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**From:** Zahn, Aaron F. - Managing Director/CEO <zahnaf@jea.com>  
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**To:** Wannemacher, Ryan F. - Chief Financial Officer; Hiers, Angelia R. - VP & Chief Human Resources Officer; Dykes, Melissa H. - President/COO  
**Subject:** Please review and provide edits  
**Attachments:** 2018-1-3 Compensation presentation -v8.pptx

**Aaron Zahn**

Managing Director & Chief Executive Officer

Direct: (904) 665-4396

Mobile: (312) 286-1040

Fax: (904) 665-4238

Email: [zahnaf@jea.com](mailto:zahnaf@jea.com)

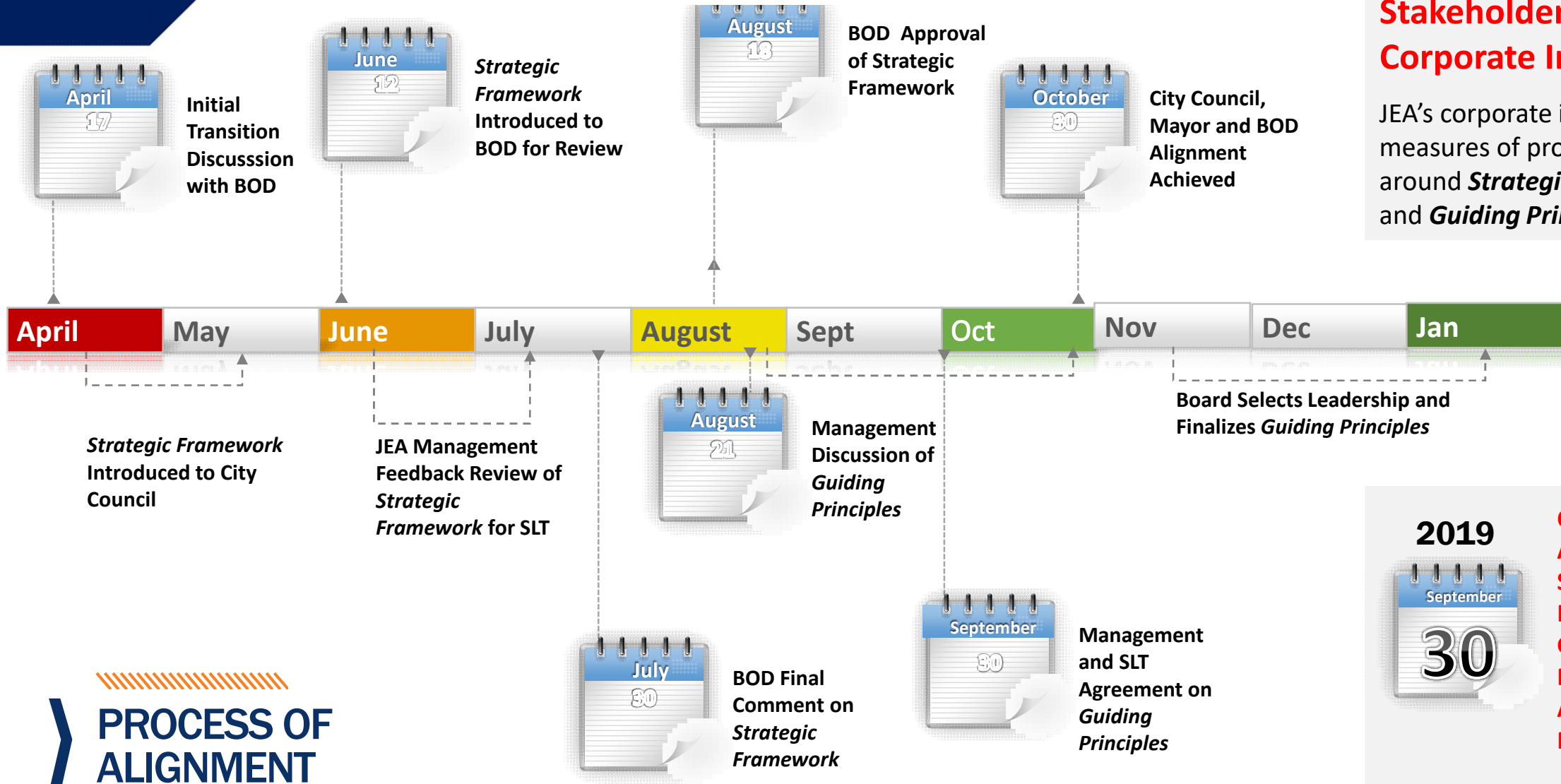


# Total Market Compensation Strategy

January 2018



# “Guiding Principles” More Than Talk



**Result: Alignment of Stakeholders to JEA Corporate Initiatives**

JEA's corporate initiatives and measures of progress aligned around **Strategic Framework** and **Guiding Principles**

**2019**



**COMPLETE ALIGNMENT OF STRATEGIC FRAMEWORK, GUIDING PRINCIPLES AND STRATEGIC PLAN**

**PROCESS OF ALIGNMENT**





# GUIDING PRINCIPLES

ACCELERATING UTILITY INNOVATION

## Vision

*Why we exist and who we want to be in the future*

**Improve lives by accelerating innovation**

## Mission

*How we are going to pursue our vision and what we need to do today to get there*

**Provide the best service by becoming the center of our customers' energy and water experience**

## Corporate Measures

*Our mission will be guided by and evaluated against how we as employees drive these four basic Corporate Measures of JEA's value*

The fundamental goal is to maximize each value both now and in the future:

### 1) Customer value

What a customer expects to get in exchange for the price they pay

### 2) Financial value

The monetary value and risk profile, both today and tomorrow, of JEA as it relates to the City

### 3) Community impact value

Improving the quality of life through innovative and cost-effective service offerings, employee volunteerism and ambassadorship, relevant and timely communications, and support of economic development and job growth throughout JEA's service territory; foster a collaborative and respectful corporate culture that provides exceptional employee value to equip the JEA team to deliver outstanding service and value to its community

### 4) Environmental value

Ensuring a sustainable environment for future generations

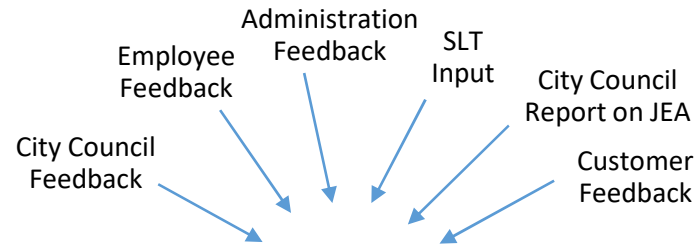
## Core Competencies

*The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision*

- Deliver an unparalleled positive customer experience
- Work together to elevate the entire team
- Innovate and evolve to match our customer's needs with market trends

# STAKEHOLDER ALIGNMENT

Alignment logic of **Strategic Framework** and **Guiding Principles** through day-to-day actions of employees



Strategic Framework

Guiding Principles

Result (Metrics)

Corporate Goals

Result (Metrics)

Supporting metrics

SLT Goals

Result (Metrics)

Supporting metrics

Director Goals

Result (Metrics)

Supporting metrics

Team Goals

Result (Metrics)

Employee behavior tied to driving metrics that measure the 4 values outlined in the Guiding Principles:

- 1) Customer
- 2) Financial
- 3) Environmental
- 4) Community impact

See Dashboard & supporting metrics

Employees aligned to Board and COJ



## Corporate Measures

*Our mission will be guided by and evaluated against how we as employees drive these four basic Corporate Measures of JEA's value*

The fundamental goal is to maximize each value both now and in the future:

- 1) Customer Value**
- 2) Financial Value**
- 3) Environmental Value**
- 4) Community Impact Value**

Employee behavior key to maximizing value



## **GUIDING PRINCIPLES**

ACCELERATING UTILITY INNOVATION

### **Core Competencies**

*The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision*



**Work together to elevate the entire team**

Core competencies accelerate results



# ELEVATE THE ENTIRE TEAM

1. Ensure JEA's corporate compensation philosophy is aligned with JEA's Guiding Principles
2. Encourage long-term culture of value creation
3. Establish formal compensation policy to align behavior to 4 Corporate Measures of Value and market based compensation
4. Ensure policy promotes collaboration to drive Vision and Mission

Employee incentives should drive “value” & “teamwork”



# JEA Board Policy Manual

(Policy 2.7 adopted by JEA Board on June 17, 2014)

50<sup>th</sup> %



JEA's current total compensation structure aims to compete with the market for talent

“With respect to employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the CEO shall not cause or allow jeopardy to financial integrity or to public image. Accordingly, the CEO will not:

Promote a compensation philosophy... providing a total rewards package that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits.

Salary/wages will meet the market (50% percentile), which is where the majority of companies in the geographical area reside. The 50th percentile pays competitively for behavior that meets expectations. Additional consideration will be given to behaviors that exceeds expectations which are typically rewarded at the 75th percentile. Internal equity will be achieved by evaluating differences in skill, effort, responsibility and working conditions among jobs.”

# HOW DO WE DEFINE TOTAL COMPENSATION?

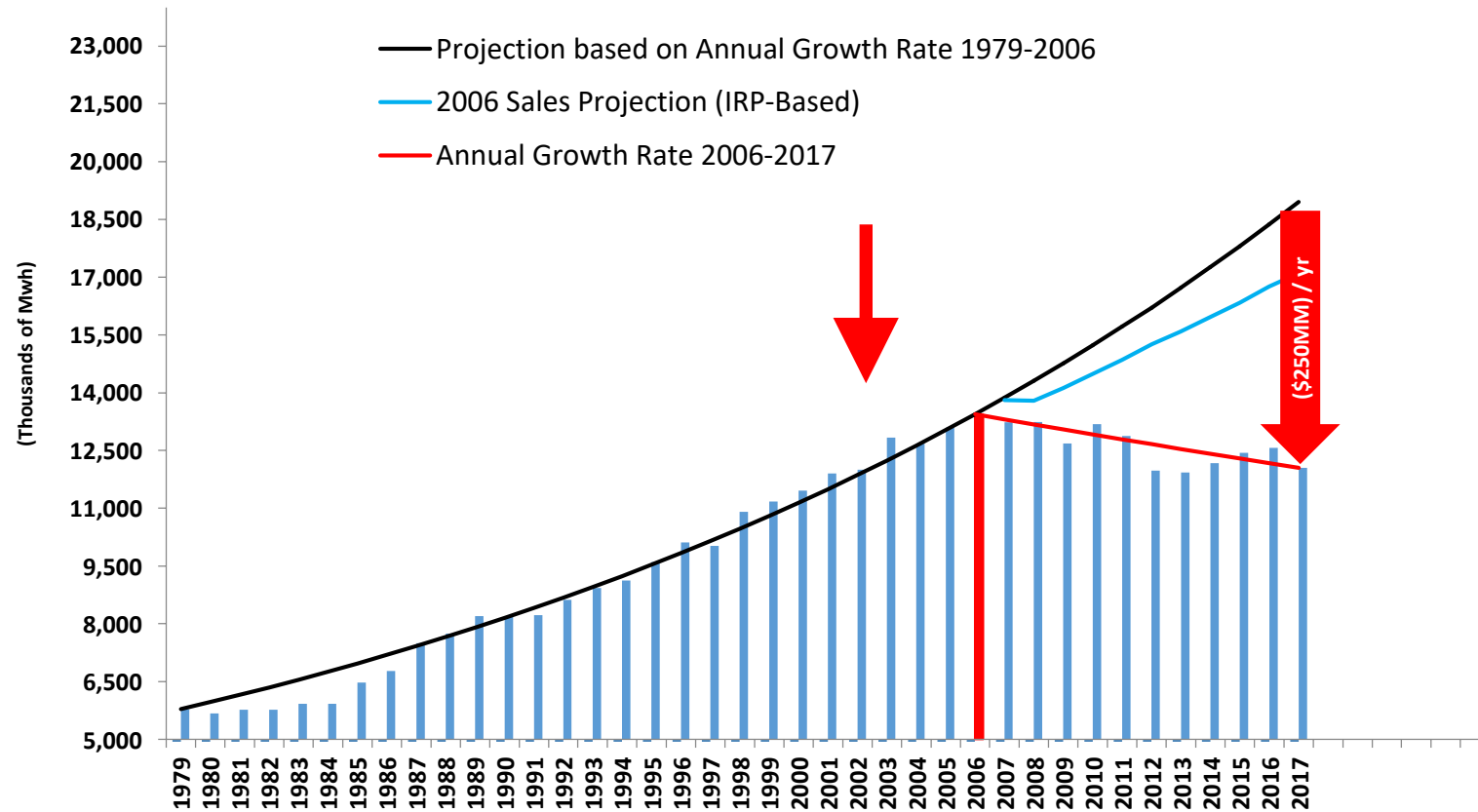
	BASE	+	SHORT TERM INCENTIVE	+	LONG TERM INCENTIVE
JEA	\$132.8		\$4.7		\$0.0
50 <sup>th</sup> Percentile	\$124.9		\$9.2		\$6.0
DELTA ▲	\$7.9		(\$4.5)		(\$6.0)

Above numbers exclude healthcare and retirement

Dollars above are in millions

JEA's total compensation structure does not reward value creation

## 2007 to 2017 JEA lost Avg. of \$130 MM / yr in FCF (\$1.4B of cash) vs IRP Case



### Industry Macro Trends Impacting JEA

#### Energy Efficiency (2000's tech trend)

- Mandates account for >90% of reduction in electric sales
- 30% lower sales in 2017 than forecasted back in 2006

#### Distributed Generation (2010's tech trend)

- Solar growth increasing in JEA territory 67% CAGR since FY 14
- >\$2.5MM of Net Income lost to distributed generation annually

#### Distributed Storage & iDER (2020's tech trend)

- Similar cost / performance trends to distributed generation being witnessed
- Storage will change the entire energy sector once cost parity with utility achieved



**WHY FOCUS AND COMPENSATION  
ALIGNMENT MATTERS**

# RECOMMENDED: JEA Board Policy Manual

(Revision to Policy 2.7 adopted by JEA Board on June 17, 2014)

“With respect to employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the CEO shall not cause or allow jeopardy to financial integrity or to public image. Accordingly, the CEO will ~~not~~:

Promote a compensation philosophy providing a total rewards package that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits **the align with and drive JEA’s Corporate Measures of value: 1) Customer; 2) Financial; 3) Environmental; and 4) Community Impact.**

**Total compensation ~~Salary/wages~~** will meet the market (50% percentile), which is where the majority of companies in the **industry and** geographical area reside. **Total compensation will include Base Salary, Short Term Incentives and Long Term Incentives.** The 50th percentile pays competitively for behavior that meets expectations. **Short term and long term incentives will align to and drive JEA’s Corporate Measures of Value.** Internal equity will be achieved by evaluating differences in skill, effort, responsibility and working conditions among jobs.”

50<sup>th</sup> %

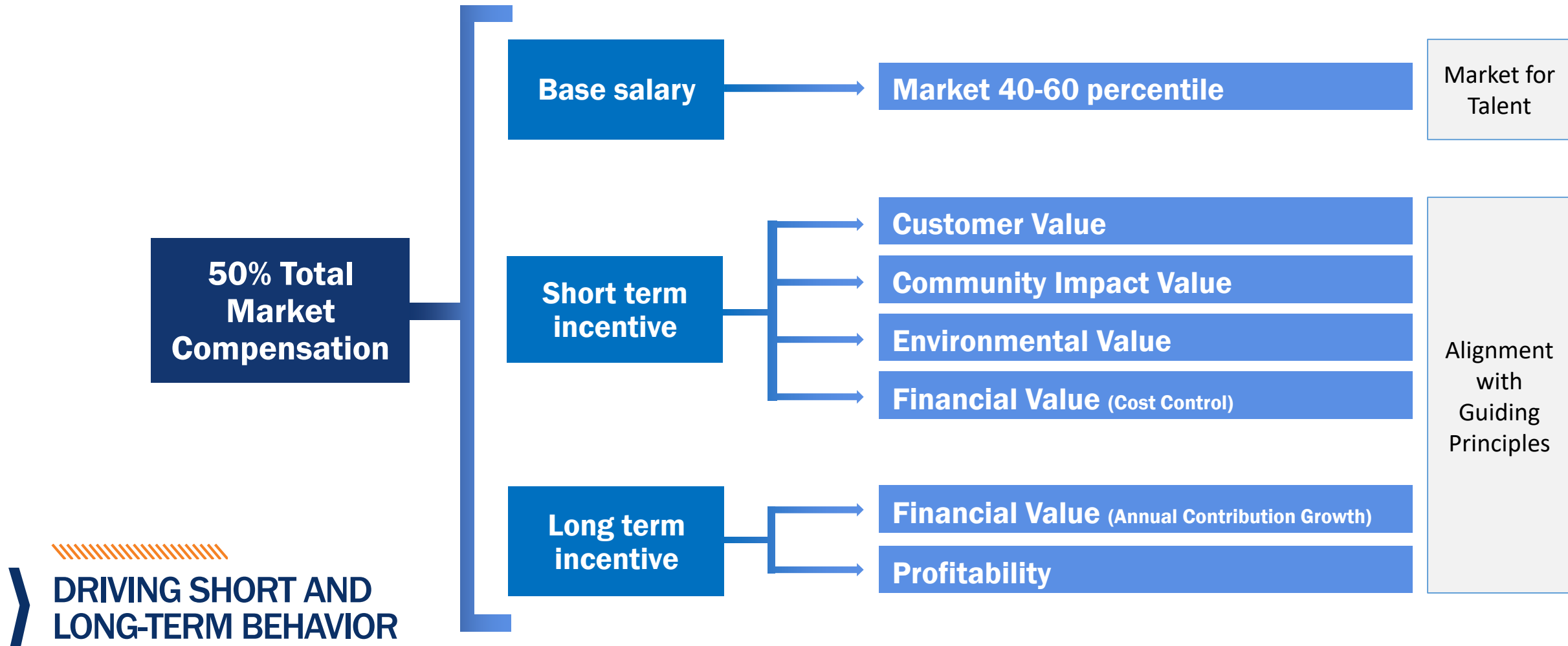


JEA’s total compensation structure should both compete with the market for talent & drive results aligned with “guiding principles”

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JEA’S COMPENSATION  
PHILOSOPHY



# Establish a Formal Compensation Policy to Align with 1) Talent Market and 2) Guiding Principles







# Cultural Values

Safety

Service

Growth<sup>2</sup>

Accountability

Integrity

*Ideas*

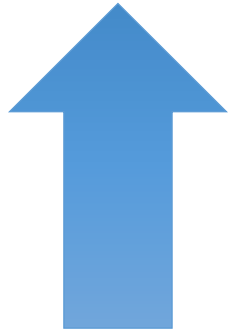






## Driving Toward Success

*Willing to take appropriate and calculated risks and fail from time to time in order to achieve extraordinary results*



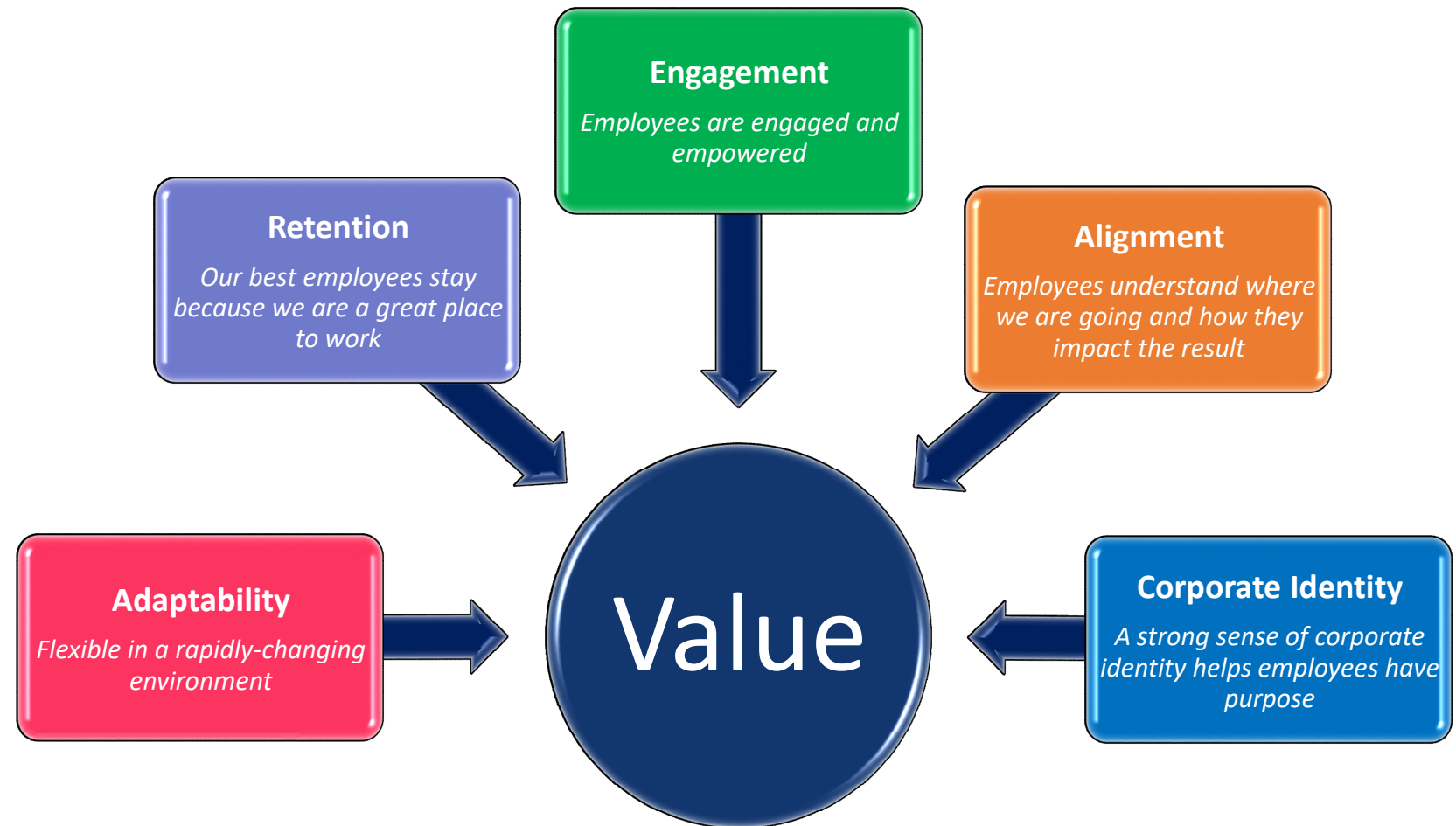
## Working Not to Fail

*Culture and individuals motivated by risk aversion striving not to fail rather than to succeed*



**Vision:** Improve lives by accelerating innovation

**Mission:** Provide the best service by becoming the center of our customer's energy and water experience





**5 TO 5**

**INNOVATION  
INCENTIVE  
PROGRAM**



**ACCELERATING AN  
INNOVATIVE CULTURE**

## INTRODUCING THE **5 to 5 Innovation Incentive Program**

- 5 to 5 is about culture
- Purpose of the **5 to 5 Innovation Incentive Program** is to encourage and reward employees for developing and submitting innovative *ideas* (*Ideas* being one of JEA's core values) that benefit JEA and our community.
- Employees who submit an *idea* that is implemented will be eligible for incentives ranging between **\$500 to \$5,000** depending on the scope, cost savings, and/or revenue generation associated with the submitted *idea* and corresponding results.
- *Ideas* will align with JEA's corporate measures:
  - *Customer Value*
  - *Financial Value*
  - *Environmental Value*
  - *Community Impact Value*



COMMITMENT TO  
RESULTS & VALUE



# Leaders Own the Job of Creating the Company Culture as Well as the Strategy



**LEADING BY EXAMPLE**





# DRAFT

## ALIGNING TO RESULTS & VALUE

- Board and Aaron wants CEO Compensation to be aligned with: 1) All employees compensation; 2) Total Compensation Philosophy; and 3) Results vs. Baseline
- Board to agree on TC Philosophy and Baseline before finalizing CEO contract

