

VIA EMAIL

March 3, 2020

Shawn Eads, Chief Information Officer
JEA
21 W. Church Street
Jacksonville, FL 32202

Re: McKinsey & Company, Inc. Washington D.C. – Invoices

Dear Shawn:

In response to your request during our February 28, 2020 telephone call, in connection with the fixed fee subcontract related to ITN 127-19 (Strategic Alternatives) between Pillsbury Winthrop Shaw & Pittman LLP and McKinsey & Company, Inc. Washington D.C. (“McKinsey”), please find enclosed all outstanding invoices for the services McKinsey performed thereunder.

In total, McKinsey has invoiced \$2,900,000 for the services it rendered under the subcontract. Below are a few key notes.

First, the subcontract makes clear on its face that “JEA ... determined that it [was] permitted to rely on acquisition strategies applicable to the procurement of ‘legal services’ and ... asked Pillsbury to subcontract with McKinsey.” A Florida Times-Union article published on February 29, 2020 likewise confirms that Lynne Rhode, an attorney employed by the OGC and chief legal officer for JEA, “authorized the McKinsey agreement in a Sept. 19 email sent to [Herschel] Vinyard and Pillsbury attorneys.” David Bauerlein, *Three contract awards failed to follow JEA code, review finds*, The Florida Times-Union (Feb. 29, 2020), <https://www.jacksonville.com/news/20200229/three-contract-awards-failed-to-follow-jea-code-review-finds>.

Second, although the subcontract states that McKinsey will submit invoices to Pillsbury, in keeping with your request (on behalf of the JEA Awards Committee), I am sending the invoices directly to you.

Third, the scope of work appended to the subcontract provides that McKinsey’s fee is a “firm fixed price” totaling \$3,000,000. McKinsey fully performed all of the services and provided all of the deliverables contemplated by the fixed fee subcontract, and JEA accepted the work. McKinsey provided Pillsbury and JEA with data, analysis and strategic advice related to ITN 127-19, including, without limitation:

- A vision and definition of JEA's business model and performance in the future;

- Specific, measurable, achievable targets for JEA performance and health aligned against JEA's existing strategic framework;
- A bankable strategic plan for JEA structured around performance improvements and new businesses;
- An implied capital structure and investment plan;
- A view of organizational gaps based on future business model(s), leadership requirements and capabilities required;
- Materials to support JEA's third-party strategy presentation, as well as a short teaser summarizing JEA's developed strategy and tailored to potential strategic investors, financial investors, and technology players; and
- Management assistance regarding presentations to JEA's Board of Directors.

Fourth, at the request of Melissa Dykes (interim CEO, JEA), which you acknowledged on our telephone call last week, McKinsey has agreed to waive \$100,000 of its fee as a courtesy to JEA. That is why the McKinsey invoice totals \$2,900,000 instead of the agreed upon \$3,000,000 amount in the subcontract.

To the extent any additional information or clarification is required, please do not hesitate to contact me at your convenience. Nothing herein shall constitute a waiver, release or otherwise by McKinsey.

Sincerely,



Anton Derkach

JEA
21 W. Church St. | Jacksonville, FL 32202

Invoice #: USG-2858DE-6098

March 3, 2020

Payable upon receipt

Professional fees for the support to develop Strategic Plan for JEA (Subcontract Performance Completed)		\$ 3,000,000.00
Agreed upon reduction		\$ (100,000.00)
August invoice (not yet paid)		\$ (100,000.00)
September invoice (not yet paid)		\$ (100,000.00)
October invoice (not yet paid)		\$ (600,000.00)
November invoice (not yet paid)		\$ (600,000.00)
Remaining amount invoiced today		\$ 1,500,000.00

<p>Please wire transfer payment to:</p> <p>McKinsey & Company, Inc. Citibank N.A. Bank Account Number: 119.071(5)(b) Bank Bank ABA Routing Number: 021000089</p> <p>Federal Tax ID#: 56-2405213</p>	<p>If remitting by check please send check to:</p> <p>McKinsey & Company, Inc. P.O. Box 7247-7255 Philadelphia, PA 19170-7255</p>
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Please reference the invoice number and invoice date on your remittance advice.

Terms: Payable upon receipt. 1% per month interest will be charged on balances outstanding 60 days after the invoice date.

For advice or questions on remittances, please contact Anton Derkach at 713-751-4158 (anton_derkach@mckinsey.com).

In response to JEA’s request to receive all of McKinsey’s invoices, McKinsey submits this invoice to JEA for the balance of \$1,500,000.00 for the fixed fee subcontract relating to ITN 127-19 (strategic alternatives). This invoice factors in a \$100,000.00 reduction of the \$3,000,000.00 fixed fee, as agreed with Melissa Dykes in December 2019. As indicated in the cover letter to this invoice, McKinsey provided Pillsbury and JEA with data, analysis and strategic advice concerning potential strategic alternatives and such work and deliverables were accepted by JEA.