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**From:** Banks Willis <bwillis@daltonagency.com>  
**Sent:** Tuesday, July 9, 2019 3:16 PM  
**To:** Kyle, Gina A. - Manager Media Relations; Stewart, Kerri - VP & Chief Customer Officer; Goldberg, David M. - Director Customer & Community Engagement  
**Cc:** Michael Munz; Maddie Milne; Devin Pascoe; Cantrece Jones  
**Subject:** FOR REVIEW: Scenario 3 communications strategy memo + key messages/tough Q&A  
**Attachments:** JEA Scenario 3 communications strategy\_DRAFT 7.9.19.docx; JEA In Transition Messages and Tough Qs\_DRAFT 7.9.19.docx; Scenario 3 Communications Tracker\_DRAFT 7.9.19.xlsx

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Kerri, David and Gina –

See attached final two **DRAFT** Scenario 3 planning documents for your review, edits, additions, deletions:

- communications memo strategy
- updated key messages + tough Q&A.
  - **Note:** I highlighted in yellow the questions and messages we updated/added.

So you have everything in one place, I have also re-attached the **tracker**, as sent last night, but with the 30 minute reporter meetings changed to 45.

This is obviously an iterative, team-based process, I'm sure we left out key questions and messages. Very much look forward to your feedback.

- **Key question that kept plaguing me** (beyond, what are we going to say and when), can we pin Aaron down on what stakeholders he'll want to talk to pre-July 23, and of course, what's he going to say to those stakeholders if we don't yet have all the answers (or segmented "what's in it for me" messages)?

Thanks so much. Go team!

Banks

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**From:** "Kyle, Gina A. - Manager Media Relations" <kylega@jea.com>  
**Date:** Tuesday, July 9, 2019 at 12:17 AM  
**To:** Banks Willis <bwillis@daltonagency.com>, "Stewart, Kerri - VP & Chief Customer Officer" <stewk@jea.com>, "Goldberg, David M. - Director Customer & Community Engagement" <golddm@jea.com>  
**Cc:** Michael Munz <mmunz@daltonagency.com>, Maddie Milne <mmilne@daltonagency.com>, Devin Pascoe <dpascoe@daltonagency.com>  
**Subject:** RE: FOR REVIEW: Scenario 3 communications tracker

Banks,

Good start. I would recommend extending the 1:1's to 45 minutes. 30 minutes went by very quickly last month, and given the material this month, I believe 45 might be more realistic. Please let me know if I can assist with the questions.

Gina

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**From:** Banks Willis <bwillis@daltonagency.com>  
**Sent:** Monday, July 8, 2019 10:09 PM  
**To:** Stewart, Kerri - VP & Chief Customer Officer <stewk@jea.com>; Goldberg, David M. - Director Customer & Community Engagement <golddm@jea.com>; Kyle, Gina A. - Manager Media Relations <kylega@jea.com>  
**Cc:** Michael Munz <mmunz@daltonagency.com>; Maddie Milne <mmilne@daltonagency.com>; Devin Pascoe <dpascoe@daltonagency.com>  
**Subject:** FOR REVIEW: Scenario 3 communications tracker

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Kerri, David and Gina –

In light of our quick timeline, I'm going to send the Scenario 3 communications planning and key message documents as I develop/update vs. waiting to send all completed at once.

This said, see attached planning **tracker** for your review, edits, additions, deletions. I focused on the actual tactics, thinking we can add due dates and team leads later.

I still owe you the memo plan and updated key message / tough Q&A document. Let me know if I'm missing something, or we're not on the same page.

Thanks!  
Banks

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**DRAFT: July 9, 2019**

### **Scenario 3, non-traditional utility response, communications strategy**

**Situation:** Interest in and media coverage of JEA has continued to grow as the community and JEA's stakeholders become more aware of the utility's critical business challenges. Following the May 28 and June 23 board meetings in which Aaron presented Scenario 1, status quo, and Scenario 2, traditional utility response respectively, JEA has been educating key stakeholders on its scenario-based strategic planning process to determine how the utility can remain the community-owned asset that it's always been – staying relevant to its customers today, tomorrow and in the future.

The final scenario in JEA's scenario-based strategic planning process – Scenario 3 – will be presented for a vote at the Tuesday, July 23 board meeting. As has been alluded to in previous board meetings, Scenario 3 will outline the major charter and regulatory changes that would potentially allow JEA to have the freedom required to create revenue streams and new lines of business that relevancy today requires.

While the exact Scenario 3 recommendations will be finalized in the weeks leading up to the board meeting, JEA must be prepared to continue to educate and collaborate with key stakeholders on the potential long-term and short-term impact of its planning recommendations and outcomes.

**Overall goal:** To effectively and successfully communicate and define Scenario 3, non-traditional utility response, key next steps and overall impact to JEA's internal and external stakeholders, helping all to believe understand “what's in it for me”.

**Strategy and guiding principles:** Our integrated communications plan (separate Excel tracker document) will be implemented in the weeks leading up to the board meeting and day-of, taking into account timelines for communicating to key stakeholders, updates and feedback from relevant senior leadership team meetings. Key messages and tough Q&A will be updated and leveraged throughout the process. **Outstanding question for discussion: which stakeholders to speak to, what to say and when – pre or post-July 23.**

#### **Objectives**

1. To continue to demonstrate to key internal and external stakeholders that JEA senior leadership team, and its board, are committed to continuing the utility's legacy as a relevant and vital community asset.
2. To continue to educate key internal and external stakeholders on the how, when, why of JEA's evolution and scenario-based strategic planning process.
3. To communicate to key internal and external stakeholders what Scenario 3 entails, how the recommendations were developed, “what's in it for me” and what specifically will need to change for JEA to be able to offer high value utility services to residential and business customers today, tomorrow and in the future.
4. To ensure JEA employees that their senior leadership is doing everything to protect the integrity of the organization, in alignment with all four of corporate measures of value: customer, community, financial, environment.

#### **Targeted stakeholders**

1. JEA employees
2. Residential and business customers
3. JEA board of directors
4. City Council
5. City Hall/Mayor's office
6. Media
7. Community at large, key community and business leaders

DRAFT: July 9, 2019

## JEA in transition: Status quo and beyond (evergreen)

### Key messages

#### Electric and water utilities industry

##### Landscape

- Historically = sleepy, driven by two values: reliability and affordability.
  - Highly regulated = strives for lowest risk possible.
  - Utility + customer = a meter location and a bill payer.
  - Success = lights and water kept on without breaking bank.
- Today and future = uncertain, disruption-led environment.
  - Utility table stakes = reliability and affordability.
  - New forces disrupting and reshaping sector = engaged homeowners and businesses, digital disruption (connected “smart” technologies), data analytics, distributed energy resources (e.g. solar, battery storage and electric vehicles).
  - Customer at center enabled by technology = more focus on service and satisfaction.
- Challenges
  - Public policies = neither encourage innovation, nor incentivize infrastructure or business models needed to capture long-term value in the current disruption-led environment.
  - Organizational culture’s narrow approach to innovation = must overcome “this is how it’s always been done” mentality.
  - Leadership = new, change-management mindset.

##### JEA

- Basics = Tenth largest municipally-owned electric utility and one of the largest water and wastewater utilities in the country, with an almost 900-mile service territory.
  - 125+ years old.
  - Corporate measures of value: customer, community, financial, environment.
- Last decade = change, digital disruption happened around, to and in many cases without direct input from JEA.
- Digital (technology) disruption requires reframing challenge from **technological to business model**.
  - Business model challenge harder = business models hardwired into organizational ‘status quo’ (rules, norms, culture) = shifts more difficult to execute.
- JEA employees and community stakeholders = suffer from ‘status quo bias’, emotional preference for current state of affairs.
  - Digital (technology) disruption and ‘status quo bias’ industry warnings = Kodak, Blockbuster, newspaper industry (more information below).
- Remain relevant = capitalize on industry forces rather than remain a bystander.
- Aaron’s industry outsider, business perspective is exactly what JEA needs today.
- New senior leadership team = another critical component to JEA’s future success.
  - Ability to be innovative, take risks and drive transformation both within JEA, and with customers and policy makers.

## **Q&A | key messages**

### **Q. Why does JEA's senior leadership team make so much money?**

**A.** This team represents varying skill sets, backgrounds and knowledge bases for a reason: as we embarked on our scenario-based strategic planning process, it's been important that each person bring their own unique experiences to the table. The future success of JEA is dependent on having the right people in place for the job – from the individuals maintaining our power lines to the individuals on our senior leadership team.

### **Q. Why is JEA's 'status quo' future so bleak?**

**A.** Customers are increasing but revenues are decreasing due to energy efficiency.

- Increased electric customer base by 112,000 since 2000 – equivalent to the city of Tallahassee.
  - Each new customer adds ~\$2,500 in energy capital costs and \$100-200 / year in ongoing operating costs.
    - By 2030 there will be 16 percent more electric customers.
  - Catalyzed by the Energy Policy Act of 2005, 10 percent decline in revenue since 2007 – and still declining.
- Within about 7 years, alternative forms of energy like solar w/battery back-up will be cheaper than JEA's rates.
- JEA's role as primary deliverer of electricity in Jacksonville is being challenged. Technology innovation is upending business as usual by lowering competitive barriers to entry (e.g. Nest, Google, Amazon).

### **Q. Why are you having these conversations now?**

**A.** While these challenges became apparent over a decade ago, well before our current senior leadership team's tenure, and this discussion is new for Jacksonville, utility death spirals have been discussed in the industry for years. A 2018 Black & Veatch survey of utility industry leaders reported that 71 percent see the death spiral as a real outcome if utilities don't use alternative solutions. And in June 2019, Sue Kelly, the CEO of the American Public Power Association said, "If public power utilities do not face these challenges head on, 'we could lose our customers' business and risk being disrupted – indeed, we could be left behind." We are more committed than ever to transparent, collaborative conversations with all of our stakeholders. Maintaining cooperation and continuity will be key to JEA's next 125-years.

### **Q. Can you summarize JEA's strategic planning process in one paragraph?**

**A.** At its core, our scenario-based strategic planning process, and supporting key stakeholder outreach, is introducing a critical community conversation that's needed to happen for years – does JEA want to eventually become irrelevant to our customers, or stay relevant (and even innovative) now and into the future?

### **Q. What exactly is scenario-based strategic planning?**

**A.** In the past, JEA was able to take a traditional approach to strategic planning because the electric and water utilities sector was a predictable, low-uncertainty business environment. A sufficiently precise plan to make money the way its "always been done" worked. In fact, it worked for over 125-years. Today, the way it's "always been done" will no longer work, therefore our approach to strategic planning has evolved from traditional to "scenario strategic planning" to reflect this new, uncertain business reality.

At a high-level, scenario-based strategic planning is a disciplined approach to planning in times of uncertainty and involves making assumptions on what the future is going to be (identifying a specific set of "uncertainties") and how our business environment will change overtime in light of that future. For example, farmers use scenarios to predict whether the harvest will be good or bad, depending on the weather. It helps them forecast their sales but also their future investments. We believe that building this set of assumptions is probably the best thing we can do to help guide JEA in the short and long term.

**Q. Is this just a ploy to push privatization? Will JEA eventually privatize?**

A. If what you're asking is, "are we going to put a 'for sale' sign in front of JEA tomorrow?" – the answer is no. To continue to ask about privatization, as if it's an easy "solution" to JEA's challenges, oversimplifies a complex business challenge and does a disservice to our community. We are thinking beyond the easy way out, beyond the 'status quo', and strategically planning for JEA to remain relevant as a key community asset today, tomorrow and in the future.

**Q. Don't you think raising rates will happen regardless?**

A. While raising rates is an option, in the near term, JEA is not planning to raise rates.

**Q. Is it true that JEA plans to spin off its electric business within five years?**

A. We can't speculate on the future, but what we can say is that JEA is a better and more powerful utility because of our combined electric and water utility offering. We're able to leverage platforms and learnings between the two utilities to improve our overall service offering.

**Q. Can you explain the JEA-specific scenarios again?**

A.

**1. Scenario 1, status quo (presented at the May 28 board meeting)**

Assumes JEA will continue to operate as if we're still working within a predictable, low-uncertainty environment – which means we will become irrelevant, very quickly.

**2. Scenario 2, traditional utility response (presented at June 25 board meeting)**

Assumes a focus only on stabilizing profitability to the level necessary to pay JEA's ~\$4 billion debts and maintain standard electric, water and wastewater services – which means we will become irrelevant, quickly.

**3. Scenario 3, non-traditional utility response (to be presented at July 23 board meeting)**

Assumes innovating to win, focuses on growth, new business models and public-private partnerships, extension of core service offerings and will require changes to JEA's operating model – which means we proactively create the circumstances that will enable us to remain relevant today, tomorrow and in the future.

**Scenario 3: Non-traditional utility response**

*[Disclaimer: these messages to be used if determined that charter change is not possible]*

**Q. What will be required to change how JEA operates today?**

A. JEA is limited to status quo and traditional utility options as outlined in Scenario 1 and 2 because of the following municipally-owned utility (government-specific) policies and regulations:

- Constitution of the State of Florida
- Florida Public Service Commission
- City of Jacksonville Charter
- Florida Statutes
- Bond Resolutions
- Policy Considerations
- Business Structure as defined by Charter

Collectively, these constraints limit JEA from diversifying and implementing creative profit generation initiatives and cripples our ability to evolve and remain relevant to address customer and community needs, as well as market and industry trends.

Unfortunately, after focused legal analysis, we've concluded that it will be impossible for JEA to change, and therefore overcome, the constraints that govern our utility, as outlined in our Scenario 3, non-traditional utility response presented on July 23.

**Q. Why has JEA and the Jacksonville media been touting 'charter change' – and Scenario 3 – as the answer to JEA's woes?**

A. 'Charter change' has been discussed as one potential solution of many, not the solution, to JEA's challenges. JEA, along with our Board, has been and is still committed to seeking alternatives (the right alternative) to the 'status quo' – a certain death spiral – so that we can effectively address our customer's changing demands and take advantage of the forces that are disrupting and reshaping our industry today, tomorrow and in the future.

**Q. Did you know the whole time that 'charter change' wouldn't be possible? Why did you lie, was it just a ploy for privatization?**

A. The tough part about scenario-based strategic planning in times of uncertainty is you don't know what you don't know. We thought that 'charter change' could be the answer to JEA's challenges, however, true to its mission, our scenario planning uncovered that we'll need to look at alternatives.

We are not going to put a 'for sale' sign in front of JEA tomorrow. Privatization in the traditional sense of the word oversimplifies a complex business challenge and does a disservice to our community. As promised from the beginning, we have been and still are thinking beyond the easy way out, beyond the 'status quo', and strategically planning for JEA to remain the community-owned asset that it's always been – which also means staying relevant to our community today, tomorrow and in the future.

**Q. So now what's the alternative to Scenario 3, Scenario 4?**

A. It's important to keep in mind that the concept of privatization doesn't always mean simply selling entire assets to an investor-owned entity. Private entities can be sole proprietorships, partnerships, limited liability corporations, non-profits, or any other organized group that is not government-affiliated. Key word being - not government-affiliated. For instance, the Clay County Utility Authority, in the community adjacent to ours, is a utility co-op – a private, non-profit business owned and governed by the community and customers it serves. In other circumstances, municipally-owned utilities may partner with an investor-owned technology company like Google or Amazon to create a type of public-private partnership. There are dozens of ways to evolve JEA from a strictly municipally-owned, government-affiliated utility, each one is unique and can be designed to meet the exact needs of the local community. We must remain open to strategies that provide JEA with the best opportunity to realize our goal of remaining a community-owned asset, while staying relevant to our community today, tomorrow and in the future.

**Q. What are next steps and the timeline for implementing Scenario 3 as approved (by JEA board of directors on July 23)?**

A. XXX

**Q. If charter changes aren't a viable option to save JEA's business, then are eventual layoffs definite? When would they start?**

A. XXX

**Q. How will JEA operate while hanging in the balance between government (yesterday and today) and a potential "private" entity status (the future, tomorrow)?**

A. XXX



**Q. We've heard a lot about the bad, what about the good? How is JEA continuing to serve its customers and community even during this disruptive time?**

**A.** Innovation Summit 2018  
[Quarterly JAXUSA Partnership Luncheon](#), July 30  
Demand Rate Study  
Customer Home Energy Management Tool pilot (Innovation Hub)  
Electrification  
Integrated Water Resource plan and water purification  
Public Private Partnership for Organic Recycling  
Biogas Credit Feasibility study  
STAR Plan – additional billion in debt by 2023  
Solar – 2018 250 megawatts  
St. John's River, lowest nitrogen, highest reliability ever