

From: [Wathen, David \(Atlanta\)](#)
To: [Mailis, Patricia L. - Director, Employee Services](#); [Deeb, Andrea \(Atlanta\)](#); [Hiers, Angelia R. - VP & Chief Human Resources Officer](#)
Cc: [Strackbine, Scott I.](#); [Hwang, Paul \(Atlanta\)](#); [Kéllý, 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

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

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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

From: Wathen, David (Atlanta) <david.wathen@willistowerswatson.com>
Sent: Wednesday, March 20, 2019 6:41 PM
To: Maillis, Patricia L. - Director, Employee Services <mailpl@jea.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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Pat:

Nice to meet you yesterday. We enjoyed getting to meet the JEA team. Also, hanks 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>; Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>
Cc: Strackbine, Scott I. <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

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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 50th 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

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