

21 West Church Street
Jacksonville, Florida 32202-3139

December 16, 2019

Re: JEA Long Term Performance Unit Plan (the "Plan")



Chairmen Diamond, Salem and City Councilmembers:

I recently spoke to JEA's Board members and wrote a letter to City Councilmen Rory Diamond and Ron Salem. In all communications, I affirmed the full and complete support of myself, the entire JEA senior leadership team and advisors, relative to the City Council's review of the cancelled long-term performance plan (Plan). I regret that JEA's consideration of the Long-term performance Plan, under my leadership, has created controversy and distracted from the important strategic work of JEA and the City Council.

E L E C T R I C

W A T E R

S E W E R

As a leader I have tried to navigate the challenges and difficult policy debate around JEA's future with transparency and candor. So, it is in that same manner, that I am here today to state I made an error in judgement. The motives of the Long-term Employee Plan at inception were pure but the moment JEA's Board contemplated recapitalization, I should have recommended that a Long-Term Performance Plan would be better timed after a final decision was made on JEA's future. Instead, JEA's leadership continued the mechanics of legal, ethical and confirmatory diligence around the Long-Term Plan. The delay in cancelling the Plan, and contemplation of potential impacts of recapitalization should it ever occur, was a mistake. In consultation with OGC and advisors between August and the end of October, JEA's leadership eventually arrived at this correct conclusion. It was with the great advice of OGC, our advisors and in consultation with the Board Chair and Plan Administrator that I requested JEA's Board withdraw and rescind implementation of the Long-term Plan. I worked with the Chair of the Board to recommend the board officially take that action at the next available Board meeting which is tomorrow, December 17, 2019. You will note from the publicly noticed agenda that JEA's Board is set to review and hopefully implement the cancellation recommendation tomorrow.

JEA has some of the very best and committed utility workers in the country. As such, the Board and I are always looking for the best way to attract and retain talent while motivating current employees to produce value for our community. At inception, the Long-Term Plan aimed to motivate each and every employee to drive the financial health of JEA. As you know, JEA's financial health is paramount to ensuring that: 1) rate affordability for our customers is maintained; 2) corporate profitability is sustained sufficient to meet future 3rd party debt obligations (which at this point are forecasted to increase well beyond \$300+ million per year due to historical debt load

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and new charges from Vogtle); and, 3) the future City contribution obligations (\$120+ million per year) can be maintained.



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In 2014, JEA's Board of Directors adopted a total compensation policy that all salaries, wages and benefits would meet the market rate of 50th percentile. The 2014 documents point talent attraction and retention as the rationale. When I became permanent CEO in November 2018, I was made aware of and recognized that the Board's total compensation policy had not been followed for years. In order to address this issue, I started the conversation raised the issue with the Compensation Committee in January 2019. Prior to contemplating any Long-term Plan, discussions with Board members (both 1:1 and in collectively in publicly noticed meetings) and 1,000+ employees led to a collective understanding that a Long-term performance Plan may have been a preventative measure employed to avoid JEA's past financial missteps. Simply, prior management and employees had no performance correlated to the financial success or health of JEA.

Before I continue, I would like to make a direct point. Of critical importance to the public discourse around the Long-Term Plan, I want to assure you the facts reviewed by City Council (also available on JEA.com's / justthefactsjax.com) will substantiate that JEA's Board and leadership has always unequivocally sought to understand and adhere to all local, state and federal laws and ethics codes. This relates to everything JEA does and in specific to the contemplated and now cancelled long-term performance plan.

Equally important, however, is JEA's reputation. I am sorry for anything done to cause a lack of trust in my team or me. As a father of three young children and proud Jacksonville citizen, I am committed to improving our entire community for generations to come and I am honored to serve at the pleasure of the JEA Board. As CEO of JEA, I take the stewardship of our City's largest asset and the position of public service seriously.

Please be assured, my absolute top priority remains improving JEA and our community. To that end, I hope JEA's Board, the City Council and our community may have a number of viable paths forward to maintain a fundamentally strong electric and water utility. Ultimately, the Board, and then potentially Council members and voters, not me, will have the final decision about JEA. Thank you for your time.

Sincerely:

Aaron Zahn