
From: Hiers, Angelia R. - VP & Chief Human Resources Officer <hierar@jea.com>
Sent: Thursday, November 29, 2018 7:08 AM
To: Swain, Dale J. - Executive Assistant
Subject: Fwd: Amended Plan

Would you add the same numbers to the second chart that you added to the first one yesterday?

Begin forwarded message:

From: "Wannemacher, Ryan F. - Chief Financial Officer" <wannrf@jea.com>
Date: November 28, 2018 at 10:54:12 PM EST
To: "Hiers, Angelia R. - VP & Chief Human Resources Officer" <hierar@jea.com>, "Dykes, Melissa H. - President/COO" <dykemh@jea.com>
Subject: RE: Amended Plan

Angie,

I added a few items.

Please take a look in the morning and incorporate your other changes.

Thanks,
Ryan

Ryan Wannemacher
Chief Financial Officer
Direct: (904) 665-7223

From: [Hiers, Angelia R. - VP & Chief Human Resources Officer](#)
Sent: Wednesday, November 28, 2018 4:22 PM
To: [Dykes, Melissa H. - President/COO](#); [Wannemacher, Ryan F. - Chief Financial Officer](#)
Subject: Amended Plan

Attached is the copy of the document with the changes we discussed.

Melissa, I returned the copy on which you made notes. It is on your chair.

Angelia (Angie) Hiers
Chief Human Resources Officer
Direct: (904) 665-4747



FY19 Pay for Performance Plan – Corporate Performance w/ Apptd Individual Performance Model

- The Pay for Performance Plan is a form of Short-Term Incentives (STI). The plan is a cash, performance incentive plan that aligns employee’s contributions to the Company’s Value and Corporate Metrics. The Community Value aligns with our continued focus on Safety; the Customer Value will continue to focus on JD Powers Customer Satisfaction in the Residential and Commercial sectors; and the Financial and Environmental values replace Electric, Water and WW O&M Cost.
- The plan differentiates payout based on pre-established thresholds of corporate performance. Pay is at risk depending upon achievement of these thresholds.
- The proposed Target Incentive Opportunity (TIO) reflects cash incentive and total cash compensation amounts at market 50th percentile for the utility industry (IOU and public).
- All full-time employees with a meets or better performance rating are eligible to participate in the plan.
- Non-appointed employees are only eligible for the Corporate Performance component. Individual performance incentives are subject to collective bargaining and are targeted for 2020.
- Target payout for non-appointed has been recalibrated to reflect market 50th target incentive opportunity.
- For appointed employees, the combination of the Corporate Metrics and the “at-risk”, Individual Performance component result in a proposed Target Incentive Opportunity (TIO) reflective of the Total Cash Compensation at market 50th percentile. This added “at-risk” component is based on an individual’s successful completion of stretch goals during the fiscal year.
- Corporate metrics would include Safety, JD Power, Reliability, Emissions and Profitability
- Long-Term Incentives (LTI) are typically a component of total compensation designed to align employees who have the greatest influence on the 3-5 year strategic goals of the company. LTI is most typically used in Investor Owned Utilities (IOUs) and publicly traded companies. About 25% of government, public sector and non-profits use LTIs. The most prevalent population to receive LTI are the CEO, C-suite executives, and Director level (direct reports to executives). The prevalence dramatically declines at management/supervisory levels and is typically not used at all for individual contributors and line employees. LTI can have cliff or prorated vesting typically over a period of 3-5 years. Payout is commensurate with risk. Target Incentive is a percentage of the individual’s base salary.
- For all employees not eligible for LTI, institute a spot award program for bright ideas and Nike day initiatives in the amount \$1,000 - \$5,000
- STI Estimated Payout at Meets - \$9.4M and Exceeds - \$11.8M (Does not include CEO, @ 20% for CFO/COO)
- **See back page for LTI estimates**

Example Payout at Meets:

	Total TIO	Corp Metrics	Individual Perf		STI as % of Avg Base
		Corp Perf Plan	Individual Perf	Contribution + EBITDA	
		50%	50%		
CBU	\$ 2,500	\$ 1,250	\$ 1,250	\$ -	3.5%
E & F	\$ 4,800	\$ 2,400	\$ 2,400	\$ -	7%
G	\$ 7,000	\$ 3,500	\$ 3,500	\$ -	9%
H	\$ 10,000	\$ 5,000	\$ 5,000	\$ -	11%
I	\$ 12,000	\$ 6,000	\$ 6,000	\$ -	11%
J	\$ 20,000	\$ 10,000	\$ 10,000		21% 15%
K	\$ 28,000	\$ 14,000	\$ 14,000		25% 18%
SLT	35%	17.5%	17.5%		
CFO	50%			100%	
CCO	65%			230%	
CEO*	100%			240%	

FY19 Pay for Performance Plan – Corporate Performance Plan and Profit Sharing

- The Pay for Performance Plan is a form of Short-Term Incentives (STI). The plan is a cash, performance incentive plan.
- The Corporate Performance Plan and the Profit Sharing Plan are provided to all employees of all levels. It Corporate Performance Plan aligns with the metrics set forth for the fiscal year 2019 Corporate Values. The plan differentiates payout based on pre-established thresholds of corporate performance. Pay is at risk depending upon achievement of these thresholds. The Corporate Performance Plan reflects 50% of the market total cash or 25th percentile of the market.
- The Profit Sharing plan is an additional short-term incentive plan that is aligned with profitability of the company. Profit Sharing is provided to all employees and reflects 50% of the market total cash or 25th percentile of the market.
- The combination of the Corporate Performance Plan and the Profit Sharing Plan result in total cash compensation of market 50th percentile.
- Corporate metrics would include Safety, JD Power, Reliability and Emissions
- All employees are eligible to receive payout.
- Long-Term Incentives (LTI) are typically a component of total compensation designed to align employees who have the greatest influence on the 3-5 year strategic goals of the company. LTI is most typically used in Investor Owned Utilities (IOUs) and publicly traded companies. About 25% of government, public sector and non-profits use LTIs. The most prevalent population to receive LTI are the CEO, C-suite executives, and Director level (direct reports to executives). The prevalence dramatically declines at management/supervisory levels and is typically not used at all for individual contributors and line employees. LTI can have cliff or prorated vesting typically over a period of 3-5 years. Payout is commensurate with risk. Target Incentive is a percentage of the individual's base salary.
- For all employees not eligible for LTI, institute a spot award program for bright ideas and Nike day initiatives in the amount \$1,000 - \$5,000
- Estimated Payout at Meets - \$9.4M and Exceeds - \$11.8M (Does not include CEO, @ 20% for CFO/COO)
- **See back page for LTI estimates**

Example Payout at Meets

	Total TIO	Corp Metrics	Profitability		STI as % of Avg Base
		Corp Perf Plan 50%	Profit Sharing 50%	Contribution + EBITDA	
CBU	\$ 2,500	\$ 1,250	\$ 1,250	\$ -	3.5%
E & F	\$ 4,800	\$ 2,400	\$ 2,400	\$ -	7%
G	\$ 7,000	\$ 3,500	\$ 3,500	\$ -	9%
H	\$ 10,000	\$ 5,000	\$ 5,000	\$ -	11%
I	\$ 12,000	\$ 6,000	\$ 6,000	\$ -	11%
J	\$ 20,000	\$ 10,000	\$ 10,000	21%	15%
K	\$ 28,000	\$ 14,000	\$ 14,000	25%	18%
SLT	35%	17.5%	17.5%	50%	
CEO*	100%			240%	

Long-Term Incentives (LTI)

Long-term incentive are a form of variable compensation typically reserved for top management (vice presidents and above) in private sector organizations and are designed to reward long-term strategic or financial objectives of the corporation. The metrics associated with these plans are typically stretch/high to correlate with a higher risk and thus a higher payout. The prevalence or usage of LTI in the public sector is less than 25% of companies have an LTI plan.

Companies that do not have shares of stock, will typically develop a LTI plan that based on Cash or Performance Units (grant of dollar-dominated units with value that is contingent on performance against multi-year timeframes). Plans usually have a vesting period of 3 – 5 years. Frequency of grants is typically annual, and payout may be deferred in a cliff vesting manner or prorated.

JEA has not had a plan of this nature and therefore, Finance and SLT would need to be engage to develop the factors associated with the measurements and agree to thresholds.

In an analysis of market data for the energy, utility and general industry, below is a summary of the potential cost per year to deliver an LTI plan to Directors and above. LTI is not typically a component of compensation below senior leadership level and therefore it is not recommended that this form of compensation go below Director level. Amongst the SLT members, there is considerable differentiation in target opportunity between a Chief Operating Officer, Chief Financial Officer and other VP/Chief positions.

Assumptions:

- Market 50th percentile target LTI as a percentage of base pay
- target LTI is based on information from private industry
- for budgeting purposes, thresholds of payout have been assumed of +/- 25% of target, 100% (lowest payout is 75%/target is 100%/exceed is 125%)
- 3% increase to base salaries is factored into modeling to account for year over year growth in salaries

3 Year Cliff Vesting (Director, SLT and COO)

Grant Date / Yr of Payout	75% of Target	Target	125% of Target
FY2019/2022 Payout	\$ 2,778,007	\$ 3,704,010	\$ 4,630,012
FY2020/2023 Payout	\$ 2,861,348	\$ 3,815,130	\$ 4,768,913
FY2021/2024 Payout	\$ 2,947,188	\$ 3,929,584	\$ 4,911,980

Based on these targets an LTI plan comprised of annual pool based on 1.7% of the city contribution and 4% of the EBITDA above forecast (requires \$50 million increase in annual EBITDA relative to forecast to achieve target) would be consistent with these targets.

Level	Percent of Base Salary	Employee Count
Director Grade "J"	20%	42
Director Grade "K"	22%	20
VP / Chief	50%	9
Chief Financial Officer	80%	1
Chief Operations Officer*	150%	1
Chief Executive Officer*	240%	1

*Suggest a custom analysis conducted by WTW and both roles currently under contract and determined by Board of Directors

