	✓	✓
Sell equity and retire debt	✗	✗	✓	✓	✓	✓	✓
Acquire new businesses & customers	✗	✓	✓	✓	✓	✓	✓
Reduce investment in capex	✓	✓	✓	✓	✓	✓	✓
Reduce dividend / city contribution	✗	✓	✓	✓	✓	✓	✓
Sell assets	✗	✓	✓	✓	✓	✓	✓
Create partnerships / Joint ventures	✗	✓	✓	✓	✓	✓	✓



# PROCESS AND TIMELINE FOR PATH TO INVESTIGATING A NON-GOVERNMENT STRUCTURE

Commitment to transparent and open process for all stakeholders (customers, city, employees, etc.)



The overall purpose of this undertaking is to give JEA the strategic flexibility to adapt to a once-in-a-generation industry-wide transformation and help it achieve its vision to improve lives in the Northeast Florida Community.

	Status Quo	Minimum Requirements
Financial	<ol style="list-style-type: none"> <li>&lt;<b>\$2 billion</b> of value to the City of Jacksonville<sup>1</sup></li> </ol>	<ol style="list-style-type: none"> <li>&gt;<b>\$3 billion</b> of value to the City of Jacksonville</li> </ol>
Customers	<ol style="list-style-type: none"> <li><b>\$0</b> customer distributions</li> <li>Significant rate increases required over next several years</li> </ol>	<ol style="list-style-type: none"> <li>&gt;<b>\$400 million</b> of value distributed to customers (\$350+ paid to each JEA account - \$1,400+ for customers with electric, water, sewer and irrigation accounts)</li> <li>At least <b>3 years</b> of contractually guaranteed base rate stability</li> </ol>
Environmental	<ol style="list-style-type: none"> <li>Viable renewable energy requirements at <b>0%</b> funding</li> <li>Viable sources of alternative water capacity at <b>0%</b> funding</li> </ol>	<ol style="list-style-type: none"> <li>Commitment to fund and provide City of Jacksonville and Duval County Public School system <b>100% renewable</b> electricity by 2030.</li> <li>Commitment to fund and provide <b>40 million gallons per day</b> of alternative water capacity for Northeast Florida by 2035</li> </ol>
Community Impact	<ol style="list-style-type: none"> <li>Status quo retirement obligations</li> <li>No employment guarantees and <b>termination of ~600 employees</b></li> <li>No retention payments to employees</li> <li>JEA leaves downtown, moving new headquarters to existing office space to house smaller workforce and minimize cost</li> </ol>	<ol style="list-style-type: none"> <li>Protection of certain employee retirement benefits</li> <li>Guarantee of employee compensation and benefits for <b>three (3) years</b></li> <li>Retention payments to all full-time employees of <b>100% current base compensation</b></li> <li>Commitment to new headquarters and employees in downtown Jacksonville contributing to the economic development of the community</li> </ol>

<sup>1</sup>NPV of JEA's expected contribution to the City of Jacksonville over the next 20 years

# WHY PROTECT EMPLOYEE PENSIONS?

## NUMBER ONE ASSET

JEA's employees are critical to providing reliable, safe, affordable, and clean utility service to our community now and in the future.

## SOCIAL SECURITY

As government employees, most JEA employees are in a defined benefit pension program and do not pay into social security as an additional retirement benefit. Any change in structure would automatically terminate employee participation

## ENSURE A NEST EGG

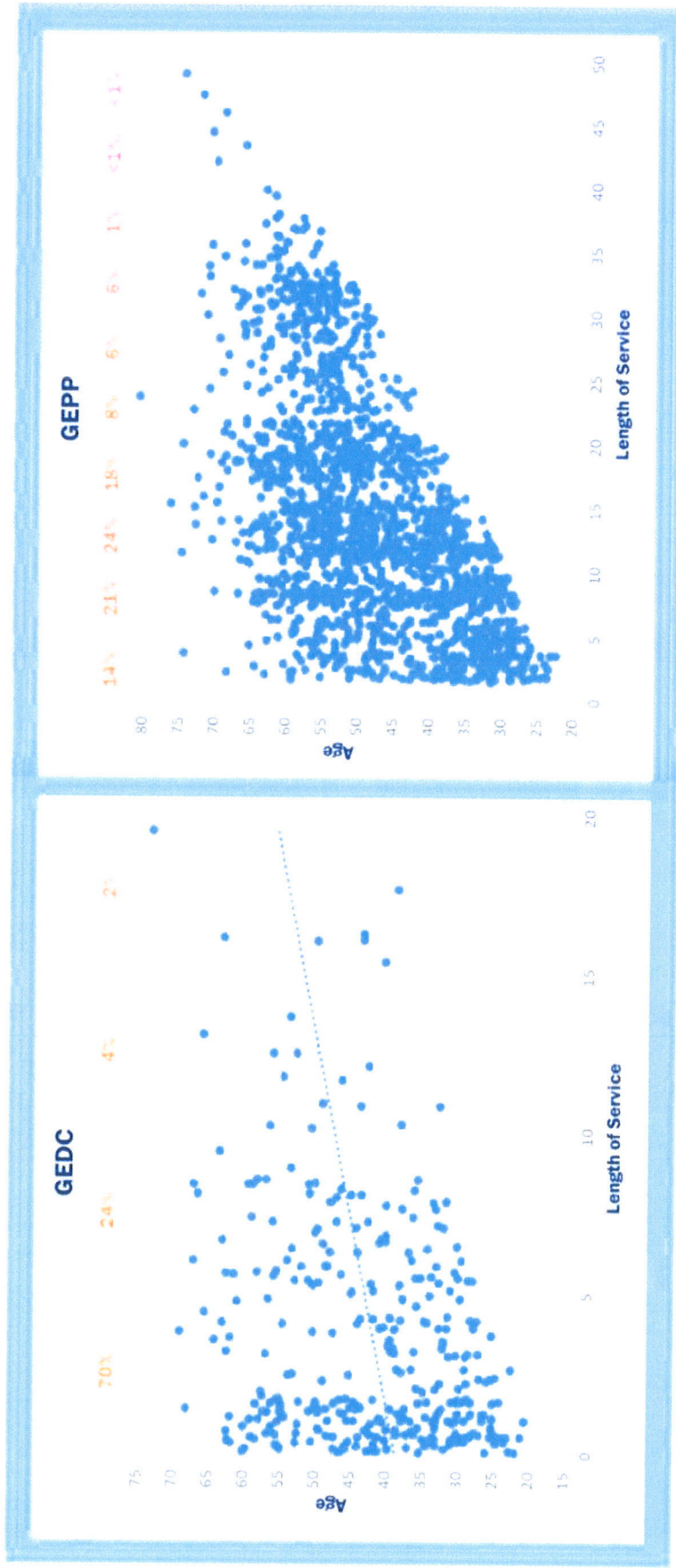
As part of considering any restructuring, we recommend the Board give each employee the assurance that his or her retirement nest egg will be protected

## VESTING EMPLOYEES

We recommend the Board consider pension legislation changes that protect vested employees by increasing years of service credit and non-vested employees by vesting them in the pension

# MATRIX OF AGE AND LENGTH OF TIME

 = % of employees in each 5-year time period



- Employees in the GEDC with more than 5 service years can move back into the GEPP if they choose, prior to any transaction if one should take place.
- Those on the GEPP plan hired before October 1, 2017 with under 5 years of service have the option to receive a 100% matching contribution in addition to what they invested to date.

# EMPLOYEE PENSION SCENARIO EXAMPLES

  **KATELYN J.**  
**PROFILE EXAMPLE 1**

-  26 years old
-  6 years of service
-  **Will draw pension in 24 years**

Katelyn will receive 24 additional years of service credit on top of her 6 years served, which will result in her having a 30-year pension she can begin receiving at age 50 (75% of her current salary)

  **FRANK C.**  
**PROFILE EXAMPLE 2**

-  53 years old
-  18 years of service
-  **Will draw pension in 2 years**

Frank will receive 2 additional years of service credit on top of his 18 years served, which will result in his having a 20-year pension he can begin receiving at age 55 (50% of salary)

# NECESSARY ACTIONS THE BOARD OF DIRECTORS SHOULD TAKE TO PROVIDE PEACE OF MIND

EMPLOYEES	CUSTOMERS & COMMUNITY	BOND INVESTORS
<ul style="list-style-type: none"><li>• Pension</li><li>• Retention</li></ul>	<ul style="list-style-type: none"><li>• Commit to base rate freeze during competitive process</li><li>• Commit to open competitive process</li></ul>	<ul style="list-style-type: none"><li>• Board and Management continued commitment to operational and financial excellence</li></ul>