
From: Wathen, David (Atlanta) <david.wathen@willistowerswatson.com>
Sent: Wednesday, January 30, 2019 12:07 PM
To: Maillis, Patricia L. - Director, Employee Services
Cc: Deeb, Andrea (Atlanta)
Subject: RE: Status Update
Attachments: 20190130 JEA Incentive Plan Design SOW.pdf

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Pat:

Good to hear from you.

We are making progress. We are reviewing the data you provided and working on the LTI design market analysis. We have several initial questions about the data you provided so far:

- Can you provide us the current compensation philosophy? I know that on our calls we discussed a market median philosophy based on a public power and investor owned utility market for talent, but we wondered if that applied across all positions or did you target some positions against general industry (i.e., functional roles like Finance, HR, IT, etc.)?

- You provided the market data and various survey sources you use for pay benchmarking, but I was not able to find the aggregate market rates you are using for comparing your non-executive positions pay to market. Did I miss that in the info you sent?

- The summaries that compare your executives current pay to market rates are well laid out, but we cannot determine how the market rates are derived. Can you share the methodology you use to develop the market rates? For example, we could not reconcile the market rates at the top of the CEO summary page with the numbers you showed for the various surveys at the bottom of the page.

Also, attached is the formal SOW with fees. Sorry for the delay in sending you this to you. Please let me know if we need to make any edits to it.

Best regards,

David

-----Original Message-----

From: Maillis, Patricia L. - Director, Employee Services [mailto:mailpl@jea.com]
Sent: Wednesday, January 30, 2019 9:56 AM
To: Wathen, David (Atlanta) <david.wathen@willistowerswatson.com>
Subject: Status Update

Hi David,

Checking in to see the status on the JEA STI and LTI design project is going. The CEO shared that we are doing this analysis and we are going in this direction. Laying the groundwork.

Also, did you send an agreement re the project work with a cost?

Pat

Sent from my iPhone

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January 30, 2019

Ms. Angie Hiers
Chief Human Resources Officer
JEA
21 West Church Street
Jacksonville, FL 32202

SUBJECT: PROPOSAL FOR INCENTIVE PLAN REVIEW AND DESIGN

Dear Angie:

We appreciate the opportunity to support JEA (“JEA”) with a review of the short-term incentive plan design, competitive market review of long-term incentive design practices and development of a strawman long-term incentive plan design. This statement of work outlines scope, timing and fees for our services.

SCOPE OF SERVICES

To assist JEA, we will perform the following work steps:

Management and Board Interviews and Data Collection

- We plan to hold a half-hour phone interview with 2 to 4 members of Management and/or the Compensation Committee to obtain information on JEA’s current compensation programs, compensation strategy including relevant industry perspectives, drivers of short and long-term business performance, pay positioning and the competitive frame of reference for JEA
- Data request — We ask that you provide us the following materials for our review:
 - Current compensation philosophy;
 - Annual incentive plan document;
 - Employment agreements, if applicable
 - Competitive compensation market data from recent studies completed by JEA;
 - Financial reports for the last three years;
 - Organization charts.

Short-Term Incentive Plan Review

- Willis Towers Watson will conduct a high level review of the proposed JEA short-term incentive plan design, providing commentary on key design aspects based on our understanding of utility industry short-term incentive plan design practices. No formal competitive benchmarking analysis will be conducted for this review, but we will rely on our past experience and provide commentary on alignment of the proposed design with typical market practice or possible gaps to market. Short-term incentive plan design review findings will be provided to Management in a summary letter report

Long-Term Incentive Plan Design Review

Step 1: Audit Current Compensation Analyses

Willis Towers Watson will audit the most recent compensation benchmarking analyses JEA has completed covering executive and non-executive positions to understand defined markets for talent and competitive positioning of current JEA pay relative to market. We will leverage this market data to help inform our review/design of the long-term incentive plan design incentive opportunities

Step 2: Conduct a Competitive Market Analysis of Long-Term Incentive Plan Designs

Willis Towers Watson will conduct a competitive market analysis of long-term incentive (LTI) plan designs covering applicable industry perspectives (i.e., public power utilities, investor owned utilities, general industry, etc.). We will leverage our anecdotal consulting experience, publicly available data and Willis Towers Watson's proprietary industry surveys to complete this analysis

For our analysis, we will provide a comparison to market and best practices with regards to:

- Eligibility
- Participation
- Target incentive opportunity
- LTI award frequency
- Award vehicles
- Performance metrics
- Performance and payout curves

Step 3: Develop Long-Term Incentive Strawman Design

- Based on feedback from the interviews and consideration of competitive market practices from Step 2, we will develop a long-term incentive plan strawman design that aligns with the company's compensation philosophy and business strategy

Step 4: Provide a Draft Report for Review with Management and Compensation Committee

- We will prepare a draft report detailing the proposed long-term incentive plan design for review with designated members of Management and/or the Compensation Committee. Our report will detail the analysis methodology, findings and proposed long-term incentive plan design for the 2019-2020 fiscal year. We will review the draft report findings via conference call

Step 5: Finalize Report and Present to Management and Compensation Committee

- Based on suggested changes from step 4, we will update our long-term incentive report and produce a final version
- At an in-person meeting with Management and the Compensation Committee, we will present findings from all work steps outlined above and address any questions or issues around the proposed long-term incentive plan design

To ensure the quality of our services, our work is thoroughly reviewed internally and encompasses Willis Towers Watson's standard protocol for Work Excellence.

PROJECT TEAM

David Wathen will lead this project and have responsibility for its overall success. Paul Hwang will serve as the project manager and day-to-day contact for all aspects of this project. We may also draw upon additional Willis Towers Watson resources as appropriate with the objective to bring you the best expertise and resources our firm can offer.

TIMING AND DELIVERY OF SERVICES

Willis Towers Watson expects to begin this work immediately upon acceptance of this proposal and will complete the project within 4 to 5 weeks, well in advance of the March 25 Committee meeting.

FEES AND EXPENSES

Willis Towers Watson's consulting fees are based on the services and assumptions described above. For this engagement, we estimate our consulting fees to be \$33,000 - \$38,000, inclusive of Willis Towers Watson's 7% technology and administrative fee. To the extent that out-of-pocket expenses are incurred (e.g., travel and lodging), they will be billed to JEA in addition to consulting fees as detailed in the Terms and Conditions of Engagement.

TERMS AND CONDITIONS OF ENGAGEMENT

The services described in this scope of work and any other services that Willis Towers Watson provides to JEA are subject to the Terms and Conditions of Engagement signed on May 5, 2011.

IN CLOSING

Angie, we are excited about the opportunity to work with you and assist JEA on this important compensation project. If this proposal is acceptable to you, please sign and return to us, retaining a copy for your records. If you have any questions now or during the course of our engagement, please contact me at 678-684-0751.

Thank you,



David J. Wathen
Utility Industry Compensation Practice Leader

cc: Patricia Mallis, JEA
Andrea Deeb, Willis Towers Watson

**AGREED AND ACCEPTED BY:
WILLIS TOWERS WATSON US LLC**

Signature: David J. Wathen
Printed Name: David J. Wathen
Title: Senior Director
Date: January 30, 2019

**AGREED AND ACCEPTED BY:
JEA**

Signature: _____
Printed Name: _____
Title: _____
Date: _____