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Sent: Wednesday, May 22, 2019 9:05 PM
To: Goldberg, David M. - Director Customer & Community Engagement; Kyle, Gina A. - Manager Media Relations
Cc: Maddie Milne; Devin Pascoe; Sophia Ward
Subject: GINA AND DAVID: First draft, key messages

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Gina and David –

As discussed in yesterday's on-camera training, see attached DRAFT key messages in preparation for May 28 and shortly after. I consider these messages evergreen. I suggest we update, evolve, etc. as the Status Quo process continues into the Fall.

Please edit, add, suggest other ways of organizing, etc. I'm also happy to receive suggested edits in-person or on a call. Of note: You'll see I added a quick landscape overview at the top, also feel free to cut.

GO TEAM!

Let us know, and thanks so much!

Banks

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The power of different.

DRAFT: May 22, 2019

JEA in transition: Status Quo and beyond

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, 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 happened around, to and in many cases without direct input from JEA.
- Employees and community stakeholders = suffer from ‘status quo bias’, emotional preference for current state of affairs.
 - ‘Status quo bias’ industry warnings = video streaming, financial services, telecom, photo industry.
- Remain relevant = capitalize on industry forces rather than remain a bystander.
- New senior leadership team = 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.

Tough topics

Q. The May 28 board meeting presentation painted a bleak picture, how much longer can JEA operate business as usual?

A. Part of JEA’s overall strategic planning process includes first painting an honest, somewhat bleak, picture of our current business, taking into account external market forces, internal and charter limitations. Our strategic plan will be in response to this baseline and include two scenarios:

- Resist change and leverage traditional rate and cost levers to address current revenue stream challenges.
- Embrace change and seek new revenue streams that are not even possible under today’s charter.

Q. Why does JEA have to change anything? Don't we have more customers than ever?

A. When JEA's charter was developed 50+ years ago, the industry was very different, JEA was very different. Over the last ten years we've actually seen a 10 percent decline in energy sales due to energy efficiency. Additionally, JEA's role as the 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) for companies who already have a customer-service provider relationship with the customer.

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

A. In order to address our customer's changing demands and take advantage of the forces that are disrupting and reshaping our industry, charter change will most likely need to happen. This is one of the two scenarios we're looking at as part of our strategic planning process.

Q. Isn't it inevitable that JEA will make layoffs or privatize?

A. I think this is the wrong question, the right question is how can we address the challenges that JEA is facing so that we can offer high value utility services to our customers today, tomorrow and in the future? And the best way to answer this question is with a strategic plan.

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

A. Everything JEA does will align with all four of our corporate measures of value: customer, community, financial, environment. While raising rates is an option, it's doesn't align well with our four measures of value. We're also looking at a number of other possibilities as part of our strategic planning process.

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

A. I can't speculate on the future, but what I 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.