From: Adam Rubin <Adam_Rubin@mckinsey.com>
Sent: Thursday, October 17, 2019 11:13 PM
To: Aminolsharei, Narges; stephen.amdur@pillsburylaw.com
Cc: Dykes, Melissa H. - President/COO; Wannemacher, Ryan F. - Chief Financial Officer; Anton Derkach; Aaron Bielenberg; Scott Perl; Sarah Brody
Subject: Initiative support appendices -- prepared at the request of counsel

*** Prepared at the request of counsel ***

Melissa, Ryan, Narges, Stephen–

Attached are PPT and PDF versions of all three initiative appendices for the data room, including operational improvements.

Melissa and Ryan — in response to Monday's conversation, we have added content on key activities to execute the different types of operational initiatives (see the right-hand side of that pack). That content has not yet been socialized with the SLT members, however. We have started scheduling meetings next week with key owners to begin diving into implementation planning.

Best,
Adam

Adam Rubin
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Management Initiatives Growth

Execution of this strategy involves three types of initiatives – operational improvements, strategic capital investments, and growth opportunities

Detail to follow

Initiatives

Operational Improvements

Increase the efficiency and productivity of JEA's operations to **reduce O&M and capex spend**, supporting customer affordability, creating investment headroom, and improving service quality and performance outcomes

Strategic capital investments

Make incremental capital investments in JEA's core, existing utility businesses that expand the capabilities of JEA's infrastructure to serve customers while growing earnings and the regulated asset base

Growth opportunities

Invest in new growth businesses – both within the regulated utility and beyond it – that grow JEA's earnings through delivery of new services and solutions to JEA stakeholders

Enablers

Digital
Capture new data sources, automate workflows, and digitalize processes

Regulatory and policy strategy
Develop regulations, policies, and legislation to authorize or continue to enable JEA to execute

As a platform for growth, JEA will pursue a variety of new opportunities – some are core to the utility business, and others "step out" from the utility norm

Existing strengths

- JEA's intrinsic assets
- JEA's relationships within and outside Jacksonville
- Jacksonville's distinctive characteristics

Core Growth Businesses

Near- and medium-term opportunities

New revenue opportunities that utilities can capture – either regulated or unregulated - and may go beyond current "best in class" utility practice

M&A

Medium-and long-term opportunities

- Opportunity to consolidate the fragmented Florida water utility market, bringing JEA's best-in-class operations to improve customer outcomes while growing revenue

Adjacent Growth Businesses

Medium- and long-term opportunities

- "Step out" opportunities that take advantage of emerging energy trends
- Require new capabilities and partnerships for JEA to successfully execute

JEA will harness opportunities across five markets to serve customers more effectively, driving development in Jacksonville and beyond

	How trends are creating opportunities	Jacksonville today	How JEA will harness opportunities for customers
Electrified transport and facilities	▪ **The transition to electrified products** – driven by declining costs and evolving customer preferences – requires significant infrastructure investments and grows load	▪ EV penetration is approximately **33% of the national average**[2] ▪ **No plans** to fully electrify ports or municipal fleets	▪ Provide **EV incentives, public charging infrastructure, and private charger installation,** boosting EV adoption to be in line with the US average ▪ Electrify the **Port of Jacksonville** and municipal and public school **buses**
DG solar and storage	▪ **Solar and storage LCOEs declined** nearly 3x in Florida from 2010-17 due to lower hardware prices ▪ Customers are increasingly looking to solar plus storage as a convenient, affordable, and reliable generation option	▪ **Fewer than 0.5% of customers** in Jacksonville have installed DG solutions	▪ Build **community solar,** providing equitable access to DG ▪ Offer residential **storage installation** to accelerate pre-parity adoption ▪ Provide **C&I DG installation services** throughout the region
Water and wastewater services	▪ Water utilities must balance **aging infrastructure,** growing **resiliency pressures**, **and affordability constraints** ▪ Trends favor efficient players that can make broad infrastructure investments, improve operations, and maintain affordability	▪ JEA is a **top quartile water utility** with unique technological and operational capabilities relative to peers	▪ **Grow JEA's territory and customer base through acquisition,** operationally integrating and improving nearby utilities to promote "best in class" water operations and innovation throughout the region
Smart, efficient homes	▪ In Florida, **nearly 2M new homes** are projected to be built between 2020-30, spending nearly $20B on large appliances ▪ Utilities can play a role installing and managing efficient appliances with optimization and control technologies	▪ The efficient homes market is in its **very early stages**	▪ **Install and manage ecosystems of connected, efficient home systems** (e.g., Smart Thermostats with HVAC), catalyzing the market
Energy efficiency	▪ Customers are seeking out an increasingly sophisticated, robust set of **energy efficient (EE) home and business solutions** to manage energy use	▪ Jacksonville residents are **increasingly adopting EE products,** but FL utilities have been hesitant to seek earnings on lost load[1] ▪ JEA has begun some public lighting upgrades, in partnership with the City[3]	▪ **Seek incentives** that provide fair compensation for the deployment of EE devices ▪ Power **Jacksonville's streetlights** with "smart", efficient lighting, building on current programs[3]

1 While US utilities, on average, earned 0.7% of 2017 retail sales from Energy Efficiency savings, Southeast utilities earned 0.3%
2 As a % of car parc. Based on Management Response forecasts, in 2019, EVs comprised 0.2% of the JAX LDV fleet, vs. the national average of 0.6%
3 JEA has upgraded 30,000 traffic signal bulbs to LED, and has upgraded the majority of its streetlights (> 60%)

SOURCE: EIA, GTM Research, IHS Markit, BP, SACE Energy Efficiency in the Southeast 2018 Annual Report, Management Response forecasts

JEA's 2030 growth opportunities consists of 10 initiatives

x Included in transaction model "Management Case"

x Available in transaction model as an upside case

		Initiative[1]	Cumulative capital deployment, 2020-30[2]	Cumulative unregulated margins
Core Growth Businesses	Electrified transport and facilities	1 Expand incentives for electric vehicles and chargers	$15M	--
		2 Build out public DC FAST and L2 charging throughout Jacksonville	$304M	--
		3 Own and operate bus charging infrastructure for Jacksonville's city and public school fleets	$95M	--
		4 Build an L2 home charger installation business	--	<$1M
		5 Electrify the Port of Jacksonville	$35M	--
	DG solar and storage	6 Install, maintain and dispatch residential storage	$31M	--
		7 Build a C&I DG solar design, development, and installation business	--	$12M
	Energy efficiency	8 Install "smart poles" to enable new smart city use cases	$200M	--
M&A, Adjacent Growth Businesses	Water and wastewater services	A Undertake regional water M&A, driving step-change operational and environmental change	*Not included in transaction model*	
	Smart, efficient homes	B Build an Efficient Homes business that optimizes resource use through emerging technology		

1 Details follow

2 Refer to the transaction model for questions on the required rate of return

Core growth business detail (1 / 2)

Electrification

Initiative	JEA's business model	Start year
1 Expand incentives for electric vehicles and chargers	▪ JEA will generate **regulated earnings from the $15M in Capex deployed** to provide vehicle and charger incentives to customers, and administer the overall program, contributing to an incremental **72GWh of load growth** in 2030 by supporting EV market growth	2020
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4 Build an L2 home charger installation business	▪ JEA will become the premier entity in Jacksonville to install the ecosystem of private home L2 chargers, **earning a 15%[1] margin on installation**, contributing to an incremental **72GWh of load growth** in 2030 by supporting EV market growth	2023
5 Electrify non-road end uses[2]	▪ JEA will generate **regulated earnings from the $35M in Capex deployed** from an **ambitious program** to support electrification of port equipment and in-port activities (e.g. cranes and freight carriers)	2023

1 Assumes ~15% margin, $420/charger fee, and share of new chargers market reaching 27% in 2030
2 Capital opportunity reflects investment the Port of Jacksonville, but JEA will pursue other non-road electrification opportunities as well

Core growth business detail (2 / 2)

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Initiative	JEA's business model	Start year
6 Install, own, and dispatch behind the meter DG storage	▪ JEA will generate **regulated earnings from the $31M in Capex deployed** to install and maintain utility-owned behind-the-meter battery storage, "boosting" near-term DG uptake in the pre-cost parity years	2021
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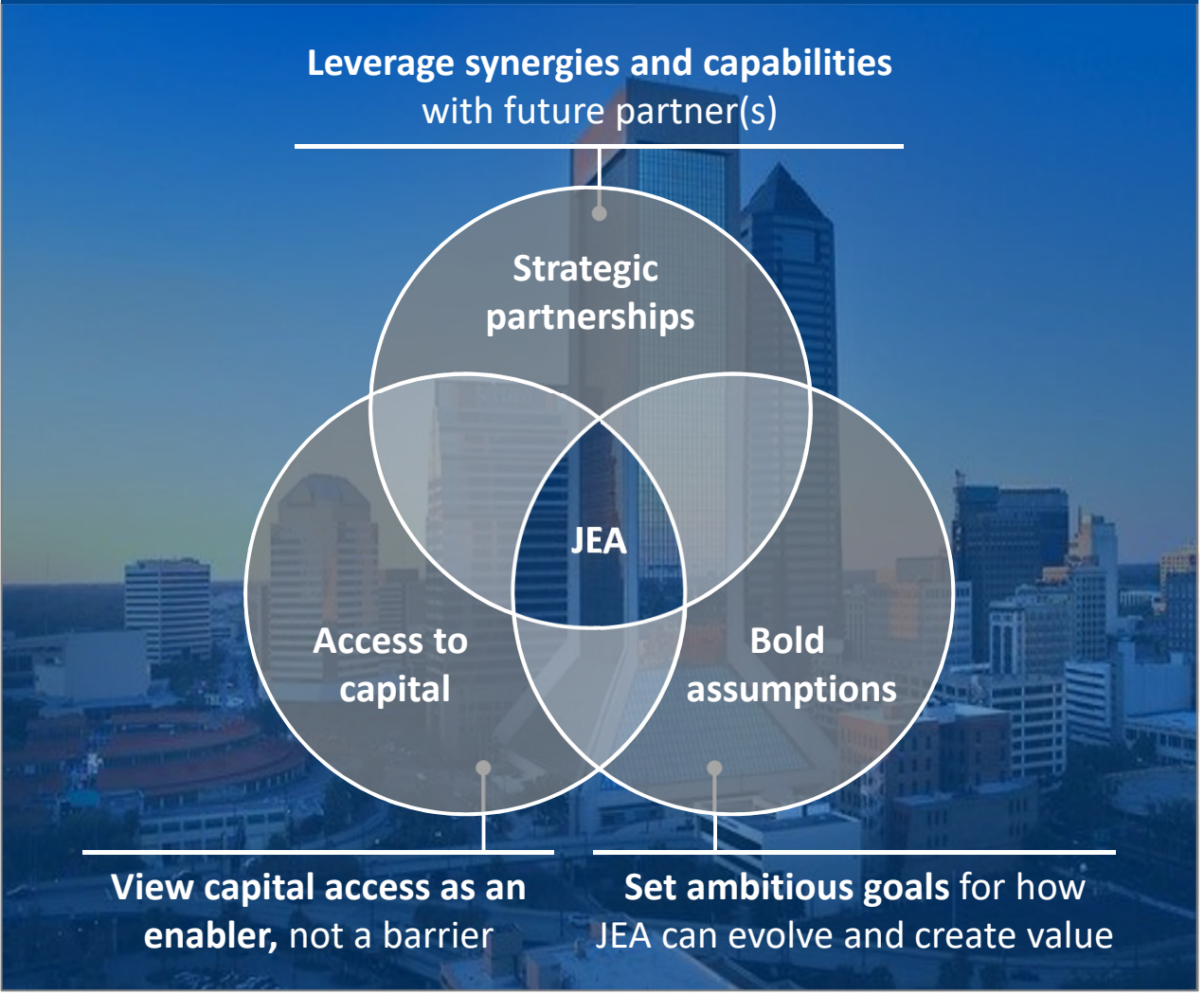
8 Install "smart poles," building on JEA's existing "smart streetlights' program	▪ JEA will generate **regulated earnings from the $200M in Capex deployed** to build out "smart poles" in its service territory to enable the roll-out of new public services and smart city use cases (e.g., free community WiFi, environmental data sensors to support traffic algorithms, etc.)	2023

1 Assumes 15% margin, ~$1.1M / MW of C&I Solar, and market capture growing to 19% in 2030

Adjacent Growth Businesses harness market opportunities to build ambitious businesses at a larger geographic and commercial scale, driving significant value creation

Adjacent Growth Businesses will work outside of the core utility construct…



…to build a well-balanced set of dynamic, high value businesses operating beyond JEA's service territory

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Double JEA's water footprint via acquisition, using its top quartile operational performance and capabilities to provide more efficient, affordable services across Florida

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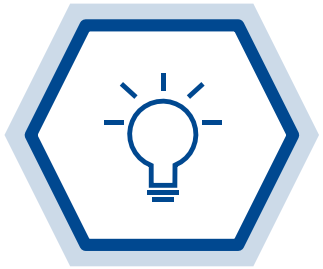

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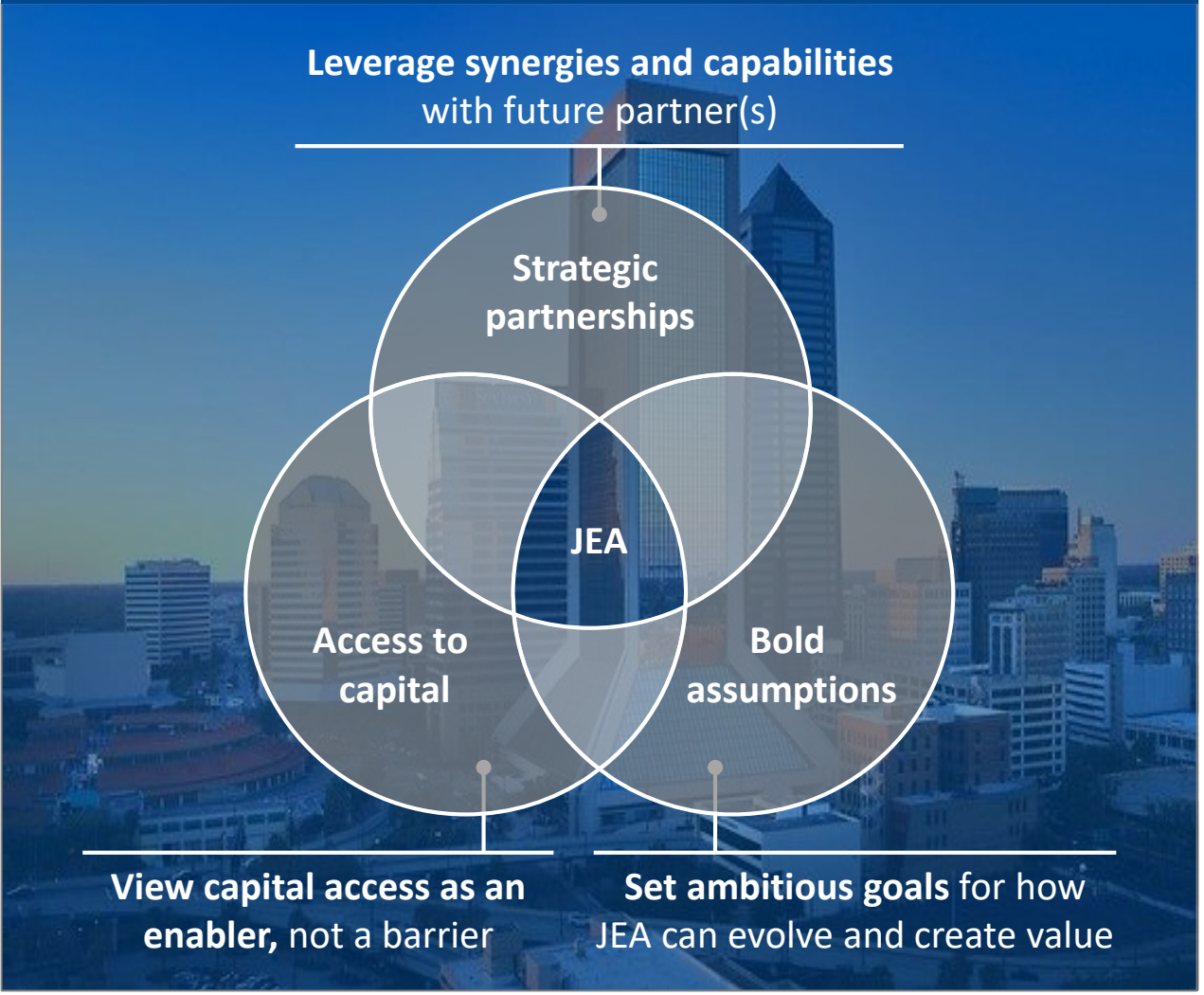

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Strategic Capital

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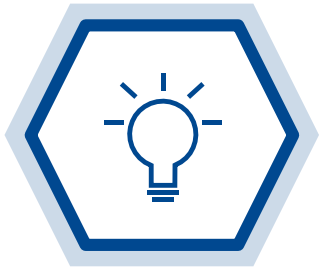

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JEA will make six types of investments to expand the benefits our infrastructure provides to our community and customers

Electric Water Cross-cutting

System resiliency	Reduced impacts on utility services from extreme weather events through the deployment of new technologies and enhanced design standards
Grid flexibility	The ability to use a growing, diverse set of resources to dynamically shift demand (load) or supply (generation) across multiple timescales, depending on system needs
Clean, low-cost generation portfolio	Low-cost, reliable electric generation resources that also meet environmental and safety needs
Advanced asset management	Improved observability of infrastructure systems through the deployment of distributed, intelligent devices and advanced operational technology platforms
Septic tank phase-outs	Cleaner, safer, and more convenient wastewater services through system expansion and phase-out of septic tanks
Alternative water supply	Accelerated plans to expand reclaimed water infrastructure

- There are significant **investment opportunities incremental to JEA's baseline capital plan**
- **JEA cannot make all investments within a 10-year window**, however, due to operational and affordability constraints
- The following pages show **both specific potential investments *and* a reasonable 10-year capital program for each category**
- These figures do not reflect a bottom's-up, granular investment plan

A subset of capital investment opportunities are included in the model

xx $M of total capital[1] xx $M of capital included in transaction model

Initiative	Potential sub-investments, incremental to the baseline capital plan	$M of total capital[1]
System resiliency	Overhead-to-underground conversions of JEA's at-risk distribution feeders and laterals (all phases)	2,600
	Microgrids (e.g., RICE engines, batteries, controllers)	80
	Feeder and substation hardening measures (e.g., floodgates, elevation, etc.)	40
	Targeted water system measures (e.g., effluent pipe lining, back-up power at pump stations)	50
Grid flexibility	Deployment of advanced VVO (e.g., capacitor banks, regulators, etc.)	30
	Conversion of 4kV feeders	10
	Deployment of line sensors onto UG feeders (e.g., FCIs)	5
	Modernization of relay packages (e.g., electromechanical to microprocessor-based)	10
	Expanded communications infrastructure (e.g. fiber, wireless)	190
	Implementation of ADMS and DERMS with advanced functionalities (e.g., automated load shedding, FLISR, etc.)	85
Clean, low-cost generation portfolio	Portfolio of PV Solar + Storage (including community solar carveout)	955
Advanced asset management	Deployment of equipment health sensors on substation transformers, battery banks, circuit breakers	30
	Development of a data lake, 3-4 initial use cases to build the analytics capability, and programmatic in-house use-case development thereafter	30
	New WMS replacement	10
Septic tank phase-outs	Phase-out of 65K septic tank systems, assuming that JEA is able to develop innovative solutions that cost less than a traditional gravity system	1,300
Alternative water supply	Construction of 40 MGD of treatment and purification capacity across 4 different facilities	930

What's actually included in the 10-year model

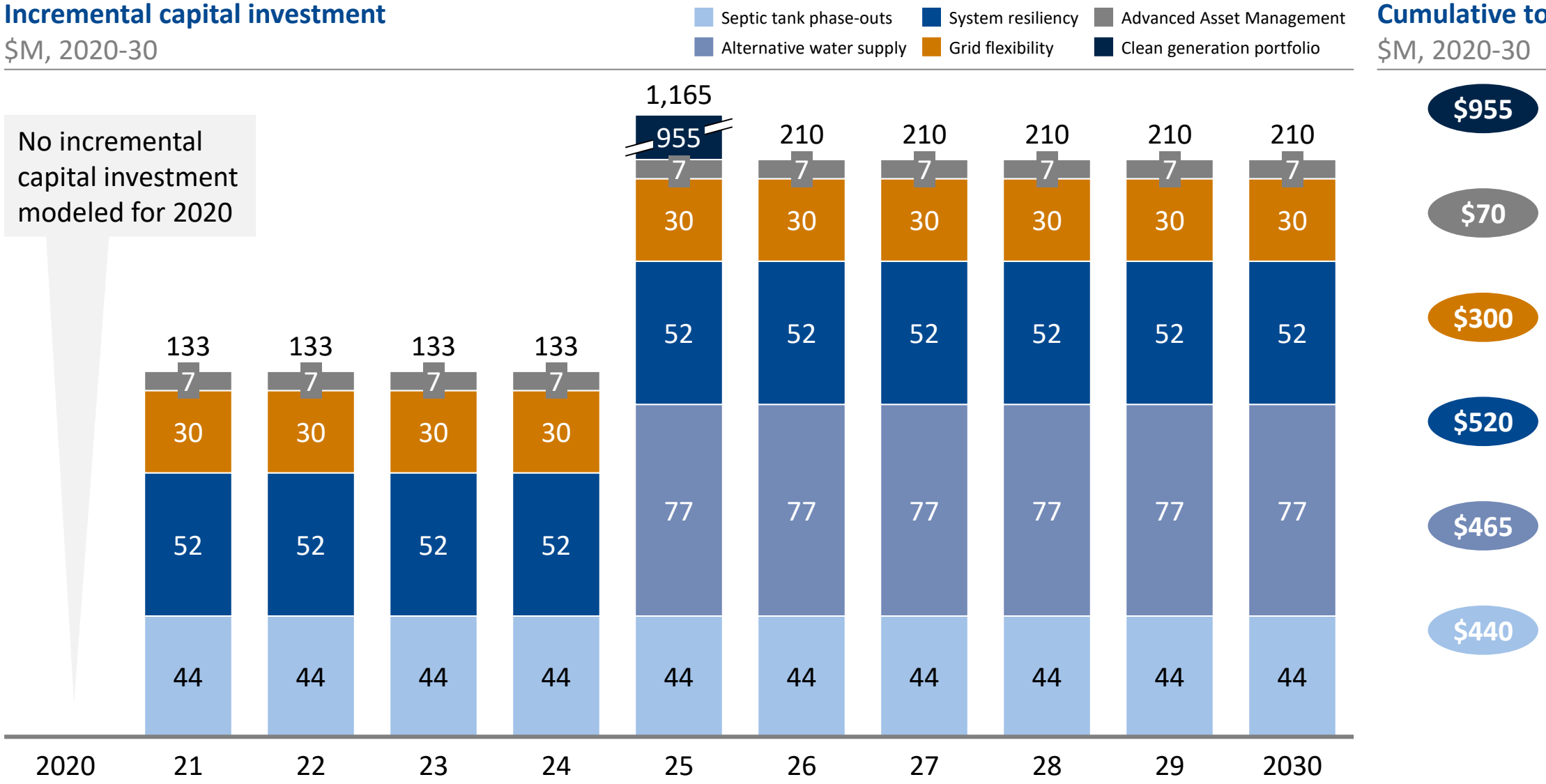
- **470** **Grid hardening investment over 10 years,** based on scaling FPL's programmatic hardening investments to JEA's system
  - FPL invests ~$460M annually into its system of ~67K circuit miles
- **50** **Portfolio of water resiliency projects over 10 years,** built on ~$30M of identified projects for Buckman, Monterey, Cedar Bay, and Arlington East; assume ~$20M of small incremental projects
- **300** **Portfolio of grid flexibility solutions** to manage intermittent supply and demand from new DER (e.g., solar, electric vehicles, etc.), scaled based on investment programs announced at:
  - **HECO:** $205M of programmatic investment over 6 years (**~$35M / yr** for 460K customers, similar size to JEA) in line sensors, advanced switches and advanced operating systems
  - **SCE:** ~$1,500M of programmatic investment over 5 years (~300M annualized for 5M customers, or **~$30M / yr scaled to JEA**) in distribution automation, digital communications infrastructure, and advanced technology platforms (e.g., ADMS)
- **955** **Portfolio of solar and storage in 2025[2]** (including credits from the ITC and one-time capital to decommission Northside), based on high-level analysis of capacity and energy needs
- **70** **Investment budget** for technology investments, which need to be prioritized based on the functionalities and use cases that create the most value for JEA's system
- **440** **Capital to phase out the 22K high-priority locations** with failing systems by 2030 with a traditional gravity system
- **465** **Capital to support development of 2 of the 4 facilities** starting in 2025; supports ~15 MGD+ of the 40 MGD capacity target

1 Rounded to the nearest $5M
2 Some portion of solar and storage would be carved out as a community solar plant

~$2.5B of incremental capital deployed in the model

Incremental capital investment

$M, 2020-30



Cumulative total

$M, 2020-30

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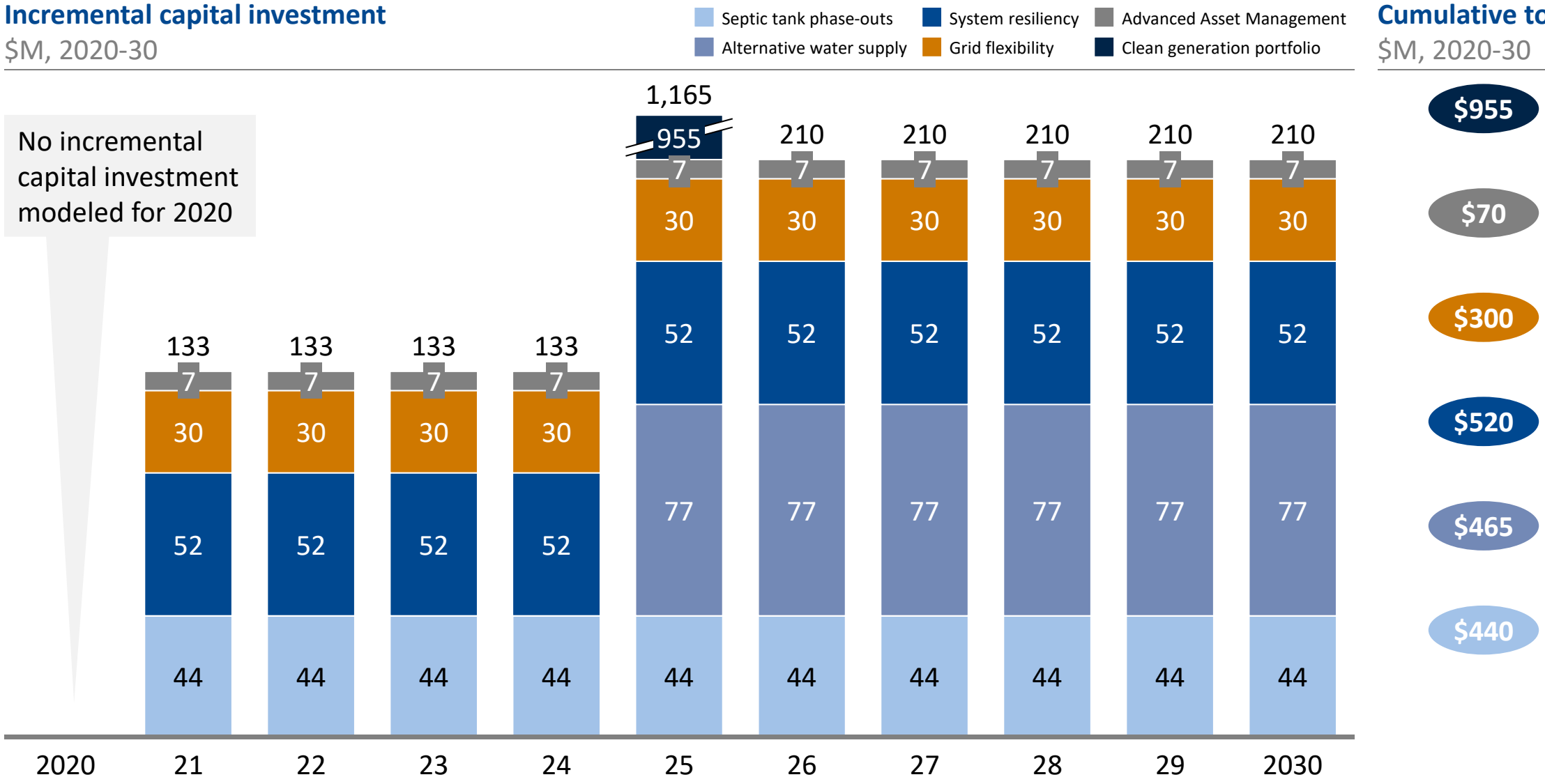
	Implementation of ADMS and DERMS with advanced functionalities (e.g., automated load shedding, FLISR, etc.)	85	
Clean, low-cost generation portfolio	Portfolio of PV Solar + Storage (including community solar carveout)	955	955 **Portfolio of solar and storage in 2025**[2] (including credits from the ITC and one-time capital to decommission Northside), based on high-level analysis of capacity and energy needs
Advanced asset management	Deployment of equipment health sensors on substation transformers, battery banks, circuit breakers	30	70 **Investment budget** for technology investments, which need to be prioritized based on the functionalities and use cases that create the most value for JEA's system
	Development of a data lake, 3-4 initial use cases to build the analytics capability, and programmatic in-house use-case development thereafter	30	
	New WMS replacement	10	
Septic tank phase-outs	Phase-out of 65K septic tank systems, assuming that JEA is able to develop innovative solutions that cost less than a traditional gravity system	1,300	440 **Capital to phase out the 22K high-priority locations** with failing systems by 2030 with a traditional gravity system
Alternative water supply	Construction of 40 MGD of treatment and purification capacity across 4 different facilities	930	465 **Capital to support development of 2 of the 4 facilities** starting in 2025; supports ~15 MGD+ of the 40 MGD capacity target

1 Rounded to the nearest $5M
2 Some portion of solar and storage would be carved out as a community solar plant

~$2.5B of incremental capital deployed in the model

Incremental capital investment

$M, 2020-30



Cumulative total

$M, 2020-30

Management Initiatives
Operational Improvements

Execution of this strategy involves three types of initiatives – operational improvements, strategic capital investments, and growth opportunities

Detail to follow

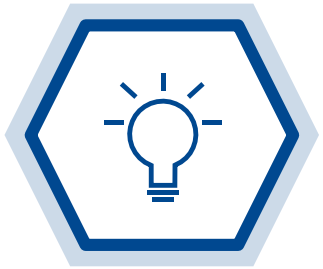
Initiatives

Operational Improvements

Increase the efficiency and productivity of JEA's operations to **reduce O&M and capex spend**, supporting customer affordability, creating investment headroom, and improving service quality and performance outcomes

Strategic capital investments

Make incremental capital investments in JEA's core, existing utility businesses that expand the capabilities of JEA's infrastructure to serve customers while growing earnings and the regulated asset base



Growth opportunities

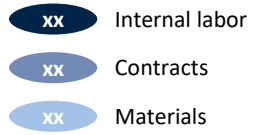
Invest in new growth businesses – both within the regulated utility and beyond it – that grow JEA's earnings through delivery of new services and solutions to JEA stakeholders

Enablers

Digital
Capture new data sources, automate workflows, and digitalize processes

Regulatory and policy strategy
Develop regulations, policies, and legislation to authorize or continue to enable JEA to execute

A Generation initiatives (1/2)

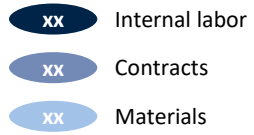


Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[3]	Key activities to execute
Improve generation efficiency to reduce consumption of fuels, other consumables	▪ **Institute performance tracking** of heat rate to reduce variability and controllable losses ▪ **Improve technical performance** (e.g., clean HRSG, install better air inlet filter) ▪ **Reduce limestone usage** by installing new crush and burn system	-- -- 421[2] *Fuels and other consumables*	4%	▪ Implement heat rate monitoring tools (e.g., etaPRO) and include heat rate as a day-to-day performance KPI ▪ Identify controllable parameters (e.g., boiler temps, backpressure) deviating from design and problem-solve operational solutions (e.g., adjusting tilts) or technical solutions (e.g., filter replacements) to address ▪ Coach plant operators on identified interventions to reduce heat rate ▪ Review utilization of consumables (e.g., limestone) to ensure excess materials aren't used
Frontline operational excellence	▪ **Increase crew productivity** by improving core work processes (e.g., planning and scheduling) and increasing "wrench time" for core workflows, e.g.: — Break-ins (e.g., bearing failures) — PMs (e.g., oil replacement) ▪ **Optimize resourcing and schedules of craft** across shifts to match volume of work with resources	43 16 -- *Internal labor, 3rd party services*	8%	▪ Perform site observations and ride-alongs of workflows (e.g., valve replacements) to develop a fact base ▪ Identify opportunities to increase productivity by collaboratively engaging the frontline (i.e., idea generation sessions) and/or leveraging industry best practices ▪ Develop action plans to implement new best practices (e.g., pre-kitting CMs) and coach front-line on implementation ▪ Pilot and test new practices ▪ Refine and scale, monitoring KPIs to validate impact
Lower fuel handling expenses	▪ **Outsource fuel handling services** to cost-competitive third-party providers	28 -- -- *Fuels labor*	8%	▪ Negotiate with 3rd party contractors to manage fuel handling activities[1] ▪ Redeploy internal labor to other functions as needed

1 Cannot occur within the first 3 years of any event
2 Represents fuel operating expenses
3 Savings are relative to the Status Quo projections, with further adjustments to slow wage and benefit growth. Savings are incorporated into the transaction model's base case

SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

A Generation initiatives (2/2)



Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[1]	Key activities to execute
Demand management	▪ **Reduce demand for third-party materials and services** by applying stricter purchasing controls and standardizing material request submissions, e.g.: – Reducing frequency of use (e.g., cleaning services) – Revising specifications (e.g., using non-OEM vs. OEM parts for equipment with lapsed warranties) – Insourcing work, when possible	-- 16 *3rd party materials and services* 13	5%	▪ Aggregate purchasing system data into a centralized database that enables management to review ending POs for the upcoming weeks ▪ Establish a weekly meeting to review all pending spend items to determine whether the spend is necessary, or cheaper solutions are available
Strategic sourcing *Led by Supply Chain*	▪ **Negotiate lower commercial rates for materials and services** by: – Introducing new providers to increase competition (e.g., staff augmentation labor during outages) – Expanding supplier performance management systems and methodologies (e.g., on-time delivery, measuring time to complete jobs) – Leveraging additional flexibility as a non-governmental entity (e.g., outsource engineering, flexibility to discontinue vendors without multiple notices)	-- 16 *3rd party materials and services* 13	10%	▪ Embed a TCO (total cost of ownership) approach within the procurement organization ▪ Align category managers with BUs to identify opportunities to create value through sourcing events ▪ Develop "should-cost" or clean-sheet models to support supplier negotiations ▪ Develop supplier "scorecards" to measure performance against key KPIs

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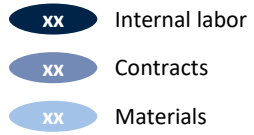
SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

A T&D Initiatives (1 of 2)



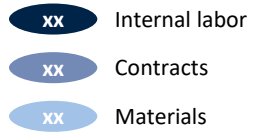
Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[2]	Key activities to execute
Frontline operational excellence	▪ **Increase crew productivity** by improving core work processes (e.g., planning and scheduling) and increasing "wrench time", e.g.: – All jobs are work ready – Morning kickoffs start on-time – Daily debriefs and feedback on opportunities	22 2 -- *Internal labor, third-party services[1]*	5%	▪ Perform ride-alongs on primary workflows (e.g., pole replacements, breaker maintenance) to develop a fact base ▪ Identify opportunities to increase productivity by collaboratively engaging the frontline (i.e., idea generation sessions) and/or leveraging industry best practices ▪ Develop action plans to implement new best practices (e.g., pre-kitting jobs) and coach front-line on implementation ▪ Pilot and test new practices within one yard ▪ Refine and scale to remaining yards, monitoring KPIs to validate impact
Digitalize frontline operations	▪ Further optimize processes, building off the improvements from frontline operational excellence by **applying a series of digital tools that further increase productivity**, improve customer experience, and maintain safety, e.g.: – Improve planning and scheduling by accounting for site conditions, real-time crew locations – Automate clerical tasks (e.g., dig requests, time sheets) – Enable digital collection of asset condition data	22 2 -- *Internal labor, third-party services[1]*	10%	▪ Identify opportunities to digitalize elements of core workflows by applying design thinking and leveraging best practices from across the industry ▪ Stand up agile development teams that collaborate with the end users to develop MVPs (minimum viable products) to test with the frontline (e.g., automated scheduling based on job specs, geographic location, and available crews) ▪ Pilot with individual crews ▪ Refine and scale by expanding across the fleet, monitoring KPIs to validate impact
Demand management	▪ **Reduce demand for third-party materials** by applying stricter purchasing controls and standardizing material request submissions: – Reducing amount or frequency of use (e.g., address leakage) – Revising specifications (e.g., streamlining transformer specifications)	-- -- 2 *Materials*	10%	▪ Aggregate purchasing system data into a centralized database that enables management to review POs pending for the upcoming weeks ▪ Establish a weekly meting to review all pending spend items to determine whether the spend is necessary or if there are cheaper solutions available

1 Does not include third-party services spend on vegetation management

2 Savings are relative to the Status Quo projections, with further adjustments to slow wage and benefit growth. Savings are incorporated into the transaction model's base case

SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

A T&D Initiatives (2 of 2)



Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[2]	Key activities to execute
Vegetation management	▪ **Improve procurement process**, bid packages, and bidding practices; implement performance management (e.g., miles trimmed by crew per day) ▪ **Optimize long-term cycle planning** and work management through machine learning that identifies highest areas of need relative to system priority and risk ▪ **Improve quality assurance process** and in-the-field forester audits	-- 6 *Contracted vegetation management* --	5%	▪ Launch strategic sourcing event for vegetation management; expand universe of potential suppliers and review contract structures ▪ Implement performance management to track productivity ▪ Acquire or build in-house vegetation analytics that uses external data (e.g., imaging data, rainfall, sunshine) to predict vegetation growth ▪ Pilot vegetation analytics, managing trim based on predicted growth/risk by area
Strategic sourcing *Led by Supply Chain*	▪ **Negotiate lower commercial rates for materials and services** by: – Introducing new providers to increase competition (e.g., staff augmentation labor during outages) – Expanding supplier performance management systems and methodologies (e.g., on-time delivery, measuring time to complete jobs) – Leveraging additional flexibility as a non-governmental entity (e.g., outsource engineering, flexibility to discontinue vendors without multiple notices)	-- 2 *3rd party services, materials[1]* 2	5%	▪ Embed a TCO (total cost of ownership) approach within the procurement organization ▪ Align category managers with BUs to identify opportunities to create value through sourcing events ▪ Develop "should-cost" or clean-sheet models to support supplier negotiations ▪ Develop supplier "scorecards" to measure performance against key KPIs

1 Does not include third-party services spend on vegetation management
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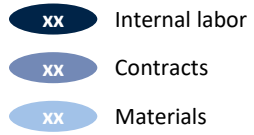
SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

B Water & Wastewater initiatives (1/2)



Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[1]	Key activities to execute
Frontline operational excellence	▪ **Increase crew productivity** by improving core work processes (e.g., planning and scheduling) and increasing "wrench time", e.g.: — All jobs are work ready — Morning kickoffs start on-time — Daily debriefs and feedback on opportunities) ▪ **Develop sludge disposal "cost curves"** to pursue least-cost options on a week-to-week basis	34 -- -- *Water and wastewater field personnel (incl. pump stations)*	15%	▪ Perform ride-alongs on primary workflows (e.g., maintenance at pump stations) to develop a fact base ▪ Identify opportunities to increase productivity by collaboratively engaging the frontline (i.e., idea generation sessions) and/or leveraging industry best practices ▪ Develop action plans to implement new best practices (e.g., pre-kitting jobs) and coach front-line on implementation ▪ Pilot and test new practices with select crews ▪ Refine and scale, monitoring KPIs to validate impact
Digitalize frontline operations *(wastewater treatment)*	▪ Further optimize processes, building off the improvements from frontline operational excellence by **applying a series of digital tools that further increase productivity**, improve customer experience, and maintain safety, e.g.: — Leverage equipment sensors to reduce the need for manual inspection — Use machine learning algorithms to drive predictive and condition-based maintenance — Improve planning and scheduling by accounting for job type, crew locations, etc.	11 -- -- *Labor at wastewater treatment sites*	10%	▪ Identify opportunities to digitalize elements of core workflows by applying design thinking and leveraging best practices from across the industry ▪ Stand up agile development teams that collaborate with the end users to develop MVPs (minimum viable products) to test with the frontline (e.g., automated scheduling based on job specs, geographic location, and available crews) ▪ Pilot with individual crews ▪ Refine and scale by expanding across the fleet, monitoring KPIs to validate impact
Digitalize frontline operations *(water treatment)*		5 -- -- *Labor at water treatment sites*	5%	

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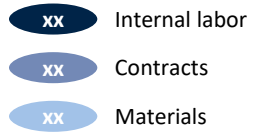
SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

B Water & Wastewater initiatives (2/2)



Initiative	Description	2018 addressable spend baseline and description, $M		Savings target[1]	Key activities to execute
Reduce auxiliary load	▪ **Reduce pumping costs** by optimizing pumping cycles to ensure pump stations do not work against each other (i.e., reduce electricity consumption)	-- -- 15	*Utility charges*	5%	▪ Review pumping histories to identify inefficiencies ▪ Develop new rules/logic for managing pump schedules to minimize inefficient schedules
Demand management	▪ **Reduce demand for third-party materials** by applying stricter purchasing controls and standardizing material request submissions, e.g.: — Revising material specifications – OEM vs. non-OEM supplier — Purchasing through wholesale channels (i.e., bulk) vs. purchasing at local retailers (e.g., Home Depot)	-- -- 13	*Materials*	5%	▪ Aggregate purchasing system data into a centralized database that enables management to review POs pending for the upcoming weeks ▪ Establish a weekly meting to review all pending spend items to determine whether the spend is necessary or if there are cheaper solutions available
Strategic sourcing *Led by Supply Chain*	▪ **Negotiate lower commercial rates for materials and services** by: — Introducing new providers to increase competition (e.g., staff augmentation labor during outages) — Expanding supplier performance management systems and methodologies (e.g., on-time delivery, measuring time to complete jobs) — Leveraging additional flexibility as a non-governmental entity (e.g., outsource engineering, flexibility to discontinue vendors without multiple notices)	-- 11 13	*3rd party services, materials*	10%	▪ Embed a TCO (total cost of ownership) approach within the procurement organization ▪ Align category managers with BUs to identify opportunities to create value through sourcing events ▪ Develop "should-cost" or clean-sheet models to support supplier negotiations ▪ Develop supplier "scorecards" to measure performance against key KPIs

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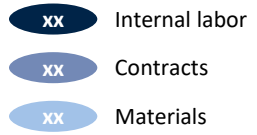
SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

C Customer experience initiatives (1/2)



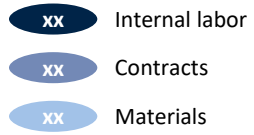
Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[2]	Key activities to execute
Frontline operational excellence	▪ **Increase frontline** (e.g., call center agents, meter team) productivity by: — **Optimizing capacity and skill-based routing,** cross-skilling of agents, and improved scheduling that matches call volumes — **Conducting people analytics,** leveraging data to unlock further improvements to availability, average handle time, and first call resolution through directed coaching and real-time speaking guidance	28 14 -- *All labor and 3rd party services*	5%	▪ Observe agent call performance across key types of calls (e.g., outage, billing issues, etc.) to develop a fact base ▪ Identify opportunities to improve effectiveness (i.e., faster handle times, better first-call-resolution) through coaching, better call scripts, etc. ▪ Develop action plans to implement new best practices and coach front-line on implementation ▪ Identify opportunities to increase productivity by collaboratively engaging the frontline (i.e., idea generation sessions) and/or leveraging industry best practices
Digitize customer journeys	▪ **Shift customers to digital self-service** by creating simple, intuitive web and app-based solutions for key journeys, e.g.: — Bill payment — Sign-up-and-move — Experience an outage	10 3 1[1] *Customer service center labor, services, and postage*	20%	▪ Conduct qualitative and quantitative analysis (e.g., customer interviews and surveys on pain points) to generate customer insights in parallel with methodical expertise ▪ Perform zero-based design for each journey, rapid prototyping, and co-creation of solutions in an open collaboration space with cross-disciplinary teams ▪ Create minimum viable product (MVPs), with the basic necessities, followed by continuous refinement and scaling
Deploy automation	▪ **Contain IVR calls** by analyzing reasons for leakage and adjusting IVR flow and logic ▪ **Utilize Robotic Process Automation** to eliminate repetitive tasks (e.g., complex, manual billing) and **natural language processing** to standardize data extraction (e.g., from recorded IVR calls)	5 1 -- *Revenue team (labor, services)*	10%	▪ Conduct diagnostic to identify highest-value automation use cases (i.e., time spent on automatable tasks) ▪ Redesign processes end-to-end, leveraging the appropriate automation solutions (e.g., RPA, machine learning, etc.) ▪ Embed an automation team to build and scale solutions, focusing on MVPs and iterating quickly ▪ Build a sustainable automation program that generates demand for solutions from the business

1 Postage

2 Savings are relative to the Status Quo projections, with further adjustments to slow wage and benefit growth. Savings are incorporated into the transaction model's base case

SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

C Customer experience initiatives (2/2)



Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[1]	Key activities to execute
Optimize meter operations	▪ **Reduce need for meter reads** through digital smart meters and billing quality control ▪ **Enhance routing** based on crew location and skillsets	4 1 *Meters team (labor, services)* --	15%	▪ As smart meters are deployed, eliminate manual meter reading activities ▪ Improve workplanning to optimize deployment of personnel based on skill level relative to task (i.e., match less skilled workers to basic jobs)
Strategic sourcing *Led by Supply Chain*	▪ **Negotiate lower commercial rates for materials and services** by: – Introducing new providers to increase competition (e.g., staff augmentation labor during outages) – Expanding supplier performance management systems and methodologies (e.g., on-time delivery, measuring time to complete jobs) – Leveraging additional flexibility as a non-governmental entity (e.g., outsource engineering, flexibility to discontinue vendors without multiple notices)	-- 14 *3rd party services, materials* 1	10%	▪ Embed a TCO (total cost of ownership) approach within the procurement organization ▪ Align category managers with BUs to identify opportunities to create value through sourcing events ▪ Develop "should-cost" or clean-sheet models to support supplier negotiations ▪ Develop supplier "scorecards" to measure performance against key KPIs

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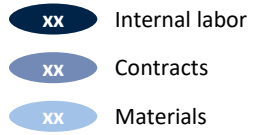
D G&A initiatives (1/2)



Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[2]	Key activities to execute
Maximize organizational effectiveness	▪ **Remove organizational complexity** (i.e., optimize spans and layers) and overlapping roles to ensure JEA employees are staffed and tasked to support the appropriate strategic priorities ▪ **Redesign, standardize and harmonize** the way work is delivered and managed by incorporating lean best practices and performance management into daily operations	26 -- -- *Compliance, Environmental, Finance, HR*	5%	▪ Align on design principles to measure effectiveness of different organizational structures ▪ Review existing org structures for role overlap / redundancy and operational pain points that limit productivity, effectiveness ▪ Architect multiple organizational structures to address these issues
Deploy automation	▪ **Automate low-value activity** through smart workflows and robotic process automation (RPA) to handle tasks such as data entry and reconciliation ▪ **Create digital journeys** (e.g., onboarding/offboarding) that improve employee experience while reducing costs	26 -- -- *Compliance, Environmental, Finance, HR*	10%	▪ Conduct diagnostic to identify highest-value automation use cases (i.e., time spent on automatable tasks) ▪ Redesign processes end-to-end, leveraging the appropriate automation solutions (e.g., RPA, machine learning, etc.) ▪ Embed an automation team to build and scale solutions, focusing on MVPs and iterating quickly ▪ Build a sustainable automation program that generates demand for solutions from the business
TS service delivery transformation	▪ **Strategically address delivery options** to: – Become more cost competitive; – Free resources from current state operations to focus on strategic priorities and establish workforce capacity, both in scale and skills; and – Improve quality through engagement of select partners	18 -- -- *Technology internal labor and contracted labor[1]*	34%	▪ Conduct holistic review of technology services required by the business and existing capabilities ▪ Engage external partners for basic, cost-competitive services ▪ Re-allocate internal resources to core competencies and/or other technology needs throughout the business

1 Excludes internal labor from the application development and administrative teams
2 Savings are relative to the Status Quo projections, with further adjustments to slow wage and benefit growth. Savings are incorporated into the transaction model's base case

SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

D G&A initiatives (2/2)

Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[1]	Key activities to execute
Advanced supply chain	▪ **Redesign warehouse layout** to reduce unnecessary walking, unnecessary replenishment, and double-handling of items ▪ **Automate inventory level management** through integration to the work management system to optimize supply levels and dispatch to work sites	13 -- *Supply chain labor* --	15%	▪ Perform site observations to identify waste in fulfillment activities ▪ Identify optimal minimum inventory requirements and implement auto re-order logic to ensure inventories are within the appropriate levels
Demand management	▪ **Reduce amount or frequency of use** for materials and services (e.g., reduce fleet mileage, eliminate low-value tasks) ▪ **Optimizing scope of work** to maintain focus on high-value requirements ▪ **In-source work to JEA employees**	-- 20 *3rd party services (excluding TS, A&G other) and materials* 10	5%	▪ Aggregate purchasing system data into a centralized database that enables management to review POs pending for the upcoming weeks ▪ Establish a weekly meting to review all pending spend items to determine whether the spend is necessary or if there are cheaper solutions available
Strategic sourcing *Led by Supply Chain*	▪ **Negotiate lower commercial rates for materials and services** by: – Introducing new providers to increase competition (e.g., staff augmentation labor during outages) – Expanding supplier performance management systems and methodologies (e.g., on-time delivery, measuring time to complete jobs) – Leveraging additional flexibility as a non-governmental entity (e.g., outsource engineering, flexibility to discontinue vendors without multiple notices)	-- 20 *3rd party services (excluding TS, A&G other) and materials* 10	15%	▪ Embed a TCO (total cost of ownership) approach within the procurement organization ▪ Align category managers with BUs to identify opportunities to create value through sourcing events ▪ Develop "should-cost" or clean-sheet models to support supplier negotiations ▪ Develop supplier "scorecards" to measure performance against key KPIs

xx Internal labor
xx Contracts
xx Materials

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SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

Management Initiatives
Operational Improvements

Execution of this strategy involves three types of initiatives – operational improvements, strategic capital investments, and growth opportunities

Detail to follow

Initiatives

Operational Improvements

Increase the efficiency and productivity of JEA's operations to **reduce O&M and capex spend**, supporting customer affordability, creating investment headroom, and improving service quality and performance outcomes

Strategic capital investments

Make incremental capital investments in JEA's core, existing utility businesses that expand the capabilities of JEA's infrastructure to serve customers while growing earnings and the regulated asset base

Growth opportunities

Invest in new growth businesses – both within the regulated utility and beyond it – that grow JEA's earnings through delivery of new services and solutions to JEA stakeholders

Enablers

Digital
Capture new data sources, automate workflows, and digitalize processes

Regulatory and policy strategy
Develop regulations, policies, and legislation to authorize or continue to enable JEA to execute

A Generation initiatives (1/2)

Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[3]	Key activities to execute
Improve generation efficiency to reduce consumption of fuels, other consumables	▪ **Institute performance tracking** of heat rate to reduce variability and controllable losses ▪ **Improve technical performance** (e.g., clean HRSG, install better air inlet filter) ▪ **Reduce limestone usage** by installing new crush and burn system	-- -- 421[2] *Fuels and other consumables*	4%	▪ Implement heat rate monitoring tools (e.g., etaPRO) and include heat rate as a day-to-day performance KPI ▪ Identify controllable parameters (e.g., boiler temps, backpressure) deviating from design and problem-solve operational solutions (e.g., adjusting tilts) or technical solutions (e.g., filter replacements) to address ▪ Coach plant operators on identified interventions to reduce heat rate ▪ Review utilization of consumables (e.g., limestone) to ensure excess materials aren't used
Frontline operational excellence	▪ **Increase crew productivity** by improving core work processes (e.g., planning and scheduling) and increasing "wrench time" for core workflows, e.g.: — Break-ins (e.g., bearing failures) — PMs (e.g., oil replacement) ▪ **Optimize resourcing and schedules of craft** across shifts to match volume of work with resources	43 16 -- *Internal labor, 3rd party services*	8%	▪ Perform site observations and ride-alongs of workflows (e.g., valve replacements) to develop a fact base ▪ Identify opportunities to increase productivity by collaboratively engaging the frontline (i.e., idea generation sessions) and/or leveraging industry best practices ▪ Develop action plans to implement new best practices (e.g., pre-kitting CMs) and coach front-line on implementation ▪ Pilot and test new practices ▪ Refine and scale, monitoring KPIs to validate impact
Lower fuel handling expenses	▪ **Outsource fuel handling services** to cost-competitive third-party providers	28 -- -- *Fuels labor*	8%	▪ Negotiate with 3rd party contractors to manage fuel handling activities[1] ▪ Redeploy internal labor to other functions as needed

1 Cannot occur within the first 3 years of any event
2 Represents fuel operating expenses
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SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

A Generation initiatives (2/2)

Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[1]	Key activities to execute
Demand management	▪ **Reduce demand for third-party materials and services** by applying stricter purchasing controls and standardizing material request submissions, e.g.: — Reducing frequency of use (e.g., cleaning services) — Revising specifications (e.g., using non-OEM vs. OEM parts for equipment with lapsed warranties) — Insourcing work, when possible	-- 16 13 *3rd party materials and services*	5%	▪ Aggregate purchasing system data into a centralized database that enables management to review ending POs for the upcoming weeks ▪ Establish a weekly meeting to review all pending spend items to determine whether the spend is necessary, or cheaper solutions are available
Strategic sourcing *Led by Supply Chain*	▪ **Negotiate lower commercial rates for materials and services** by: — Introducing new providers to increase competition (e.g., staff augmentation labor during outages) — Expanding supplier performance management systems and methodologies (e.g., on-time delivery, measuring time to complete jobs) — Leveraging additional flexibility as a non-governmental entity (e.g., outsource engineering, flexibility to discontinue vendors without multiple notices)	-- 16 13 *3rd party materials and services*	10%	▪ Embed a TCO (total cost of ownership) approach within the procurement organization ▪ Align category managers with BUs to identify opportunities to create value through sourcing events ▪ Develop "should-cost" or clean-sheet models to support supplier negotiations ▪ Develop supplier "scorecards" to measure performance against key KPIs

1 Savings are relative to the Status Quo projections, with further adjustments to slow wage and benefit growth. Savings are incorporated into the transaction model's base case

SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

A T&D Initiatives (1 of 2)

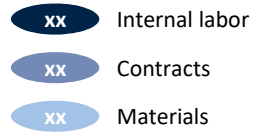
Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[2]	Key activities to execute
Frontline operational excellence	▪ **Increase crew productivity** by improving core work processes (e.g., planning and scheduling) and increasing "wrench time", e.g.: – All jobs are work ready – Morning kickoffs start on-time – Daily debriefs and feedback on opportunities	22 2 -- *Internal labor, third-party services[1]*	5%	▪ Perform ride-alongs on primary workflows (e.g., pole replacements, breaker maintenance) to develop a fact base ▪ Identify opportunities to increase productivity by collaboratively engaging the frontline (i.e., idea generation sessions) and/or leveraging industry best practices ▪ Develop action plans to implement new best practices (e.g., pre-kitting jobs) and coach front-line on implementation ▪ Pilot and test new practices within one yard ▪ Refine and scale to remaining yards, monitoring KPIs to validate impact
Digitalize frontline operations	▪ Further optimize processes, building off the improvements from frontline operational excellence by **applying a series of digital tools that further increase productivity**, improve customer experience, and maintain safety, e.g.: – Improve planning and scheduling by accounting for site conditions, real-time crew locations – Automate clerical tasks (e.g., dig requests, time sheets) – Enable digital collection of asset condition data	22 2 -- *Internal labor, third-party services[1]*	10%	▪ Identify opportunities to digitalize elements of core workflows by applying design thinking and leveraging best practices from across the industry ▪ Stand up agile development teams that collaborate with the end users to develop MVPs (minimum viable products) to test with the frontline (e.g., automated scheduling based on job specs, geographic location, and available crews) ▪ Pilot with individual crews ▪ Refine and scale by expanding across the fleet, monitoring KPIs to validate impact
Demand management	▪ **Reduce demand for third-party materials** by applying stricter purchasing controls and standardizing material request submissions: – Reducing amount or frequency of use (e.g., address leakage) – Revising specifications (e.g., streamlining transformer specifications)	-- -- 2 *Materials*	10%	▪ Aggregate purchasing system data into a centralized database that enables management to review POs pending for the upcoming weeks ▪ Establish a weekly meting to review all pending spend items to determine whether the spend is necessary or if there are cheaper solutions available

1 Does not include third-party services spend on vegetation management

2 Savings are relative to the Status Quo projections, with further adjustments to slow wage and benefit growth. Savings are incorporated into the transaction model's base case

SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

A T&D Initiatives (2 of 2)



Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[2]	Key activities to execute
Vegetation management	▪ **Improve procurement process**, bid packages, and bidding practices; implement performance management (e.g., miles trimmed by crew per day) ▪ **Optimize long-term cycle planning** and work management through machine learning that identifies highest areas of need relative to system priority and risk ▪ **Improve quality assurance process** and in-the-field forester audits	-- 6 *Contracted vegetation management* --	5%	▪ Launch strategic sourcing event for vegetation management; expand universe of potential suppliers and review contract structures ▪ Implement performance management to track productivity ▪ Acquire or build in-house vegetation analytics that uses external data (e.g., imaging data, rainfall, sunshine) to predict vegetation growth ▪ Pilot vegetation analytics, managing trim based on predicted growth/risk by area
Strategic sourcing *Led by Supply Chain*	▪ **Negotiate lower commercial rates for materials and services** by: — Introducing new providers to increase competition (e.g., staff augmentation labor during outages) — Expanding supplier performance management systems and methodologies (e.g., on-time delivery, measuring time to complete jobs) — Leveraging additional flexibility as a non-governmental entity (e.g., outsource engineering, flexibility to discontinue vendors without multiple notices)	-- 2 *3rd party services, materials[1]* 2	5%	▪ Embed a TCO (total cost of ownership) approach within the procurement organization ▪ Align category managers with BUs to identify opportunities to create value through sourcing events ▪ Develop "should-cost" or clean-sheet models to support supplier negotiations ▪ Develop supplier "scorecards" to measure performance against key KPIs

1 Does not include third-party services spend on vegetation management
2 Savings are relative to the Status Quo projections, with further adjustments to slow wage and benefit growth. Savings are incorporated into the transaction model's base case

SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

B Water & Wastewater initiatives (1/2)

Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[1]	Key activities to execute
Frontline operational excellence	▪ **Increase crew productivity** by improving core work processes (e.g., planning and scheduling) and increasing "wrench time", e.g.: — All jobs are work ready — Morning kickoffs start on-time — Daily debriefs and feedback on opportunities) ▪ **Develop sludge disposal "cost curves"** to pursue least-cost options on a week-to-week basis	34 -- -- *Water and wastewater field personnel (incl. pump stations)*	15%	▪ Perform ride-alongs on primary workflows (e.g., maintenance at pump stations) to develop a fact base ▪ Identify opportunities to increase productivity by collaboratively engaging the frontline (i.e., idea generation sessions) and/or leveraging industry best practices ▪ Develop action plans to implement new best practices (e.g., pre-kitting jobs) and coach front-line on implementation ▪ Pilot and test new practices with select crews ▪ Refine and scale, monitoring KPIs to validate impact
Digitalize frontline operations (wastewater treatment)	▪ Further optimize processes, building off the improvements from frontline operational excellence by **applying a series of digital tools that further increase productivity**, improve customer experience, and maintain safety, e.g.: — Leverage equipment sensors to reduce the need for manual inspection — Use machine learning algorithms to drive predictive and condition-based maintenance — Improve planning and scheduling by accounting for job type, crew locations, etc.	11 -- -- *Labor at wastewater treatment sites*	10%	▪ Identify opportunities to digitalize elements of core workflows by applying design thinking and leveraging best practices from across the industry ▪ Stand up agile development teams that collaborate with the end users to develop MVPs (minimum viable products) to test with the frontline (e.g., automated scheduling based on job specs, geographic location, and available crews) ▪ Pilot with individual crews ▪ Refine and scale by expanding across the fleet, monitoring KPIs to validate impact
Digitalize frontline operations (water treatment)		5 -- -- *Labor at water treatment sites*	5%	

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SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

B Water & Wastewater initiatives (2/2)

Initiative	Description	2018 addressable spend baseline and description, $M		Savings target[1]	Key activities to execute
Reduce auxiliary load	▪ **Reduce pumping costs** by optimizing pumping cycles to ensure pump stations do not work against each other (i.e., reduce electricity consumption)	-- -- 15	*Utility charges*	5%	▪ Review pumping histories to identify inefficiencies ▪ Develop new rules/logic for managing pump schedules to minimize inefficient schedules
Demand management	▪ **Reduce demand for third-party materials** by applying stricter purchasing controls and standardizing material request submissions, e.g.: — Revising material specifications – OEM vs. non-OEM supplier — Purchasing through wholesale channels (i.e., bulk) vs. purchasing at local retailers (e.g., Home Depot)	-- -- 13	*Materials*	5%	▪ Aggregate purchasing system data into a centralized database that enables management to review POs pending for the upcoming weeks ▪ Establish a weekly meting to review all pending spend items to determine whether the spend is necessary or if there are cheaper solutions available
Strategic sourcing *Led by Supply Chain*	▪ **Negotiate lower commercial rates for materials and services** by: — Introducing new providers to increase competition (e.g., staff augmentation labor during outages) — Expanding supplier performance management systems and methodologies (e.g., on-time delivery, measuring time to complete jobs) — Leveraging additional flexibility as a non-governmental entity (e.g., outsource engineering, flexibility to discontinue vendors without multiple notices)	-- 11 13	*3rd party services, materials*	10%	▪ Embed a TCO (total cost of ownership) approach within the procurement organization ▪ Align category managers with BUs to identify opportunities to create value through sourcing events ▪ Develop "should-cost" or clean-sheet models to support supplier negotiations ▪ Develop supplier "scorecards" to measure performance against key KPIs

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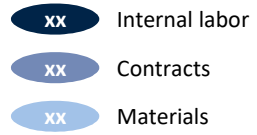
SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

C Customer experience initiatives (1/2)



Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[2]	Key activities to execute
Frontline operational excellence	▪ **Increase frontline** (e.g., call center agents, meter team) productivity by: — **Optimizing capacity and skill-based routing,** cross-skilling of agents, and improved scheduling that matches call volumes — **Conducting people analytics,** leveraging data to unlock further improvements to availability, average handle time, and first call resolution through directed coaching and real-time speaking guidance	28 14 -- *All labor and 3rd party services*	5%	▪ Observe agent call performance across key types of calls (e.g., outage, billing issues, etc.) to develop a fact base ▪ Identify opportunities to improve effectiveness (i.e., faster handle times, better first-call-resolution) through coaching, better call scripts, etc. ▪ Develop action plans to implement new best practices and coach front-line on implementation ▪ Identify opportunities to increase productivity by collaboratively engaging the frontline (i.e., idea generation sessions) and/or leveraging industry best practices
Digitize customer journeys	▪ **Shift customers to digital self-service** by creating simple, intuitive web and app-based solutions for key journeys, e.g.: — Bill payment — Sign-up-and-move — Experience an outage	10 3 1[1] *Customer service center labor, services, and postage*	20%	▪ Conduct qualitative and quantitative analysis (e.g., customer interviews and surveys on pain points) to generate customer insights in parallel with methodical expertise ▪ Perform zero-based design for each journey, rapid prototyping, and co-creation of solutions in an open collaboration space with cross-disciplinary teams ▪ Create minimum viable product (MVPs), with the basic necessities, followed by continuous refinement and scaling
Deploy automation	▪ **Contain IVR calls** by analyzing reasons for leakage and adjusting IVR flow and logic ▪ **Utilize Robotic Process Automation** to eliminate repetitive tasks (e.g., complex, manual billing) and **natural language processing** to standardize data extraction (e.g., from recorded IVR calls)	5 1 -- *Revenue team (labor, services)*	10%	▪ Conduct diagnostic to identify highest-value automation use cases (i.e., time spent on automatable tasks) ▪ Redesign processes end-to-end, leveraging the appropriate automation solutions (e.g., RPA, machine learning, etc.) ▪ Embed an automation team to build and scale solutions, focusing on MVPs and iterating quickly ▪ Build a sustainable automation program that generates demand for solutions from the business

1 Postage

2 Savings are relative to the Status Quo projections, with further adjustments to slow wage and benefit growth. Savings are incorporated into the transaction model's base case

SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

C Customer experience initiatives (2/2)

Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[1]	Key activities to execute
Optimize meter operations	▪ **Reduce need for meter reads** through digital smart meters and billing quality control ▪ **Enhance routing** based on crew location and skillsets	4 1 *Meters team (labor, services)* --	15%	▪ As smart meters are deployed, eliminate manual meter reading activities ▪ Improve workplanning to optimize deployment of personnel based on skill level relative to task (i.e., match less skilled workers to basic jobs)
Strategic sourcing *Led by Supply Chain*	▪ **Negotiate lower commercial rates for materials and services** by: – Introducing new providers to increase competition (e.g., staff augmentation labor during outages) – Expanding supplier performance management systems and methodologies (e.g., on-time delivery, measuring time to complete jobs) – Leveraging additional flexibility as a non-governmental entity (e.g., outsource engineering, flexibility to discontinue vendors without multiple notices)	-- 14 *3rd party services, materials* 1	10%	▪ Embed a TCO (total cost of ownership) approach within the procurement organization ▪ Align category managers with BUs to identify opportunities to create value through sourcing events ▪ Develop "should-cost" or clean-sheet models to support supplier negotiations ▪ Develop supplier "scorecards" to measure performance against key KPIs

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SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

D G&A initiatives (1/2)

Initiative	Description	2018 addressable spend baseline and description, $M	Savings target[2]	Key activities to execute
Maximize organizational effectiveness	▪ **Remove organizational complexity** (i.e., optimize spans and layers) and overlapping roles to ensure JEA employees are staffed and tasked to support the appropriate strategic priorities ▪ **Redesign, standardize and harmonize** the way work is delivered and managed by incorporating lean best practices and performance management into daily operations	26 -- -- *Compliance, Environmental, Finance, HR*	5%	▪ Align on design principles to measure effectiveness of different organizational structures ▪ Review existing org structures for role overlap / redundancy and operational pain points that limit productivity, effectiveness ▪ Architect multiple organizational structures to address these issues
Deploy automation	▪ **Automate low-value activity** through smart workflows and robotic process automation (RPA) to handle tasks such as data entry and reconciliation ▪ **Create digital journeys** (e.g., onboarding/offboarding) that improve employee experience while reducing costs	26 -- -- *Compliance, Environmental, Finance, HR*	10%	▪ Conduct diagnostic to identify highest-value automation use cases (i.e., time spent on automatable tasks) ▪ Redesign processes end-to-end, leveraging the appropriate automation solutions (e.g., RPA, machine learning, etc.) ▪ Embed an automation team to build and scale solutions, focusing on MVPs and iterating quickly ▪ Build a sustainable automation program that generates demand for solutions from the business
TS service delivery transformation	▪ **Strategically address delivery options** to: – Become more cost competitive; – Free resources from current state operations to focus on strategic priorities and establish workforce capacity, both in scale and skills; and – Improve quality through engagement of select partners	18 -- -- *Technology internal labor and contracted labor[1]*	34%	▪ Conduct holistic review of technology services required by the business and existing capabilities ▪ Engage external partners for basic, cost-competitive services ▪ Re-allocate internal resources to core competencies and/or other technology needs throughout the business

1 Excludes internal labor from the application development and administrative teams
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SOURCE: JEA financial statements, 2018 budget, and senior team initiative development

D G&A initiatives (2/2)

xx Internal labor
xx Contracts
xx Materials

Initiative	Description	2018 addressable spend baseline and description, $M		Savings target[1]	Key activities to execute
Advanced supply chain	▪ **Redesign warehouse layout** to reduce unnecessary walking, unnecessary replenishment, and double-handling of items ▪ **Automate inventory level management** through integration to the work management system to optimize supply levels and dispatch to work sites	13 -- --	*Supply chain labor*	15%	▪ Perform site observations to identify waste in fulfillment activities ▪ Identify optimal minimum inventory requirements and implement auto re-order logic to ensure inventories are within the appropriate levels
Demand management	▪ **Reduce amount or frequency of use** for materials and services (e.g., reduce fleet mileage, eliminate low-value tasks) ▪ **Optimizing scope of work** to maintain focus on high-value requirements ▪ **In-source work to JEA employees**	-- 20 10	*3rd party services (excluding TS, A&G other) and materials*	5%	▪ Aggregate purchasing system data into a centralized database that enables management to review POs pending for the upcoming weeks ▪ Establish a weekly meting to review all pending spend items to determine whether the spend is necessary or if there are cheaper solutions available
Strategic sourcing *Led by Supply Chain*	▪ **Negotiate lower commercial rates for materials and services** by: — Introducing new providers to increase competition (e.g., staff augmentation labor during outages) — Expanding supplier performance management systems and methodologies (e.g., on-time delivery, measuring time to complete jobs) — Leveraging additional flexibility as a non-governmental entity (e.g., outsource engineering, flexibility to discontinue vendors without multiple notices)	-- 20 10	*3rd party services (excluding TS, A&G other) and materials*	15%	▪ Embed a TCO (total cost of ownership) approach within the procurement organization ▪ Align category managers with BUs to identify opportunities to create value through sourcing events ▪ Develop "should-cost" or clean-sheet models to support supplier negotiations ▪ Develop supplier "scorecards" to measure performance against key KPIs

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