

## Discussion Materials

JEA

June 20, 2019

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# Morgan Stanley Team for Jacksonville Electric Authority

\* Morgan Stanley welcomes the opportunity to work with the Jacksonville Electric Authority ("JEA") and the City of Jacksonville to consider potential strategic alternatives for both the electric and water utility



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## Executive Summary

- ✧ The once static Utility Industry is rapidly becoming a dynamic and transformative sector forcing utilities to evolve to meet changing consumer demands
  - Over the last decade, JEA has been impacted by trends in energy efficiency
    - JEA's actual 2017 electricity sales were 30% lower than were forecasted back in 2006 with energy efficiency accounting for >90% reduction in sales
    - While consumption decreased, customer rates increased by 71% from 2006 – 2018
- ✧ This transition to the Utility of the Future is expected to accelerate in the coming years as the adoption rate for new technologies such as solar and batteries as well as behind the meter solutions take more electricity consumption out of the purview of the traditional utility
  - Utilities that do not have the skillset or the capital resources to adapt to these changes are at risk of having a rate base supported by fewer and fewer customers, resulting in sharp rate increases and a potential negative financial spiral for Utilities
- ✧ In the midst of this transformational change, utility stocks are trading at all-time highs and there is a tremendous amount of capital coming from low cost of capital private money flowing into the Regulated Utility space
- ✧ The combination of an industry in transition and utility stocks trading at all-time highs provides a unique opportunity to transform JEA into the Utility of the Future while accomplishing the City of Jacksonville's fiscal objectives
- ✧ Morgan Stanley, with its unrivaled leadership in the technology, clean tech and utility industries, is positioned at the center of current disruptive technological trends and is uniquely positioned to help JEA navigate the headwinds facing its business
- ✧ We welcome the opportunity to work with JEA and the City of Jacksonville to understand the changing landscape and help JEA find a transformational partner



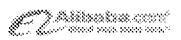




SECTION 1

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# Morgan Stanley Credentials

# Seminal Technology Companies Choose Morgan Stanley to Lead Their IPOs

Morgan Stanley Lead-left Transactions <sup>(1)</sup>

\$101MM	\$1.9Bn	\$16.0Bn	\$25.0Bn	\$50MM	\$127MM	\$241MM
						
Initial Public Offering Lead Left Bookrunner 12-Dec-80	Initial Public Offering Lead Left Bookrunner 18-Aug-04	Initial Public Offering Lead Left Bookrunner 17-May-12	Initial Public Offering Lead Bookrunner 18-Sep-14	Initial Public Offering Sole Bookrunner 16-Feb-90	Initial Public Offering Sole Bookrunner 22-Jun-04	Initial Public Offering Lead Left Bookrunner 28-Jun-12
\$896Bn	\$817Bn	\$476Bn	\$473Bn	\$238Bn	\$122Bn	\$44Bn
\$733MM	\$406MM	N/A	\$151MM	\$300MM	\$264MM	\$3.9Bn
						
Initial Public Offering Lead Left Bookrunner 11-Oct-12	Initial Public Offering Lead Left Bookrunner 18-May-11	Direct Listing  Financial Advisor 3-Apr-18	Initial Public Offering Lead Left Bookrunner 20-May-15	Initial Public Offering Lead Left Bookrunner 19-Jul-12	Initial Public Offering Lead Left Bookrunner 18-Apr-12	Initial Public Offering Lead Left Bookrunner 1-Mar-17
\$43Bn	N/A	\$25Bn	\$23Bn	\$23Bn	\$19Bn	\$15Bn






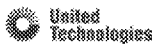
















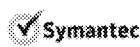
 Current Market Cap

Note:  
1. As of 3/29/2019

# Morgan Stanley is the Chosen Advisor for \$1Bn+ Transactions <sup>(1)</sup>

Leader in Technology M&A

Morgan Stanley Advised on 79 out of 122<sup>(2)</sup> \$1Bn+ Transactions Since 2016

 Sale To  Transaction Value <b>\$60Bn</b>	 Sale To  Transaction Value <b>\$34Bn</b>	 Acquisition of  Transaction Value <b>\$30Bn</b>	 Acquisition of  Transaction Value <b>\$26Bn</b>	  Acquisition of <b>TOSHIBA</b> Memory Division Transaction Value <b>\$18Bn</b>	 Sale To  Transaction Value <b>\$19Bn</b>
 Acquisition of  Transaction Value <b>\$18Bn</b>	 Acquisition of <b>worldpay</b> Transaction Value <b>\$12Bn</b>	 Sale To <b>Tencent 腾讯</b> Transaction Value <b>\$8.6Bn</b>	 Sale To <b>KKR</b> Transaction Value <b>\$8.3Bn</b>	<b>GitHub</b> Sale To  Transaction Value <b>\$7.5Bn</b>	<b>FUJIFILM</b> Acquisition of <b>xerox</b>  Transaction Value <b>\$6.2Bn</b>
 Sale To <b>HNA</b> Transaction Value <b>\$6.3Bn</b>	<b>Canon</b> Acquisition of <b>TOSHIBA</b> Medical Division Transaction Value <b>\$6.0Bn</b>	 Sale To <b>HgCapital }</b> Transaction Value <b>\$5.3Bn</b>	<b>SHARP</b> Sale To <b>FOXCONN</b> Transaction Value <b>\$5.2Bn</b>	 Sale To <b>Marketo</b> Transaction Value <b>\$4.8Bn</b>	<b>BLUE COAT</b> Sale To  Transaction Value <b>\$4.7Bn</b>

Source: Morgan Stanley Database, Thomson Reuters, Capital IQ, Company Filings, Public Information

**Notes:**

1. Includes announced technology deals with \$200MM+ AV with Morgan Stanley, Goldman Sachs, or Catalyst Partners as advisors since 2009 (excluding terminated deals)
2. Total transactions advised by Morgan Stanley, Goldman Sachs or Catalyst Partners

### Recent Transactions





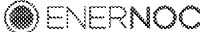

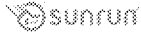










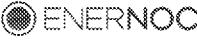






Morgan Stanley is the preeminent, full-service clean energy franchise on Wall Street, providing multiple capabilities and global expertise to the clean energy sector

	IPO / Follow on	M&A	Debt / Other
Number of deals	1,000	1,000	1,000
Value of deals (\$Bn)	1,000	1,000	1,000
Number of companies	1,000	1,000	1,000
Value of companies (\$Bn)	1,000	1,000	1,000



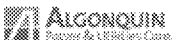
# Morgan Stanley's Leadership in Decentralized Grid

Select Transactions: 2014 to Present

<p>US\$240MM</p> <p></p> <p>Private Placement November 2018</p>	<p>US\$44MM</p> <p></p> <p>Follow on Offering November 2018</p>	<p>Confidential</p> <p></p> <p>Sale of over 400 MW of residential solar assets and formation of SunStrong Capital November 2018</p>	<p>US\$311.0MM</p> <p></p> <p>Initial Public Offering July 2018</p>	<p>US\$300.0MM</p> <p></p> <p>Sale to Enel June 2017</p>	<p>US\$100.0MM</p> <p></p> <p>Senior Secure Debt Offering June 2017</p>
<p>N/A</p> <p></p> <p>Announced a strategic partnership with  January 2017</p>	<p>N/A</p> <p></p> <p>Announced a strategic partnership with   October 2016</p>	<p>US\$532.0MM</p> <p></p> <p>Sale to Oracle May 2016</p>	<p>US\$50.0MM</p> <p></p> <p>Majority Sale May 2016</p>	<p>US\$160.0MM</p> <p></p> <p>Pre-IPO Convertible Notes December 2015</p>	<p>US\$251.0MM</p> <p></p> <p>Initial Public Offering August 2015</p>
<p>US\$2.2Bn</p> <p></p> <p>Agreed to be acquired by SunEdison and Terraform Power July 2015</p>	<p>US\$330.0MM</p> <p></p> <p>Initial Public Offering September 2014</p>	<p>US\$160.0MM</p> <p></p> <p>Convertible Debt Offering August 2014</p>	<p>N/A</p> <p></p> <p>Announced a strategic partnership with  July 2014</p>	<p>US\$335.0MM</p> <p></p> <p>Acquisition of Ecova May 2014</p>	<p>US\$116.0MM</p> <p></p> <p>Initial Public Offering April 2014</p>

# Morgan Stanley – Unparalleled Utility M&A Experience

All Electric / Combined Utility Transactions | 2014 – Current






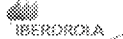

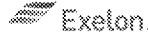
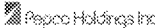
	Acquiror	Target	Size (\$MM)	Morgan Stanley Role	JEA MS Team Executed
★	 Sempra Energy	 ONCOR	\$18,800	• Buyside advisor to Sempra; \$4.0Bn committed bridge financing; lead book runner on \$4.6Bn of equity and \$5.1Bn of debt	✓
★	 IBERDROLA	 UIL HOLDINGS CORPORATION	\$17,800	• Sellside advisor to UIL	✓
★	 Dominion Energy	 SCANA	\$14,600	• Sellside advisor to SCANA	✓
★	 CENT PLAINS ENERGY	 Westar Energy	\$12,200	• Buyside advisor to Bidder D	✓
★	 Exelon	 Pepco Holdings Inc	\$12,000	• Sellside advisor to Pepco	✓
★	 FORTIS	 ITC	\$11,300	• Sellside advisor to ITC	✓
★	 Emera	 TECO	\$10,400	• Sellside advisor to TECO	✓
★	 CenterPoint Energy	 VECTREN	\$8,100	• Joint lead arranger and bookrunner on acquisition financing, billing, delivery agent and marketing coordinator on preferred offering and lead left bookrunner and stabilization agent on equity offering	✓
★	 WEC Energy Group	 integrys	\$5,700	• Advised potential interloper	✓
★	 CLECO	 CLECO	\$4,700	• Buyside advisor to Party C	✓
★	 J.P.Morgan Asset Management	 Electric Company	\$4,300	• Advised potential interloper	✓
★	 ALGONQUIN Power & Utilities Corp.	 ENERGY	\$2,300		
★	Morgan Stanley Advisor				

# Morgan Stanley – Track Record for Deal Certainty

- As sellside advisor, Morgan Stanley has successfully balanced the needs of all of its clients' constituents in order to successfully complete transactions

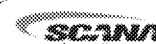
Represents the highest regulated utility premium and multiple paid at that point in time

## Recent Morgan Stanley Sell-Side Transactions

Target / Acquirer	Aggregate Value (\$MM)	% Premium to Unaffected Share Price	Acquisition FY1 P/E	Shareholder Approval?	Regulatory Approval?	Social Considerations
  <b>FORTIS</b>	\$14,600	38.0%	18.5	✓	✓	<b>Customer Impact:</b> Substantial givebacks to ratepayers including an cash payment of ~\$1,000 for the average residential customer <b>Headquarters:</b> Maintain SCG's Midland, SC headquarters <b>Employees:</b> Continue employing non-executive employees until at least July 2020; voluntary buyouts for 1 in 4 employees <b>Board:</b> Include one SCG director on Dominion Board
 <b>ITC</b>	\$11,300	33.0%	21.3x	✓	✓	<b>Headquarters:</b> For 10 years after close, ITC will maintain its headquarters in Novi, MI and the subsidiaries' regional headquarters <b>Employees:</b> For 3 years, no voluntary workforce reduction, employee restructuring or job elimination programs or initiatives permitted
  <b>TECO</b>	\$10,400	48.3%	23.3x	✓	✓	<b>Headquarters:</b> Preservation of existing FL and NM headquarter locations <b>Employees:</b> For 2 years, all employees not covered by union contracts will receive aggregate compensation comparable to before the transaction <b>Board:</b> Operating boards established in FL and NM with local representation on both boards
  <b>UIL</b>	\$17,800	24.6%	21.7x	✓	✓	<b>Headquarters:</b> The combined company will retain corporate offices in CT and MA as well as the current Iberdrola USA offices in ME and NY <b>Employees:</b> For 12 months, employees will be provided with aggregate compensation comparable to before the transaction <b>Board:</b> Comprised of 12 members, of which 3 will be from UIL
  <b>Pepco Holdings Inc</b>	\$12,000	N / A	22.5x	✓	✓	<b>Customer Impact:</b> \$306MM dedicated to rate credits, low income customer assistance programs, and energy efficiency programs <b>Headquarters:</b> Regional headquarters retained in Mays Landing, NJ; Newark, DE, and Washington, D.C. <b>Employees:</b> For 2 years, no net reduction in employment levels of Delmarva and Pepco and maintain compensation / benefits <b>Board:</b> PHI will create 7 member board, including 3 from Delmarva, Pepco, and ACE service areas. Post-merger, Delmarva and Pepco will each retain their own boards, to be selected by new PHI Board

# Dominion Energy Acquires SCANA Corporation

Announced January 3, 2018



- Morgan Stanley served as lead financial advisor to SCANA

## Lessons Learned from SCANA

- Rate structure designed to address specific issues which could be raised by regulators
  - Substantial givebacks to ratepayers (i.e. \$1,000 cash payment for average residential customer and an additional 5% reduction for typical customer bill)
- Proceeds from buyers fungible (to a certain extent)
  - Found balance in order to optimize for all constituents
- Long and evolving process which required careful and detailed planning - upfront preparation required to succeed

## Applicability to JEA

- Coordination with constituents required for approval and key to enhancing deal certainty and buyer confidence in process
- Process design should include meaningful input from all constituents
- Buyer likely enhances valuation of JEA with Project J PPA excluded

### 1 March 29, 2017

Westinghouse filed for bankruptcy, citing it will not honor its fixed-price EPC contracts to build units 2 & 3 of Nuclear fueled Summer plant

### 3 August 1, 2017

SCANA submitted an abandonment petition seeking approval to recover \$4.8Bn in capital costs tied to Summer

### 6 September 21, 2017

SCANA received a subpoena from the U.S. Attorney's Office for South Carolina

### 9 September 29, 2017

S&P downgraded SCANA to BBB and placed the ratings on negative watch

### 10 October 31, 2017

SCANA announced that Chairman and CEO Kevin Marsh will retire at the end of the year

### 13 January 3, 2018

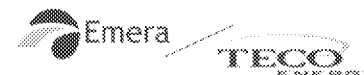
Dominion and SCANA announce an agreement to combine the companies in an all-stock merger





# Emera Acquires TECO Energy for \$10.4Bn

Announced September 4, 2015



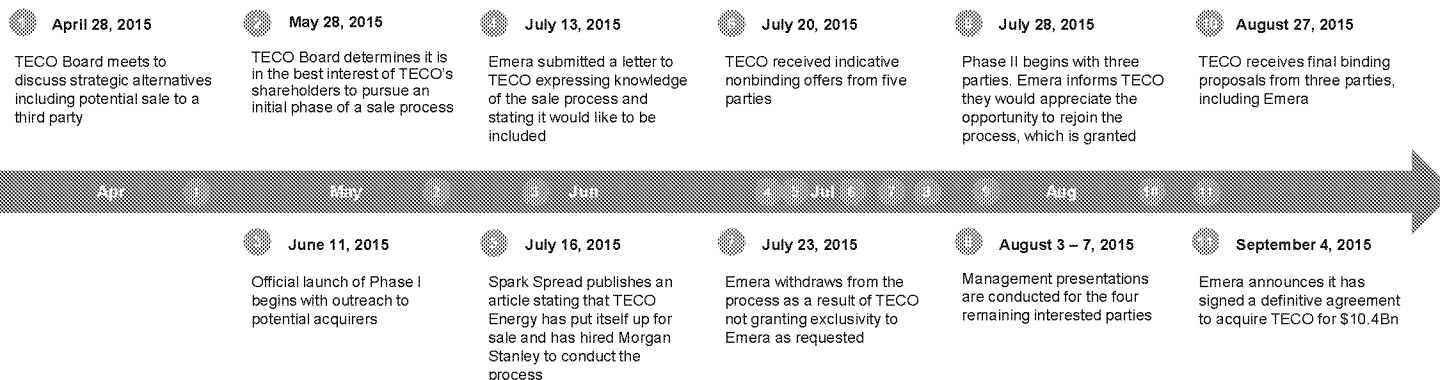
## \* Morgan Stanley acted as the strategic and financial advisor to TECO Energy

### Lessons Learned from TECO

- Given Florida is a traditionally regulated market as opposed to a competitive wholesale electricity market, it can be challenging to mitigate market power
  - Addressed market power issues upfront
- Certainty to close is a key consideration
  - Competitive process allowed for extremely "seller-friendly" merger contract ("Hell or High Water" on all required and potential regulatory approvals, no cap on damages, etc.)
- Upfront preparation for dealing with potential leaks benefited the process

### Applicability to JEA

- We expect a number of local strategists who would face market power issues in Florida to express interest in JEA
  - Address upfront
- Construct a large competitive process which will better position us to press on key contract terms
- Preparation phase must include planning for dealing with a public process



# Electricity Trust of South Australia Case Study

## A\$5.3Bn Restructuring and Privatization of State-Owned Vertically Integrated Electric Utility

**ETSA**  
Utilities

- From April 1998 to October 2000, Morgan Stanley acted as lead strategic and financial advisor to the Government of South Australia regarding the restructuring and privatization of the State's electricity industry

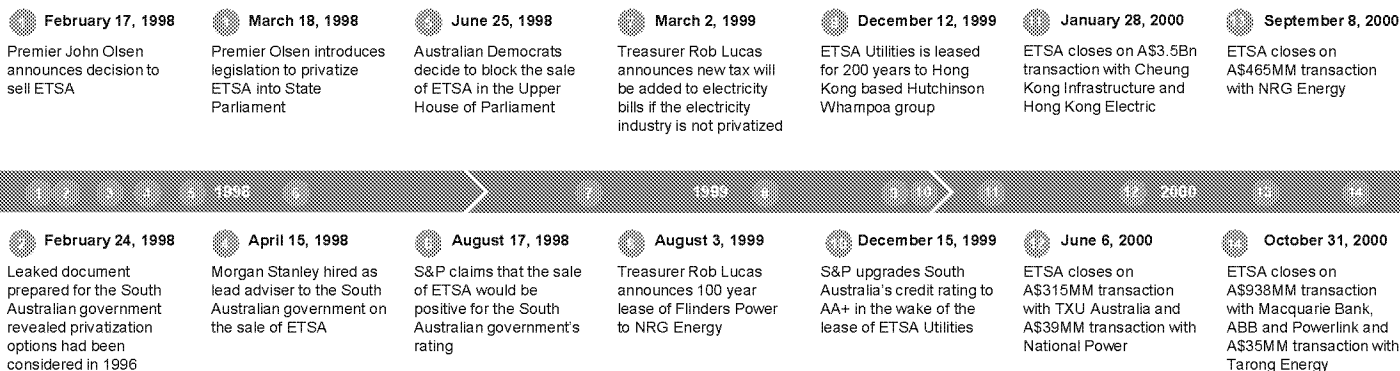
- A\$5.3Bn raised across six separate transactions
- Motivated by desire to significantly reduce legacy debt and avoid the commercial risks of deregulated Australian electricity market

### Lessons Learned from ETSA

- Despite largely negative publicity and public sentiment, the South Australian government maintained a clear and well articulated agenda, which proved imperative in its efforts to influence perception of its ETSA privatization efforts
- The reality of increased taxes due to deteriorating financial condition of the South Australian government accelerated the discussion and consequent acceptance of ETSA privatization
- Ability to separate ETSA into three generation businesses, a transmission business and a single distribution company broadened the pool of interested investors and resulted in increased interest and value creation

### Applicability to JEA

- Deterioration of financial condition that could lead to higher taxes / utility rates is a powerful motivator for public action
- Favorable public sentiment towards ETSA complicated political debate and resulted in strong selection criteria regarding jobs and local headquarters
- Proactive and well coordinated public relations strategy effectively blunted privatization critics and won support necessary for authorizing law



SECTION 2

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# The Utility of the Future | Disruptive Trends

# Disruption Facing the Utility Sector

Increasing Need to Balance Customer Demand for Affordability and Stability with Longer Term Disruptive Trends

- We expect renewable energy economics (wind especially) to continue to improve and remain the most cost-effective energy source in many regions of the country even without tax credits
  - Utilities with footprint in such areas will benefit
- Further innovation, intensified by more frequent natural disasters, and an increased focus on ESG will increase DERs penetration
  - Winners and losers will vary based on the regulatory environments in the states where they operate
- Business models and regulatory frameworks need to adapt to reflect changing customer preferences, ongoing innovation, technological improvements and new entrants

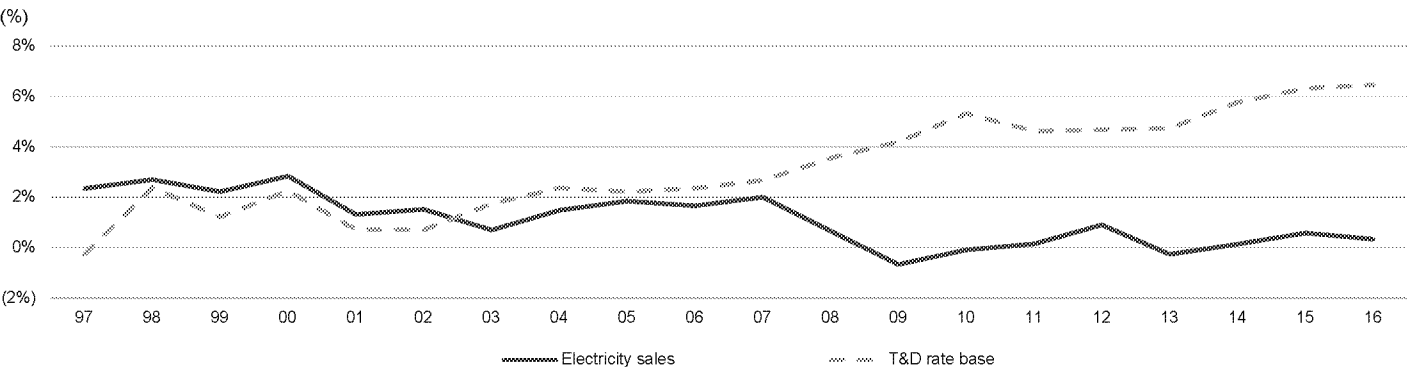
- 1 Declining costs for renewables
  - Wind, solar and storage economics will continue to improve, displacing old "brown plants" and impacting utilities' decision making processes
- 2 Increased penetration of Distributed Energy Resources
  - Innovation and the internet of things
  - Intensity / frequency of natural disasters
  - Corporate sustainability goals
- 3 Increased Customer Focus (Commercial, Residential)
  - Corporate ESG policies are driving increased demand for renewable energy development through corporate PPAs
- 4 New Competitors: Oil Majors have arrived
  - Shell is projecting 30% of its business portfolio will dedicated to electricity
  - Shell CEO quote at CERA week "We are not interested in the power business because we don't like what we saw in the last 20 years; we are interested because we think we like what we see in the next 20 years"

Implications for Utilities Business Model	Impact
1 Load Defection <ul style="list-style-type: none"><li>--- Revenue may erode if no decoupling policies or exit fees</li></ul>	↓
2 Risk of Stranded Assets <ul style="list-style-type: none"><li>--- Utilities unable to recover their invested capital</li></ul>	↓
3 Customer Engagement <ul style="list-style-type: none"><li>--- Two-way communication between utilities and end customers</li></ul>	?

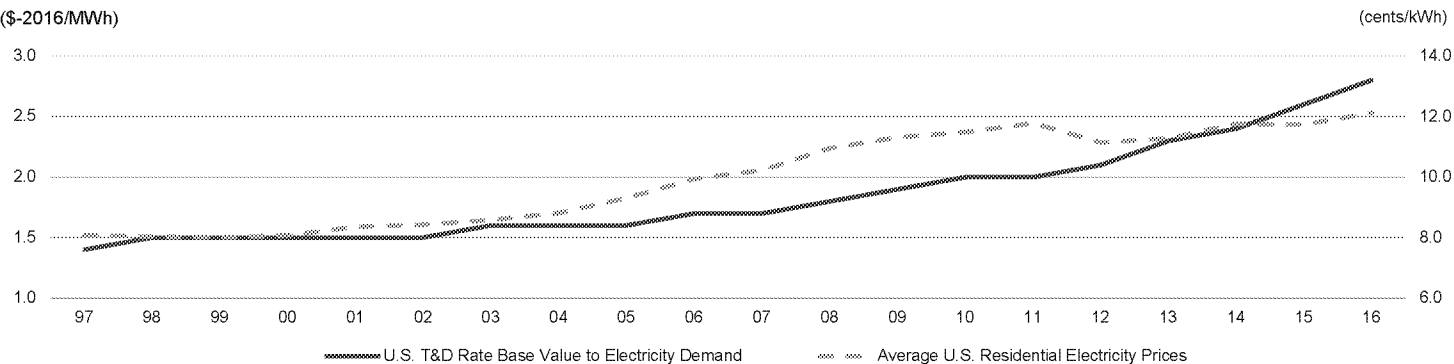
# Potential Pressure on Customer Rates

Rate Base Continues to Grow Despite Stagnant Demand

Growth of U.S. Electricity Sales & Rate Base, 3-Year Average



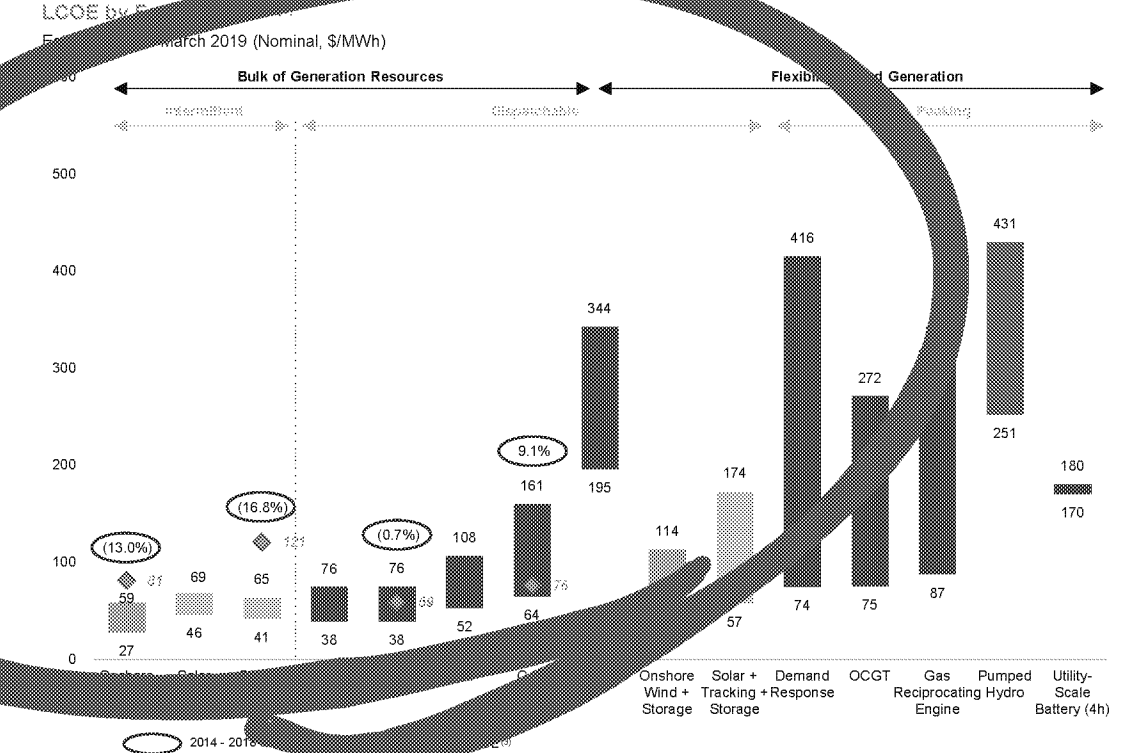
Ratio of U.S. T&D Rate Base Value to Electricity Demand v. Average U.S. Residential Electricity Prices



Source: BNEF, SNL

# 1 Renewables

- Renewable energy economics will continue to improve, displacing old "brown plants" and impacting utilities' decision making processes and energy policies (e.g. RPS)
- Of the dispatchable resources, gas CCGTs remain the lowest cost provider
- Wind storage and Solar have potential to displace gas CCGTs as the lowest cost dispatchable resource in the future



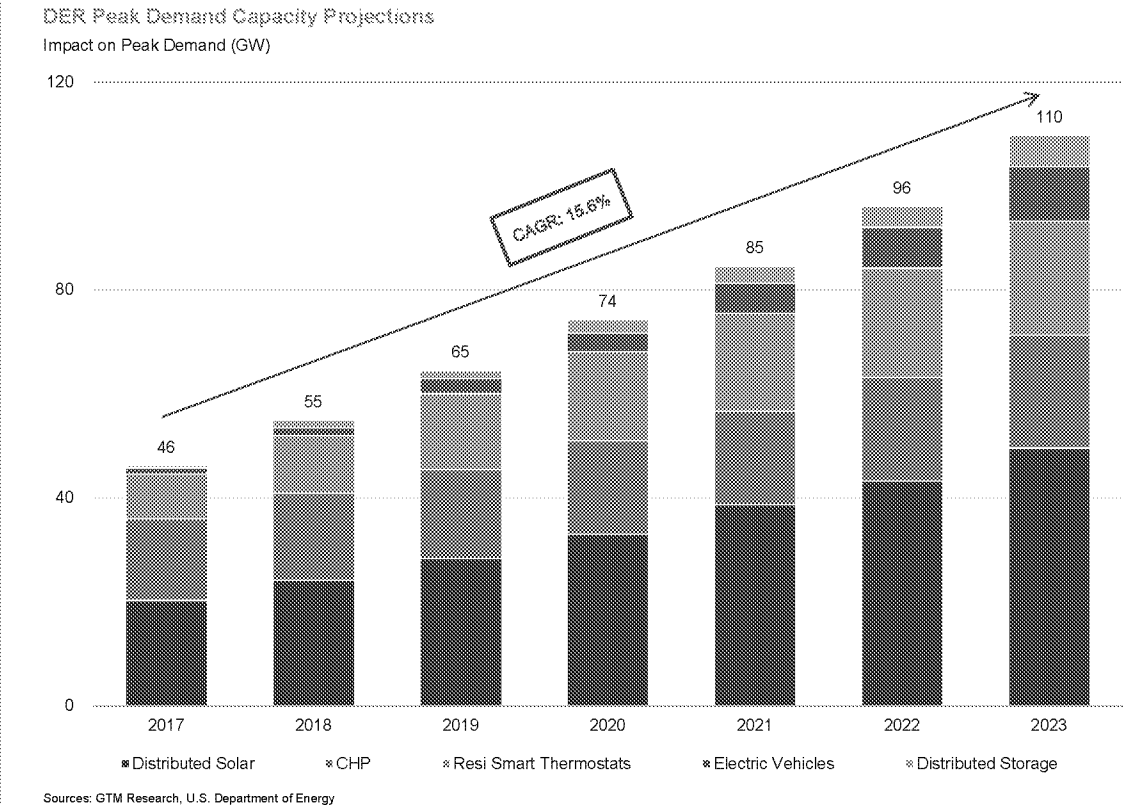
Source: BNEF

Notes:

- For paired solar and wind-plus-battery systems, the range is a combination of capacity factors, battery duration (1 hour to 4 hours) and size of the battery relative to the power generating asset (25% to 100% of total installed capacity)
- Assumes LCOEs are unsubsidized
- Reflects available midpoints

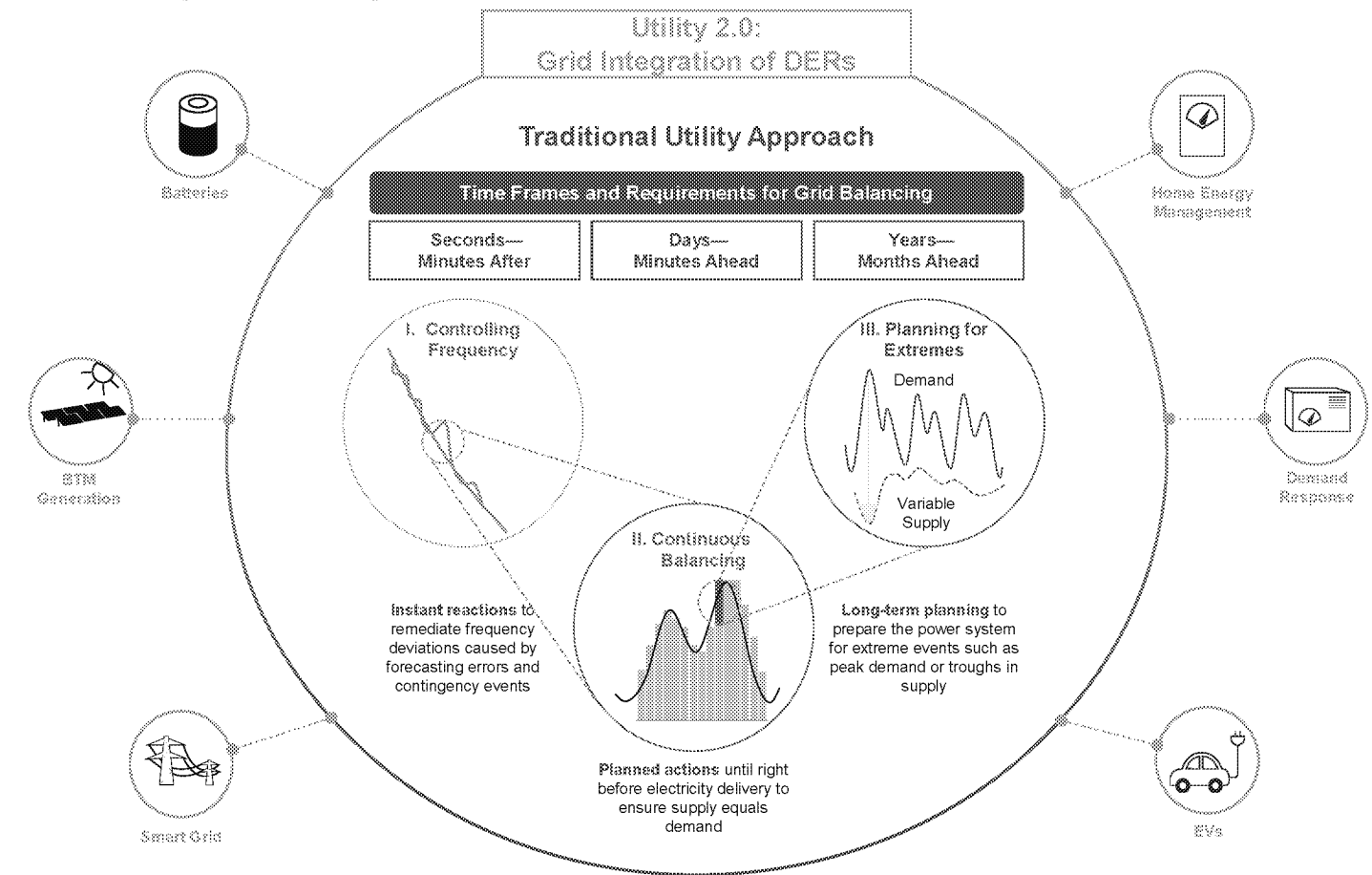
## 2 Distributed Energy Resources

- Distributed Energy Resources (“DERs”) capacity is expected to double from 2017 to 2023
- ... Impacting utilities’ investment decisions between generation, transmission and distribution, and regulatory framework (e.g. decoupling and advanced metering infrastructure)



## 2 Implications for Customers and the Grid:

### Grid Stability & Reliability Under Pressure

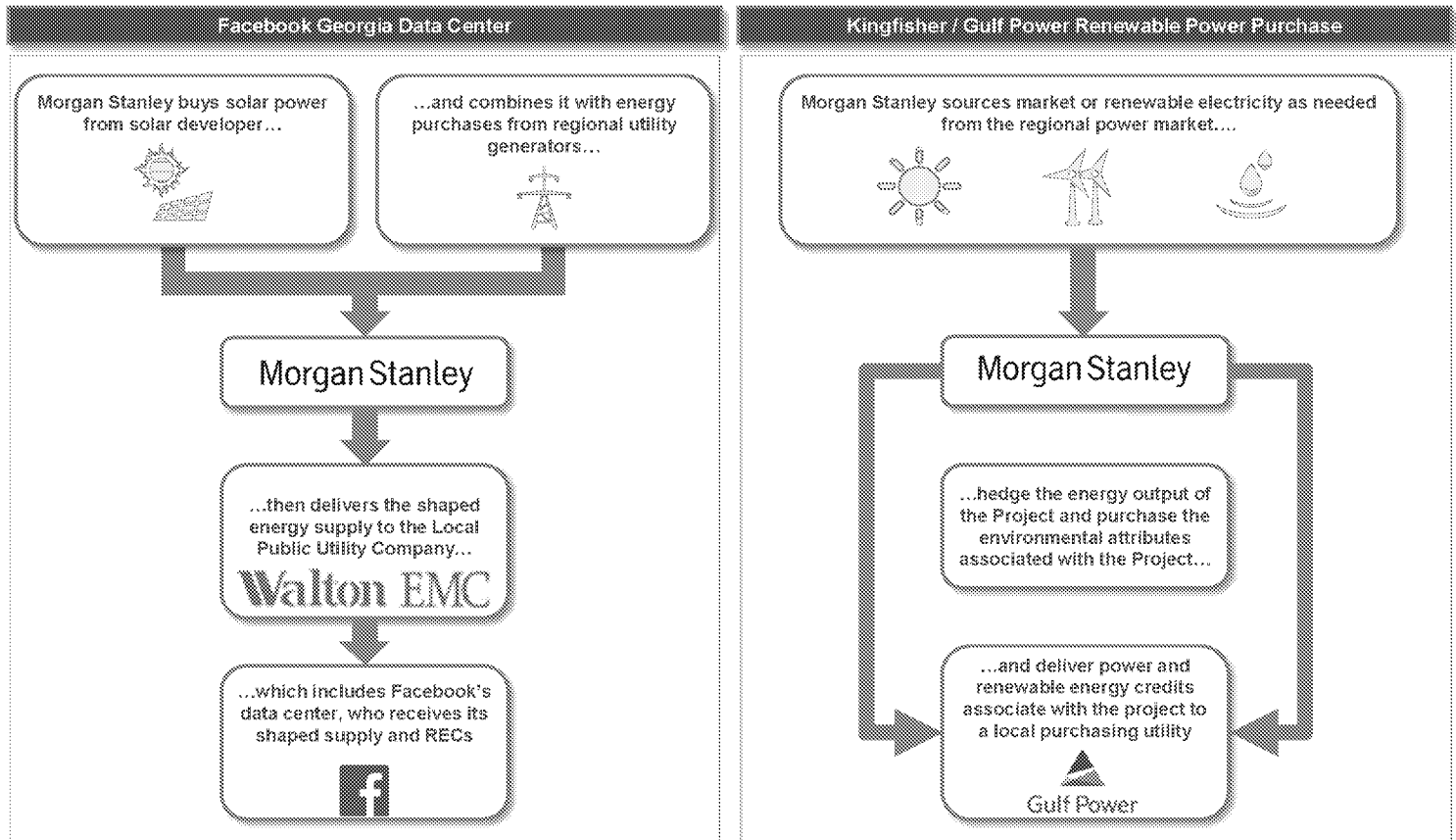






### 3 MS Renewable Power Solutions: Selected Case Studies

Bespoke renewable power structures that adapt to local power market dynamics and client needs



Source: Company Filings, Morgan Stanley – Commodities Sales & Trading

## 4 New Competitors

Several New Competitors Looking for Entry into Distribution, Energy and Storage

Customer Facing			Flexible and Decentralized Energy Resources		Internal Equipment	Advanced Metering	DER	Energy	Grid Ops
Customer Facing	Flexible and Decentralized Energy Resources	Energy Supply	Provision of retail electricity or natural gas to end residential or C&I customers in deregulated markets					✓	✓
		Distributed Generation	Sub metered distributed generation assets, connected to the distribution grid at low to mid voltage level or directly to the end customer premises: Solar PV, Solar thermal, micro-CHP, micro-hydro and gas diesel small scale power generators Small customer includes building / industrial energy managers, residential clients Wide range of business models: from feed-in tariffs to self consumption through net metering	✓	✓				✓
		Storage	Services segmented by technologies from electrochemical solutions (lithium ion/polymer, sodium sulfur batteries), fuel cells (flow battery), to mechanical solutions (compressed air) and thermal solutions Business models comprise ancillary services, energy on/off peaks arbitrage, grid services and self consumption	✓					✓
		Micro-grid	Defined by its capacity to island itself from the grid as physical and economic conditions dictate Segments include: military apps, campus environment/institutional, eco areas, off grid applications in Emerging Markets and remote areas of developed countries	✓	✓				
	Demand Side Management	Electric Mobility	Charging stations and new services, including mobility services of electrified powertrain vehicles from full battery electric vehicle to plug-in hybrids	✓				✓	✓
		Connected Home	Network-connected "smart devices" for controlling, automating and optimising household functions including energy consumption				✓		✓
Smart Buildings		Beyond traditional building automation technologies: net positive energy buildings, building to building energy trading platform, eco-area project development	✓	✓		✓		✓	
System Facing	Resource Integrative / Optimization	Energy Efficiency Services	Working with utilities or with end customers directly to implement energy efficiency programs and services, primarily targeted at HVAC, lighting, appliances, retrofits and other programs	✓	✓		✓	✓	✓
		DERM	Hardware, software and analytics aimed at providing an integrated distributed energy resource management solution, including comprehensive demand response / virtual power plant offerings	✓	✓			✓	✓
		IoT / Sensors	Hardware and analytics that enable the digitalization of distributed generation assets and the distribution grid, on distribution network meter, to enhance connectivity, control and optimization						✓
		Grid Automation	Hardware and analytics focused on distribution network	✓	✓				






## 4 New Competitors (cont'd)

### Oil Majors are Making a Strong Push into Downstream Energy

- The top five European independent companies engaged in 20+ venture capital, private equity and M&A deals in 2018 that targeted electricity or renewables

- Companies continue to explore parts of the energy value chain that are adjacent to their existing core competencies, including:

- Power generation and renewables
- Power trading
- Electric vehicles
- Retail

		Oil Majors					
		Europe					U.S.
							
Generation and Trading	Gas Power Plants	Yes	Yes	Yes	Limited Activity	Yes	Not Active
	Power Trading	Yes	Yes	Yes	Yes (Danske Commodities)	Yes	Yes
	Renewable Energy	Yes (Multiple)	Yes (Lightsource, others)	Yes (Silicon Ranch Corp)	Yes	Limited Activity (Apodi project)	Not Active
	Grid-Connected Storage	Yes (Saft)	Tesla Partnership	Limited Activity	Limited Activity	Planned	Not Active
Industrial Retail	Electricity Sales	Yes	Planned	Yes	Not Active	Yes	Not Active
	On-Site Generation (e.g., rooftop PV)	Yes	Yes	Limited Activity	Not Active	Not Active	Not Active
	Other Services (e.g., demand response)	Yes (GreenFlex)	Not Active	Limited Activity	Limited Activity	Limited Activity	Not Active
Residential Retail	Residential Electricity Retail	Yes (Lampiris, Direct Energie)	Not Active	Yes (First Utility)	Not Active	Yes	Not Active
	On-Site Generation (e.g., rooftop solar)	Yes	Yes (Lightsource)	Not Active	Not Active	Not Active	Not Active
	Other Services (e.g., smart home)	Incidental Activity (Direct Energie)	Incidental Activity (Ubiworx)	Venture Capital, Partnership	Not Active	Not Active	Not Active
Public Charging Infrastructure	Public Charging Infrastructure	Yes (G2mobility, PiPoint)	Yes (Chargemaster)	Yes (NewMotion)	Venture Capital (Chargemaster)	Partnership (Chargemaster)	Not Active
Sharing	Sharing	Not Active	Not Active	Not Active	Not Active	Not Active	Not Active

Source: Bloomberg New Energy Finance

## 4 New Competitors (cont'd)

### Oil Majors are Particularly Focused on Renewables and Retail

- Oil majors see an opportunity to leverage their project and engineering expertise, along with financing capability and comfort with commodity price risk, to develop renewable energy projects at existing "brownfield" sites, while also using their global footprint to explore and enter less mature renewable markets
- Retail energy presents an opportunity for the oil majors to re-brand from "oil companies" to "energy companies", while simultaneously bundling an additional product / service to their existing customers

#### Highlighted Activities in Renewables (1)

	TOTAL	bp	SHELL	ENI	EQUINOR
<b>Today</b>	<ul style="list-style-type: none"> <li>Acquired minority stake in EREN Renewable Energy and majority stakes in SunPower and Direct Energie</li> <li>Total Solar owned minority stakes worth over 75 MW capacity in year-end 2017</li> </ul>	<ul style="list-style-type: none"> <li>Involved in onshore wind projects in the U.S. totaling 1.4 GW</li> <li>43% stake in Lightsource to develop solar globally</li> <li>Produced 850 GWh of bio-power from sugarcane / biofuels in 2017</li> </ul>	<ul style="list-style-type: none"> <li>Acquired stake in U.S. wind / solar developer Silicon Ranch Corp</li> <li>Owns wind in the U.S. and Netherlands</li> <li>One 1,008 MW offshore wind project, and a 20 MW solar project at a chemicals plant, are underway</li> </ul>	<ul style="list-style-type: none"> <li>Signed a framework deal with GE in 2016 to develop projects. One 50 MW wind farm has now reached FID</li> <li>Eni's first 10 MW solar project, at Bir Rebaa North oil field in Algeria, came online in November 2018</li> </ul>	<ul style="list-style-type: none"> <li>Signed a framework deal with GE in 2016 to develop projects. One 50 MW wind farm has now reached FID</li> <li>Partnership with Enel to develop a 50 MW solar project in a four-stage Brazilian project (145 MW total)</li> </ul>
<b>Future</b>	<ul style="list-style-type: none"> <li>Enable power access to 10MM people with decentralized solar power</li> <li>Targets 10 GW of French solar in next decade</li> </ul>	<ul style="list-style-type: none"> <li>No explicit capacity targets</li> <li>Actively expanding Lightsource BP into new markets</li> </ul>	<ul style="list-style-type: none"> <li>No explicit capacity targets</li> <li>New Energies aims to become a "significant portion" of firm value in the future</li> </ul>	<ul style="list-style-type: none"> <li>Targets 1 GW of renewables by 2021, 5 GW by 2025</li> </ul>	<ul style="list-style-type: none"> <li>Involved in planning offshore wind projects worth 1.5 GW</li> <li>Target using 10% of CapEx for clean energy by 2030</li> </ul>

#### Highlighted Activities in Industrial and Commercial Electricity Retail

	TOTAL	bp	SHELL	ENI	EQUINOR
<b>Supply</b>	<ul style="list-style-type: none"> <li>Total is involved in chemicals, lubricants and fuel sales</li> <li>Total is also active in selling electricity to industrial clients in France and Belgium, after acquiring Direct Energie and Lampiris</li> </ul>	<ul style="list-style-type: none"> <li>BP sells fuel, lubricants and petrochemicals to industrial sites</li> <li>BP applied for a U.K. electricity supply license in 2018 to serve industrial sites</li> </ul>	<ul style="list-style-type: none"> <li>Shell has a sizeable lubricants, chemicals and aviation business</li> <li>Shell is a registered electricity supplier for U.K. industrial clients</li> <li>It also sells power in the U.S., where it acquired MP2 and Integrity's portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Eni is active in selling chemicals and lubricants</li> <li>It sells electricity in markets across Western Europe</li> </ul>	<ul style="list-style-type: none"> <li>Eni sells refined oil products, like naphtha and diesel</li> <li>Acquired Danske Commodities in 2018</li> <li>It is a major supplier of gas to European utilities</li> </ul>
<b>Services</b>	<ul style="list-style-type: none"> <li>Total acquired GreenFlex, a digital energy efficiency firm with 600 customers</li> <li>Total participated in a venture fund to back a distributed energy provider</li> </ul>	<ul style="list-style-type: none"> <li>Lightsource BP provides commercial rooftop solar installations</li> </ul>	<ul style="list-style-type: none"> <li>MP2 has a 550 MW demand response portfolio in ERCOT making it a leading provider in Texas</li> <li>Integrity is a leading provider of energy storage including Celi and Brill Power</li> </ul>	<ul style="list-style-type: none"> <li>Eni is exploring distributed energy resources at its own industrial sites</li> </ul>	<ul style="list-style-type: none"> <li>Equinor is exploring the use of floating offshore wind to power its North Sea oil rigs</li> </ul>

Source: Bloomberg New Energy Finance

**Note:**

1. "New Energies" is Shell's division focused on renewables, electricity and related activities. Capacities are based on equity shares rather than total nameplate capacities unless otherwise specified. FID stands for Final Investment Decision.

## 4 New Competitors (cont'd)

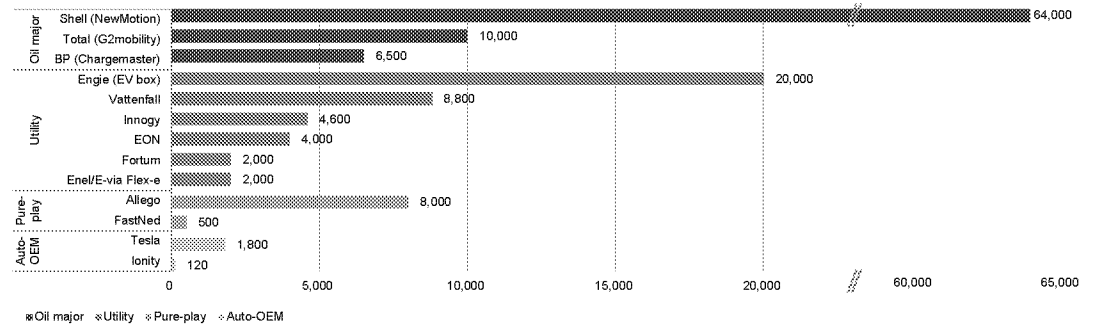
### Oil Majors also Focused on the Electric Vehicle Market

- Focusing on the electric vehicle market is a logical strategic investment for oil companies given the direct impact electric vehicles ("EVs") could have on gas and diesel sales

#### Highlighted Activities in Electric Vehicles and Intelligent Mobility

	total	bp	shell	eni	equinor
<b>Today</b>	<ul style="list-style-type: none"> <li>Acquired French EV charging solutions provider G2mobility in September 2018</li> <li>Previous activity focused on natural gas vehicles; Total acquired Dutch firm PiPoint in 2017</li> </ul>	<ul style="list-style-type: none"> <li>BP acquired U.K.-based Chargemaster in June 2018</li> <li>BP Ventures has invested in U.S.-based FreeWire, which makes mobile rapid charging units, and Drover, a U.K. car sharing firm</li> </ul>	<ul style="list-style-type: none"> <li>Shell acquired European EV charging firm NewMotion in 2017</li> <li>Shell operates EV charging in the U.K., Netherlands, Norway and Philippines</li> <li>Shell recently acquired Greenlots, a U.S.-based EV charging and energy management software and solutions company</li> </ul>	<ul style="list-style-type: none"> <li>Eni signed a partnership with Enel to experiment with EV charging in 2013</li> <li>Eni recently signed a partnership with Ioniq, a car maker consortium, to install 180 EV chargers across 30 Italian sites</li> </ul>	<ul style="list-style-type: none"> <li>Equinor Energy Ventures has invested in ChargePoint, which operates EV chargers in the U.S. and Europe</li> </ul>
<b>Future</b>	<ul style="list-style-type: none"> <li>Total intends to provide EV charging at all of its petrol stations in France</li> <li>This will begin with 300 stations, located in non-city areas, placed every ~100 miles (150-160 km), according to <i>Cleantechnica</i></li> </ul>	<ul style="list-style-type: none"> <li>BP announced plans to install EV charging at all of its U.K. petrol stations in 2018</li> <li>The firm is particularly focused on deploying fast- and ultra-fast charging stations</li> </ul>	<ul style="list-style-type: none"> <li>Shell is mostly focused on EV fast-charging. The service, Shell Recharge, is intended to be rolled out at every U.K. Shell petrol station</li> <li>Shell is working with Transport for London to roll out urban charging points</li> </ul>	<ul style="list-style-type: none"> <li>Eni has a sustainable mobility initiative, which aims to roll out various solutions including biodiesel, LPG and natural gas</li> </ul>	<ul style="list-style-type: none"> <li>No explicit targets for EV charging</li> </ul>

#### European Public EV Charging Infrastructure for Selected Companies<sup>(1)</sup>



Source: Bloomberg New Energy Finance




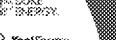
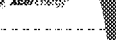



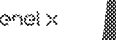

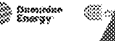







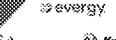
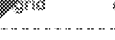


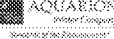

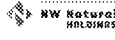
#### Note:

1. G2mobility, through its Nexans and Bifrance partnerships, manages nearly 10,000 charging points across France. EVBox does not break out its global outlet count of 50,000 by geography or whether assets are public or private (assumed at least half is in Europe and is public). Eni and Ioniq are planning 180 new units in collaboration.

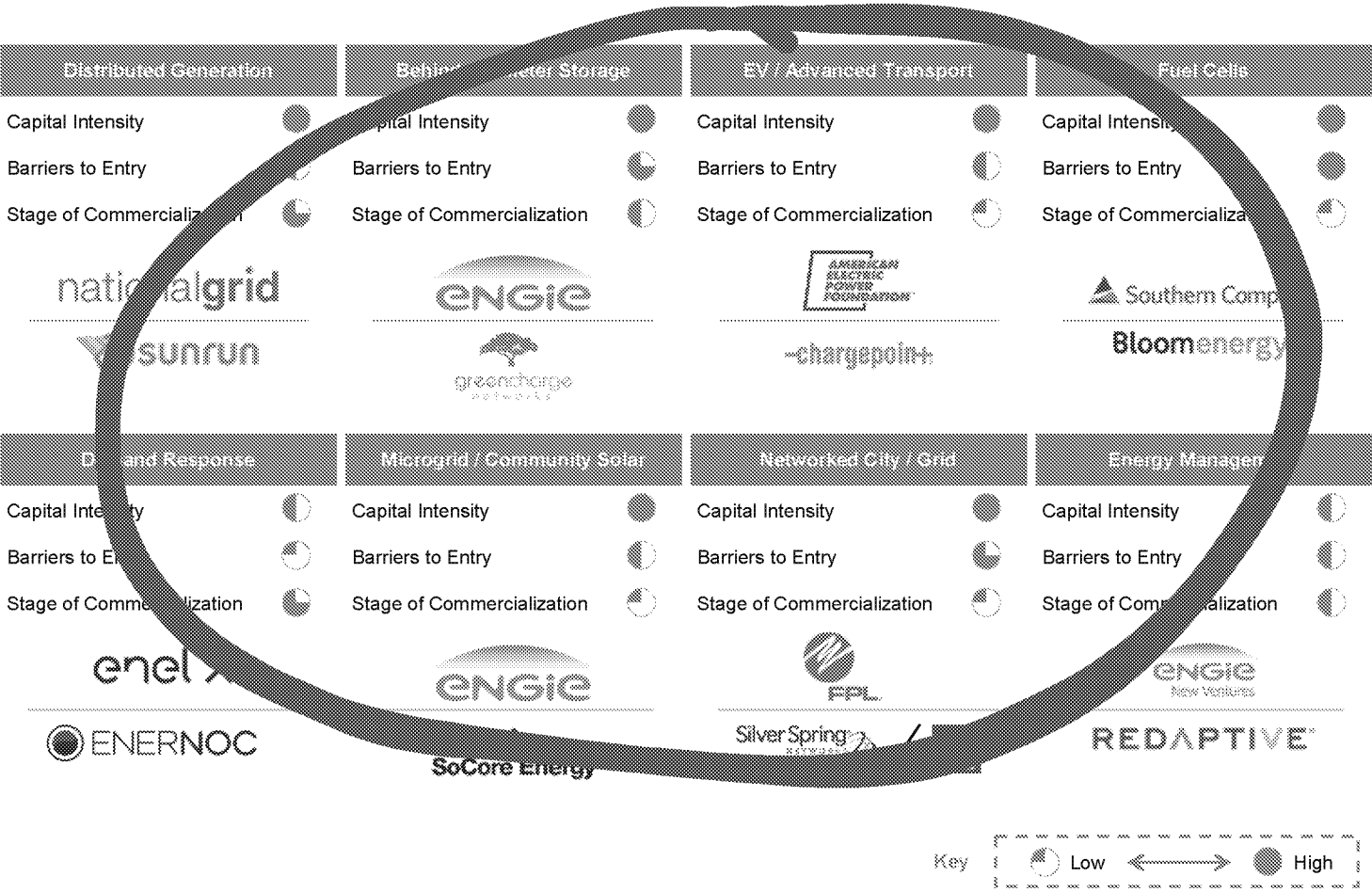
# How Are Utilities Responding?

## Selected Areas of Utility Growth Investment

- 2020 CapEx projections for the utility sector are below 2018 levels. Companies look for less traditional growth opportunities to supplement top-line growth
- A variety of strategies including:
  - Acquisitions
  - Divestitures
  - Minority Investments
  - Community Development

	Comments	Examples
Renewables	<ul style="list-style-type: none"> <li>Investments in wind, solar and hydro with growing focus on integration with energy storage</li> <li>Both rate base and unregulated</li> <li>Solar companies focused on rooftop and C&amp;I scale</li> </ul>	    
New Technology	<ul style="list-style-type: none"> <li>Investments in distributed energy, storage, energy efficient and infrastructure solutions</li> </ul>	   
Natural Gas	<ul style="list-style-type: none"> <li>Acquisition of assets across the gas sector</li> <li>Gas LDCs and midstream assets</li> <li>Gas reserves</li> </ul>	     
Out of Territory Transmission	<ul style="list-style-type: none"> <li>Regional transmission development</li> <li>FERC 1000 opportunities</li> <li>Independent Transco and JVs</li> </ul>	     
Water	<ul style="list-style-type: none"> <li>Opportunity for significant CapEx investments to replace aging infrastructure</li> <li>First Michigan issue, further opportunities around fracking</li> <li>Potential for increased M&amp;A activity as municipalities face fiscal challenges</li> </ul>	   




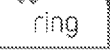






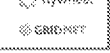
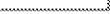




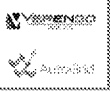








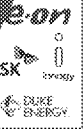



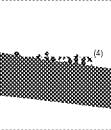

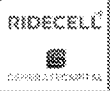

# Utilities Are Leveraging Growth Opportunities in Clean Tech / Smart Grids





# Utility-Sponsored Venture Capital Funds

Energy / Clean Tech focused VCs Raising Capital from Utilities Interested in Becoming LP Investors

Venture Capital Fund	Total Capital Raised to Date	Core Focus Areas	Investments Made to Date	Inception	Venture Capital Fund	Total Capital Raised to Date	Number of Rounds	Investments Made to Date	Investment Focus	Utility LP Investors
 Constellation Technology Ventures	N/A	Consumer Products and Services (B2C), Energy, Information Technology	~30	2010	 e+ Energy Impact	~\$750MM <sup>(2)</sup>	Fund I <sup>(2)</sup>	+20	 Seco First Energy  Aurora Grid	 Southern Company  American Electric Power
 Edison Energy	N/A	Distributed Generation, Electrification of Transportation, Water Purification and Power Management	5+	2015	 Kraemer Energy Partners	>\$625MM	Fund III	+50	 ChargePoint  EnerNOC  Flywheel  GridNet	 American Electric Power
 Enel Innovation Hubs	N/A	Energy Storage, Big Data, Energy Management, Smart Home, Energy Mobility, Industrial IOT, Distributed Generation, Renewable Technologies, Smart Cities	~5	2016	 ClearSky	~\$550MM <sup>(3)</sup>	Fund I	+30	 GreenSmith  Vestor  Autogrid	 American Electric Power
 ENGIE New Ventures	~€170MM	Distributed Energy, Flexibility, Home Comfort and Energy Efficiency, Smart Cities, Green Mobility	25+	2014	 Time Wellby Group	~\$450MM	Fund III	+85	 Enerken  Tesla Energy  SK Energy  Duke Energy	 e-on  SK Energy  Duke Energy
 Eversource Energy Ventures	N/A	Digital, Connected Mobility, Distributed Energy Resources, Intelligent Connected Buildings	~15	2015	 Activate <sup>(4)</sup>	\$300MM <sup>(5)</sup>	Fund I		 Ridecel  Convergent Systems	Currently raising capital and interested in Utility LPs
 National Grid Partners	~\$250MM	Smart Cities, Autonomous and Transportation, Space, AI, Blockchain, Energy Storage, Big Data	~5	2016						

Sources: Company Websites, Pitchbook

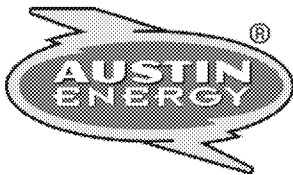
## Notes:

- Alliant Energy, Ameren, Avista, Eversource, Fortis, MGE, OGE, PTT, Tepco and TransCanada listed as "Nexus Partners"
- Includes a separate \$75MM credit fund, raised along side the flagship Energy Impact Fund
- Includes \$24.7MM raised for ClearSky Cyber Security Fund
- Activate Capital's partners left their prior firm, DFJ Element, where they invested over \$1Bn into ~20 companies
- Target size

## Innovative Municipal Utility Peers



- Commitment to provide customers with 60% renewable energy by 2030
- Plan to reduce greenhouse gas emissions to 40% below 1990 levels by 2030 and be net-zero greenhouse gas emissions by 2040
- First large California utility to have 20% of its power come from resources classified as renewable by the state. On track to exceed 33% by 2020
- Including hydroelectricity, power mix consists of more than 50% non-carbon generation with this metric approaching 80% by 2030
- Nationally recognized energy efficiency programs provide rebates on energy-saving products including SMUD financing on energy efficient upgrades



- More than 30% of the electricity Austin Energy supplies to its customers is renewable, up from 20% in 2015 with a goal of supplying 65% of the power through renewable energy by 2027
- More than 250 Plug-In EV Everywhere stations throughout our service area – with plans for additional station installations
- Austin Sustainable and Holistic Integration of Energy Storage and Solar Photovoltaics (SHINES) project implemented to optimize the value stream for solar and storage with a business model developed for grid, commercial, and residential applications
  - Includes two utility scale energy storage systems and multiple customer-sited energy storage systems at residential and commercial properties



- Power sourced from 90% carbon-free and 60% renewable generation with a target of 100% carbon-free by 2025 and 100% renewable by 2030
- Partnered with Tesla on a residential battery program for ~2,000 customers
- In addition to two existing solar-plus-storage installations, is working on three new projects, totaling 14.4 megawatts of solar and 6 megawatts of storage
- Partnered with Renewable Energy Vermont (REV) to deliver innovation and carbon reductions to customers through a Bring Your Own Device (BYOD) program providing the country's largest upfront incentive from a utility for customers with home batteries, including electric vehicle chargers, to share access to their stored energy customers

### Key Partners

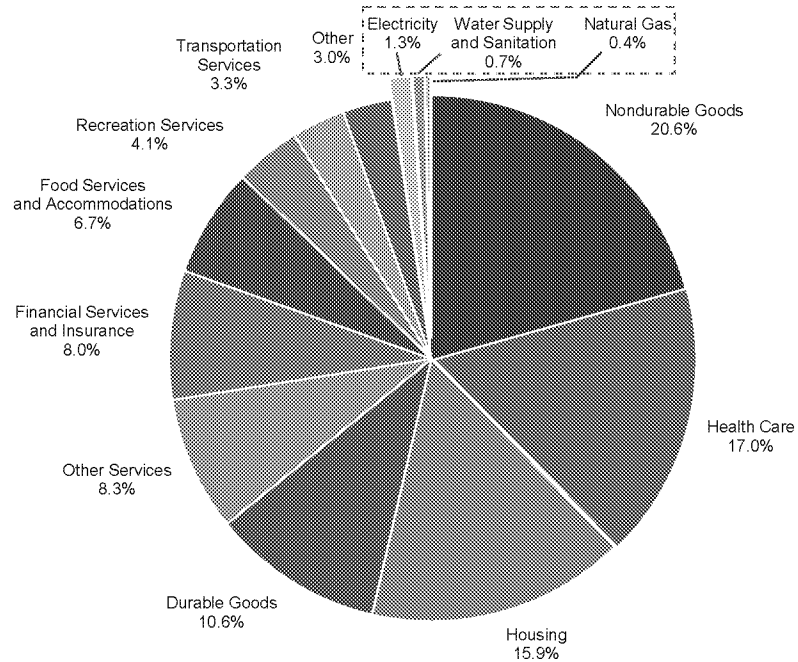


# Energy Spend is Still a Small Piece of Customer Wallet

## 2017 Consumer Expenditure Survey

- The risk of new entrants into the Utility space is mitigated by the relatively small share of consumer spending that household utilities consume
- External players will continue to target larger buckets of consumer's wallets

Personal Consumption Expenditures by Major Type of Product <sup>(1)</sup>  
2017 Survey <sup>(2)</sup>



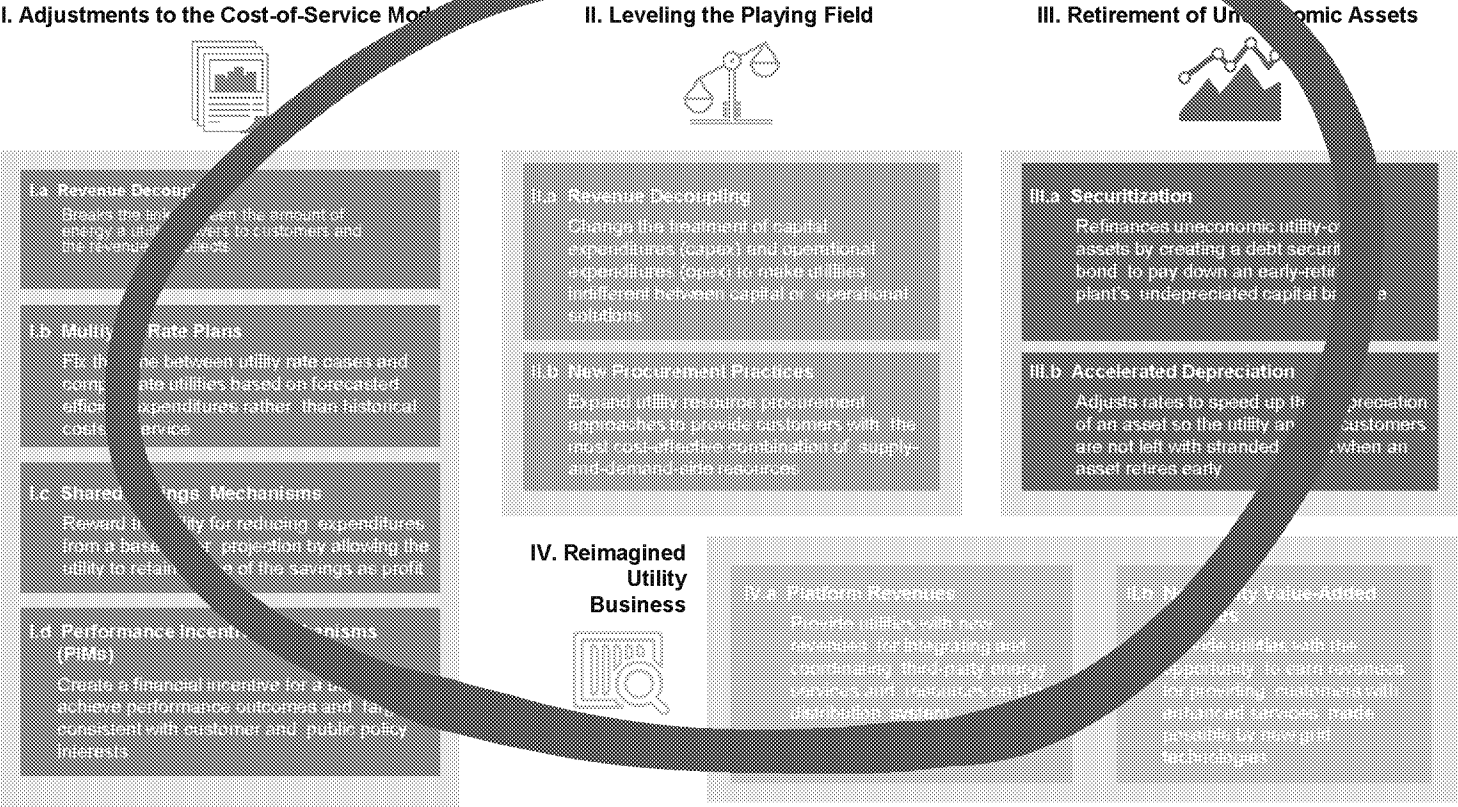
Source: Bureau of Economic Analysis

**Notes:**

1. "Other" includes final consumption expenditures of nonprofit institutions serving households (NPISHs) – net expenses of NPISHs, defined as their gross operating expenses less primary sales to households
2. As of July 31, 2018

# Reform Options

A Growing Stable of Reform Options Is Available to High-Quality Utility Business Practices



SECTION 3

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# Strategic Environment Update

# Recent Electric Utility Peer Trading Performance

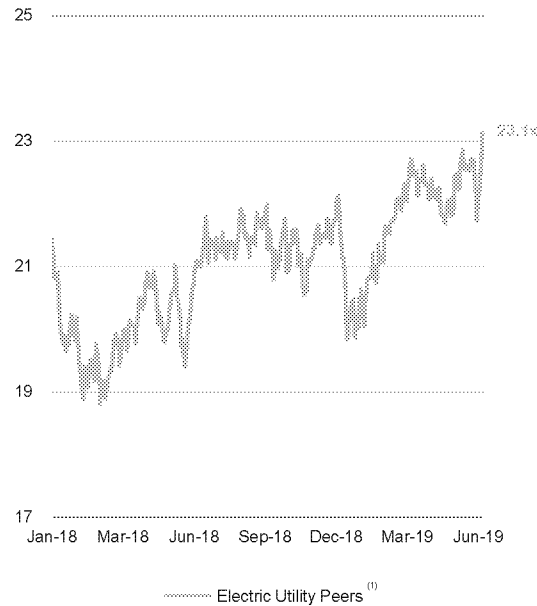
As of June 7, 2019

- Over the past ~18 months, JEA's publicly traded electric peers have traded up nearly two turns on a Price / Earnings basis and increased share price by ~19% over the same period
- Peer set includes utilities with a similar AV as JEA
  - Peers do not own water utilities

## Electric Utility Peers



NTM Price / Earnings  
Since January 1, 2018  
(x)



Indexed Price Performance  
Since January 1, 2018  
(%)



Source: Capital IQ

Note:  
1. Based on the average of the following comparable companies: IDA, POR, ALE, PNM, NWE, OTTR, CPK

# Recent Water Utility Peer Trading Performance

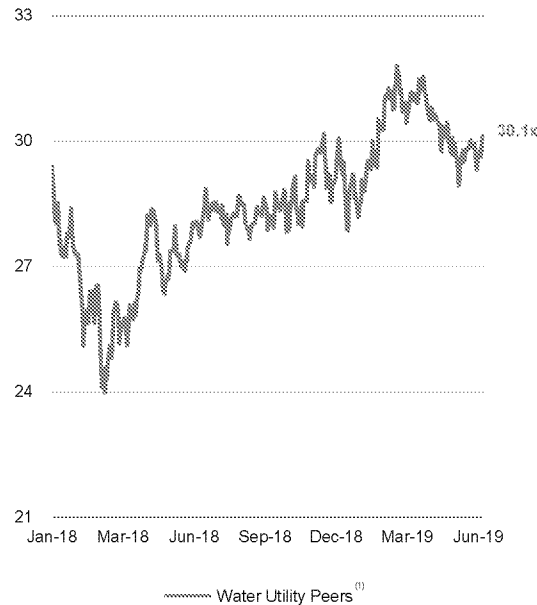
As of June 7, 2019

- Similar to JEA's electric peers, the water utility peer set has also appreciated, although to a lesser degree

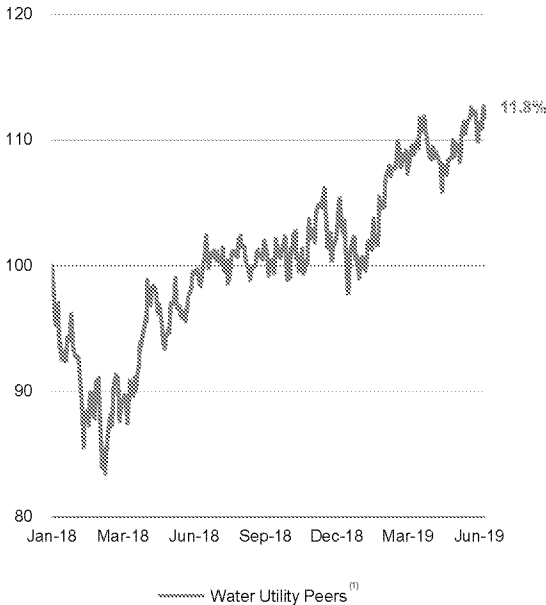
Water Utility Peers



NTM Price / Earnings  
Since January 1, 2018  
(x)



Indexed Price Performance  
Since January 1, 2018  
(%)



Source: Capital IQ

Note:

1. Based on the average of the following comparable companies: WTR, CWT, AWR, SJW, CTWS

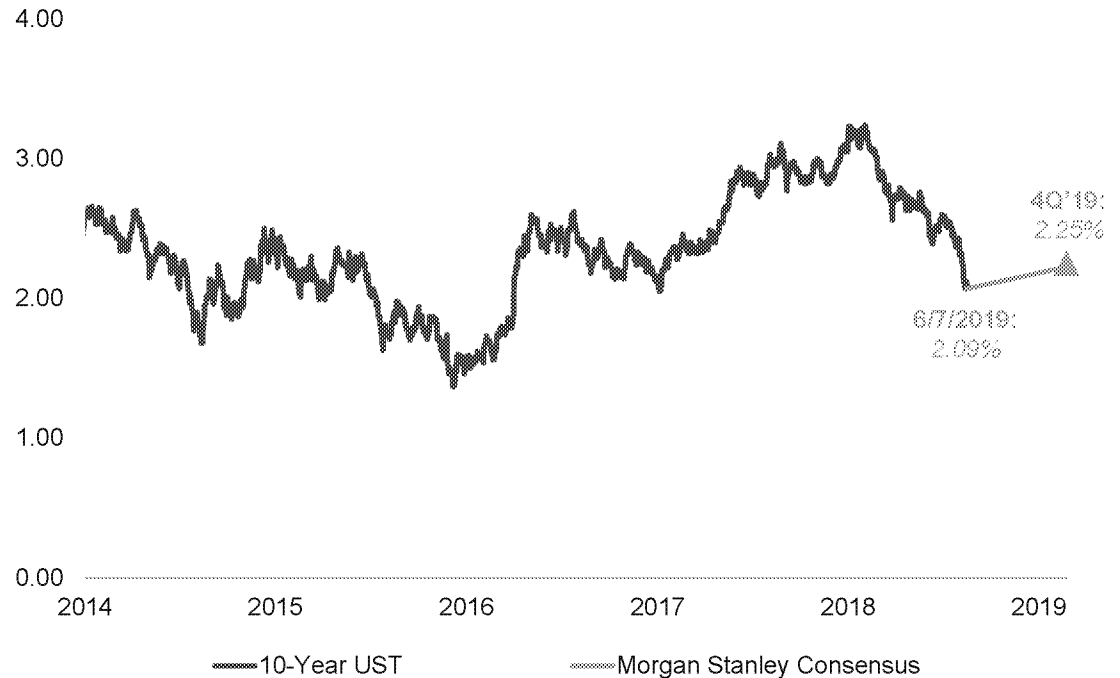
## Rates Continue to Remain Well Below the 3% Level

As of June 7, 2019

- Recent economic data releases have shifted sentiment more bearish with interest rates trending lower
  - As rates decrease and sentiment skews more bearish, utility investments tend to garner additional favor
- Morgan Stanley Equity Research remains "overweight" utilities as a defensive play in the current economic environment

### Treasury Yield






10-Year UST; June 2014 – December 2019 (%)



Source: Capital IQ, Morgan Stanley Research



## Robust Interest in Regulated Utility Assets from Financials & Strategics

	Announced	Announced	Description	FY1 P/E Multiple	Equity Value	Aggregate Value
Strategics		May 2018	<ul style="list-style-type: none"> <li>On May 22, 2018, NextEra Energy announced an agreement to acquire Gulf Power Company, Florida City Gas and additional assets from Southern Company</li> <li>Represents a bolt-on acquisition by an acquiror recently interested in strategic activity, as well as a sale to help fulfill equity financing needs of the seller</li> </ul>	27.0x	\$5.1Bn	\$6.5Bn
		April 2018	<ul style="list-style-type: none"> <li>On April 23, 2018, CenterPoint Energy announced an agreement to acquire Vectren Corporation ("Vectren")</li> <li>Transaction occurred following an auction process involving multiple bidders with interest in Vectren</li> </ul>	25.3x	\$6.0Bn	\$8.1Bn
		October 2017	<ul style="list-style-type: none"> <li>On October 18, 2017, NextEra Energy announced an agreement to acquire the City of Vero Beach electric system</li> <li>The City of Vero Beach electric system was a municipally owned utility serving ~35,000 customers</li> <li>For NextEra, represents a bolt-on acquisition to its Florida Power &amp; Light utility business</li> </ul>	NA	NA	\$185MM
Sponsors		June 2019	<ul style="list-style-type: none"> <li>On June 3, 2019, JP Morgan Infrastructure Investments Fund announced an agreement to acquire El Paso Electric Company</li> <li>JP Morgan Infrastructure's investment is intended to enhance El Paso's ability to meet growing service area needs, including renewable energy and sustainability initiatives</li> </ul>	24.5x	\$2.8Bn	\$4.3Bn
		August 2018	<ul style="list-style-type: none"> <li>On August 8, 2018, OMERS and PGGM announced an agreement to acquire Macquarie's 44% stake in Puget Sound Energy</li> <li>The transaction is in line with OMERS' and PGGM's strategies of acquiring assets intended on generating stable, long-term cash flow to pay pensions, while increasing OMERS' presence in the US</li> </ul>	NA	NA	NA

# El Paso Electric Sale to J.P. Morgan Infrastructure

## El Paso Electric Sale to Private Buyers Suggests <7% Levered Return

- On June 3, 2019 El Paso Electric Company ("EPE") and the Infrastructure Investments Fund ("IIF"), an investment vehicle advised by J.P. Morgan Investment Management Inc., announced that they entered into a definitive agreement under which IIF will purchase EPE for \$68.25 in cash per share, representing:
  - Implied enterprise value of ~\$4.3Bn
  - 17% premium to EPE's closing price on May 31, 2019, the last trading day prior to announcement
- Transaction expected to close in the first half of 2020

FY1 P/E multiple of 24.5x suggests a <7% levered return for the acquirer

### El Paso Electric Company Overview

- El Paso Electric Company serves 425,000 customers in west Texas and Southern New Mexico
- The company owns 2,085 MW of generation capacity consisting of approximately:
  - 69% natural gas
  - 30% nuclear
  - 1% solar
- \$2.5Bn total year-end 2019 projected rate base
  - New Mexico approved ROE: 9.48%
  - Texas approved ROE: 9.65%
- The company has a long track record of demand growth, with a 31% increase in retail sales since 2000

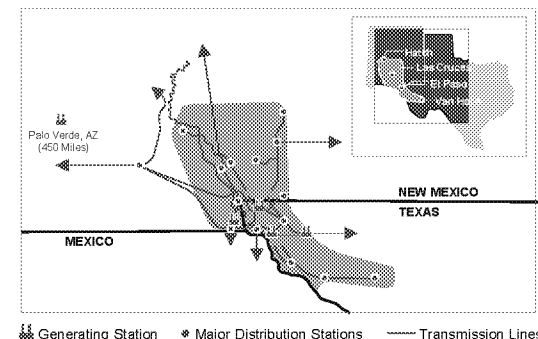
### El Paso Electric Company Financials

As of May 31, 2019

Unaffected Share Price	\$58.20
Premium to Day-Ahead Share Price	17.3%
Offer Price	\$68.25
Transaction Equity Value (\$MM)	2,791
Net Debt (\$MM)	1,517
Transaction Aggregate Value (\$MM)	4,308
P/E ('19 / '20)	26.1x / 24.5x
Agg. Value / EBITDA ('19 / '20)	14.3x / 13.2x

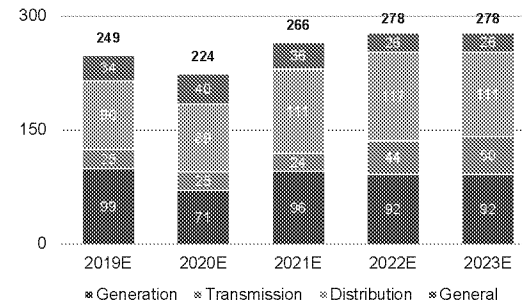
Source: Company Presentation, Press Release, Capital IQ

### Service Territory



### Capital Expenditure Guidance

\$MM



## Recent Water Sector Activity

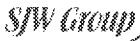
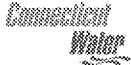

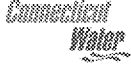

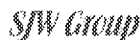
Unique and Evolving Situation Involving San Jose Water, Connecticut Water, California Water & Eversource

- \* Morgan Stanley is serving as exclusive financial advisor to California Water

### Situation Overview

- \* On March 15, 2018, SJW Group ("SJW") announced a merger with Connecticut Water Service ("CTWS" or "Connecticut Water")
- \* Subsequently, in late April, Eversource Energy ("ES" or "Eversource") disclosed a proposal to acquire Connecticut Water for \$63.50 per share, and California Water ("CWT" or "Cal Water") disclosed an all-cash offer to acquire SJW for \$68.25 per share
- \* Following nearly four months of public posturing by all sides, Cal Water formally withdrew its offer to acquire SJW on August 17, 2018

### Transaction Summaries

Transaction	P/E Multiple <sup>(1)</sup> (x)	Premium (%)
 	29.0x	33%
 	27.4x	26%
 	32.0x	34%

### Timeline of Events

<b>March 15, 2018</b> SJW and CTWS announce agreement for SJW to acquire CTWS in all stock deal equal to ~\$61.86/share, an 18% premium to CTWS' unaffected share price	<b>April 19, 2018</b> ES goes public with its offer to purchase CTWS for \$63.50/share in cash and/or stock a 21% premium to CTWS' unaffected share price	<b>April 25, 2018</b> CWT goes public with its offer to purchase SJW for \$68.25/share in an all cash transaction, a 30% premium to SJW's unaffected share price	<b>July 13, 2018</b> ES revises proposal offering \$64.00/share in cash and/or stock (22% premium) or \$66.00/share if SJW transaction is terminated with no break fees (26% premium)	<b>August 5, 2018</b> SJW and CTWS amended terms of previously announced merger agreement from all-stock transaction to all-cash transaction for \$70.00/share (33% premium)	<b>August 13, 2018</b> CWT amends offer to \$70.00/share in cash (34% premium)	<b>December 3, 2018</b> Connecticut PURA issued proposed decision denying SJW-CTWS transaction noting it "would leave CTWS in worse condition both financially and managerially"	<b>January 9, 2019</b> SJW and CTWS withdrew their application, while noting their continued commitment to the transaction	<b>April 3, 2019</b> SJW and CTWS refilled their application to the Connecticut PURA
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#### Notes:

1. 2019E EPS based on SJW / CTWS S-4 filed on April 25, 2018

# Santee Cooper's Exploratory Sales Process

## Purchase and Managerial Offers Considered by South Carolina General Assembly

- Santee Cooper is South Carolina's largest power provider, delivering electricity to over 2MM people
  - Santee Cooper Operates 5,146 miles of transmission system lines and 2,967 miles of distribution system lines
  - In 2018, Santee Cooper delivered 24,181 GWh of electricity to customers
- On June 17, 2019, the South Carolina Department of Administration solicited M&A and Corporate Advisory Services proposals from third parties to assist in evaluating future options for Santee Cooper ahead of the January 15, 2020 deadline

### Process Overview

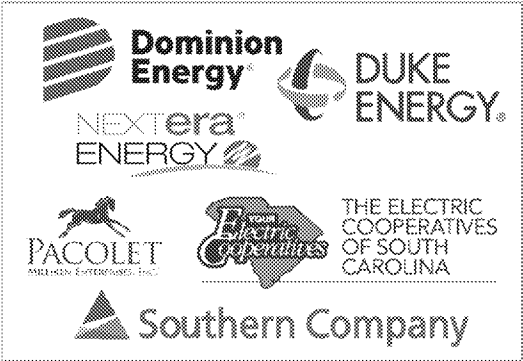
- South Carolina lawmakers are considering serious binding offers from companies interested in purchasing or taking over Santee Cooper after the state-owned utility accumulated ~\$4Bn more in debt on the failed V.C. Summer nuclear power plant
  - In January 2019, the state received 15 non-binding offers to purchase or manage the utility. Of four credible bids to purchase the entire utility, three agreed to pay off all of the existing debt at Santee Cooper
  - Offers range in value from \$7.9Bn – \$9.2Bn
  - Many offered to lower rates by 2.0% – 14.0% over the next 20 years
- Originally asking for an outright sale, the state is now also considering a proposal from Santee Cooper for additional internal improvements, as well as offers from third parties to manage the utility while the state maintains ownership and tax benefits

### Process Timeline

- **October 2018:** A new committee of the South Carolina General Assembly is formed and hires ICF, a global consulting firm, to review potential nonbinding bids
- **December 7, 2018:** Process launches for the sale of Santee Cooper
- **January 14, 2019:** Indicative offers due from interested parties
- **February 1, 2019:** Offers reviewed and presented to the General Assembly
- **April – May 2019:** General Assembly votes to postpone the decision on the sale to explore all available options further
- **May 21, 2019:** Deal reached to give the Department of Administration until January 15, 2020 to vet the potential options
- **Spring 2020:** Anticipated final vote on sale of Santee Cooper

Source: Annual Report, SNL, Public Filings

### Known Parties Involved



### Threshold Criteria for Full Purchase Proposals

Threshold Item	Requirement
Experience	At least 5+ years
Financial Capability	Investment grade credit rating or similar
Defeasance of Debt	Demonstrate full defeasance, payment, or assumption of debt
Electricity Rates	20-year projection of electric rates
Employment Levels	5-year projections of employment levels
Rate Contract	Likely negotiate a 3-5 year rate contract on power prices for customers with intent to not raise going forward

SECTION 4

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# Preliminary Financial Analysis

# JEA Rate Base Model Projections

## Key Assumptions

- Morgan Stanley constructed a rate base model for the electric utility and water utility
  - Built up to projected revenue using company projections
  - Illustrative rate base build assumes FL PSC approval of proposed revenue requirement on valuation date
- We can readily update our projections based on guidance from the company since our last discussion in February of 2018

Electric Utility	
Rate Base / Financial Projections	<ul style="list-style-type: none"> <li>• Rate base model based on company guidance or projections</li> <li>• Authorized Equity Capitalization of 43%, ROE 10.32% based on precedent Florida rate cases from 2010 to today</li> <li>• 21% Tax Rate</li> <li>• Fuel &amp; Purchased Power, O&amp;M and Other Taxes from company projections</li> <li>• Property tax assumed to be \$60MM in 2019 with annual increase at inflation of 2%</li> <li>• \$1.8Bn of OpCo debt with incremental Capital Expenditures assumed financed with 57% debt 43% equity               <ul style="list-style-type: none"> <li>--- OpCo cost of debt of 4.40% based on the median of implied pre-tax cost of debt for electric peer set</li> </ul> </li> <li>• Rate Base based on Net Utility Plant of \$2,662MM plus net working capital as of 9/30/18</li> </ul>
Capital Expenditures & Depreciation	<ul style="list-style-type: none"> <li>• Capital expenditure projection from company projections</li> <li>• Book depreciation expense assumes legacy depreciation on existing assets (Plant in Service) has remaining useful life of 23.9 years (per 2018 filing)</li> <li>• Tax depreciation assumes purchase price step-up to ~\$5.4Bn depreciated using 20 year MACRs</li> <li>• Incremental Capex has book useful life of 40 years and for tax purposes assumes 20 year MACRs</li> </ul>
Water Utility	
Rate Base / Financial Projections	<ul style="list-style-type: none"> <li>• Rate base model based on company guidance or projections</li> <li>• Authorized Equity Capitalization of 42%, ROE 10.40% based on most recent Utilities Inc. of Florida rate case</li> <li>• 21% Tax Rate</li> <li>• O&amp;M and Other Taxes from company projections</li> <li>• Property tax assumed to be \$40MM in 2019 with annual increase at inflation of 2%</li> <li>• \$1.5Bn at the OpCo with incremental Capital Expenditures assumed financed with 58% debt 42% equity               <ul style="list-style-type: none"> <li>--- OpCo cost of debt of 4.40% based on the median of implied pre-tax cost of debt for water peer set</li> </ul> </li> <li>• Rate Base based on Net Utility Plant of \$2,718MM plus net working capital as of 9/30/18</li> </ul>
Capital Expenditures & Depreciation	<ul style="list-style-type: none"> <li>• Capital expenditure projection per company projections; 2019E – 2022E updated 06/14/2018</li> <li>• Book depreciation expense assumes legacy depreciation on existing assets (Plant in Service) has remaining useful life of 27.6 years (per 2018 filing)</li> <li>• Tax depreciation assumes purchase price step-up to ~\$5.2Bn depreciated using 20 year MACRs</li> <li>• Incremental Capex has book useful life of 40 years and for tax purposes assumes 20 year MACRs</li> </ul>

# Preliminary JEA Electric Financial Analysis

As of June 7, 2019

\* Assumes valuation date of 9/30/2019

## Expected Discharge of Liabilities <sup>(1)(2)</sup>

Face Value of Debt and Defeasement Cost Attributable to Electric Utility	2,675
Underfunded Pension Liability	325
Net Cash from Balance Sheet <sup>(7)</sup>	(575)
<b>Total</b>	<b>2,425</b>

## Preliminary Financial Analysis <sup>(1)</sup>

Aggregate Value (\$MM)

### Selected Public Comparable Companies Analysis:

2020 P/E Multiples: (20.4x – 23.7x) <sup>(2)</sup>

2020 Net Income: \$126MM

2021 P/E Multiples: (19.7x – 22.9x) <sup>(2)</sup>

2021 Net Income: \$125MM

### Unlevered Discounted Cash Flow Analysis <sup>(3)</sup>

P/E Exit Multiple <sup>(4)</sup>: 15.4x – 19.4x

WACC: 3.6% - 5.0%

8-Year (2020 – 2027) Unlevered <sup>(5)</sup>

### Levered Discounted Cash Flow Analysis <sup>(3)</sup>

P/E Exit Multiple <sup>(4)</sup>: 15.4x – 19.4x

Cost of Equity: 6.0% - 8.0%

8-Year (2020 – 2027) Levered <sup>(5)</sup>

### Selected Precedent Transaction Analysis:

FY1 P/E Multiple Paid (20.1x – 27.0x)

FY1 (2020) Net Income: \$126MM

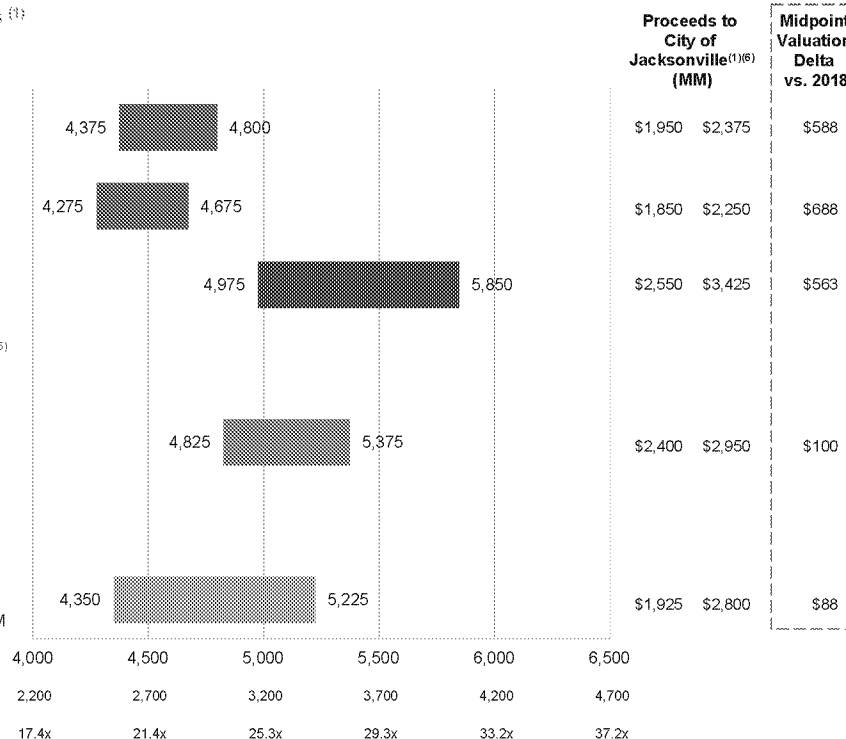
Equity Value (\$MM) <sup>(6)</sup>

Implied FY1 Multiple <sup>(6)</sup>

Source: Company Projections

#### Notes:

- Values rounded to nearest \$25MM
- P/E multiples based on comparable companies including IDA, POR, ALE, PNM, NWE, OTTR, and CPK
- Financials based on company projections, assumes OpCo net debt of \$1.8Bn as of 9/30/19; Levered DCF assumes ~\$590MM in HoldCo debt at 4.40% interest rate
- Exit multiple based on comparable companies 10-year average NTM P/E
- NTM net income based on 2% growth from 2027 net income
- Reflective of estimated ~\$2.7Bn of defeasance cost and ~\$325MM of underfunded pension liability netted against



- Cash from the balance sheet of ~\$575MM as of September 30, 2018; assumed non-taxable transaction
- Includes cash and cash equivalents from operations, debt management strategy stabilization fund, self insurance reserve funds, fuel stabilization fund, non-fuel purchase power stabilization fund, environmental liability reserve, DSM conservation fund, customer deposits, debt service reserve fund, accounts and interest receivable, internal capital fund and unrealized gain / (loss) on investments less construction contracts and accounts payable
- Equity value = Aggregate Value less OpCo debt
- Based on 2020 net income of \$126MM, not inclusive of HoldCo interest

# Preliminary JEA Water Financial Analysis

As of June 7, 2019

♦ Assumes valuation date of 9/30/2019

## Expected Discharge of Liabilities <sup>(1)(2)</sup>

Face Value of Debt and Defeasement Cost Attributable to Water Utility	1,675
Underfunded Pension Liability	200
Net Cash From Balance Sheet <sup>(3)</sup>	(275)
<b>Total</b>	<b>1,600</b>

## Preliminary Financial Analysis <sup>(1)</sup>

Aggregate Value (\$MM)

### Selected Public Comparable Companies Analysis:

**2020 P/E Multiples:** (26.1x – 35.9x) <sup>(2)</sup>

2020 Net Income: \$127MM

**2021 P/E Multiples:** (24.6x – 33.7x) <sup>(2)</sup>

2021 Net Income: \$129MM

### Unlevered Discounted Cash Flow Analysis <sup>(3)</sup>

**P/E Exit Multiple <sup>(4)</sup>:** 20.3x – 24.3x

**WACC:** 3.8% - 5.2%

8-Year (2020 – 2027) Unlevered <sup>(5)</sup>

### Levered Discounted Cash Flow Analysis <sup>(3)</sup>

**P/E Exit Multiple <sup>(4)</sup>:** 20.3x – 24.3x

**Cost of Equity:** 6.0% - 8.0%

8-Year (2020 – 2027) Levered <sup>(5)</sup>

**Equity Value (\$MM) <sup>(6)</sup>**

**Implied FY1 Multiple <sup>(9)</sup>**

Source: Company Projections

#### Notes:

1. Values rounded to nearest \$25MM

2. P/E multiples based on comparable companies including WTR, CWT, AWR, SJW, and CWTWS

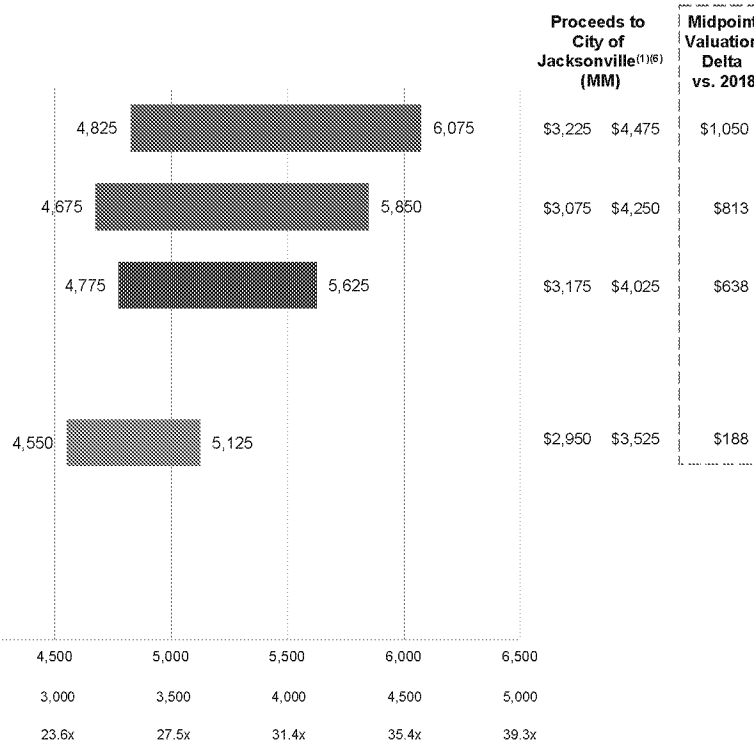
3. Financials based on company projections, assumes OpCo net debt of \$1.5Bn as of 9/30/19, Levered DCF

assumes ~\$490MM in HoldCo debt at 4.40% interest rate

4. Exit multiple based on comparable companies 10-year average NTM P/E

5. NTM net income based on 2% growth from 2027 net income

6. Reflective of estimated ~\$1.7Bn of defeasance cost and ~\$200MM of underfunded pension liability netted against



cash from the balance sheet of ~\$275MM as of September 30, 2018, assumed non-taxable transaction

7. Includes cash and cash equivalents from operations, debt management strategy reserve, environmental liability

reserve, customer deposits, renewal and replacement funds, debt service reserve account funds, unrealized

holding gain / (loss) on investments and accounts and interest receivable less construction contracts and

accounts payable

8. Equity value = Aggregate Value less OpCo debt

9. Based on 2020 net income of \$127MM, not inclusive of HoldCo interest



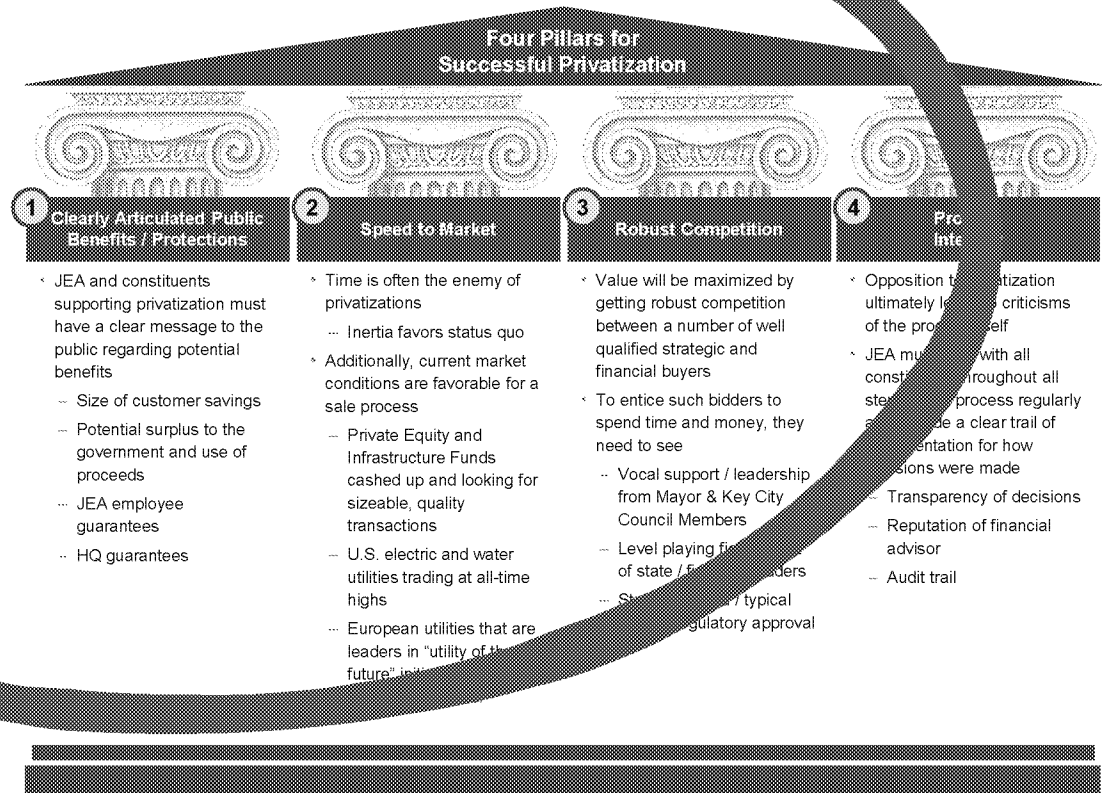
SECTION 5

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# Process Considerations

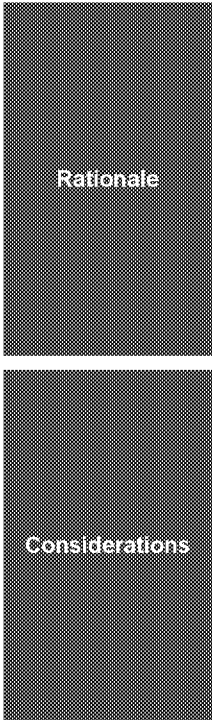
# Four Pillars for Successful Privatization

- \* Benefits to the City and Residents of Jacksonville
  - ✓ Initial rate reduction
  - ✓ Over \$5Bn in excess proceeds to the City of Jacksonville
  - ✓ No involuntary job cuts



# Sale of Entire Authority versus Individual Systems

- Morgan Stanley recommends exploring the merits of a process that allows interested parties to evaluate either JEA Electric or JEA Water or both businesses
    - ... Allows for those focused on only one side of the business to pursue their primary interests
    - ... Expands universe of credible candidates by decreasing check size (relative to the whole)
    - ... Does not preclude anyone from pursuing both businesses
  - Need to understand issues and timing involved in separating water from electric businesses
    - ... Timing considerations will be important for the success of the process
- ... If separation risks significant delay, incremental time may not be worth risk of potential deterioration in bidder valuation metrics



## Sale of Entire Authority

- Does not entail legal separation of water and wastewater businesses
  - Simpler transaction structure
  - Single process for entire authority easier to manage (re: buyer outreach, due diligence Q&A, single owner)
  - Robust interest from pension / insurance / infrastructure funds for water and electric utilities
  - Many strategics eager to enter the water space
- 
- Natural buyers for an electric utility and water utility are not necessarily overlapping
  - Water utilities trade higher on a P/E basis than electric utilities, implying that they can pay more for an asset

## Sale of Individual System

- Potential for value uplift as the natural buyers for an electric utility and water utility are not always the same
  - Flexibility for City to retain one system if buyer interest or local considerations suggest this is optimal
  - Expands universe of credible candidates by decreasing check size (relative to whole)
- 
- Would entail legal separation of water and electric utility businesses
  - Given wider buyer universe for individual systems, the process will be more time consuming due to the number of parties involved

# Sale of All Water versus Water and Wastewater

◦ We do not believe a further bifurcation of the water business would produce materially incremental value

	Sale of All Water	Sale of Water and Wastewater
Rationale	<ul style="list-style-type: none"><li>◦ Demand for opportunities of scale in water / wastewater industry</li><li>◦ Both water and wastewater businesses are fully regulated, and likely to attract similar buyers (both strategic and financial) using similar valuation frameworks</li><li>◦ Simpler transaction structure</li><li>◦ Single process easier to manage</li></ul>	<ul style="list-style-type: none"><li>◦ Smaller prospective buyers may not be able to write check large enough for entire business</li><li>◦ Does not preclude anyone from pursuing both businesses</li></ul>
Considerations	<ul style="list-style-type: none"><li>◦ May preclude smaller buyers from participating</li></ul>	<ul style="list-style-type: none"><li>◦ Historical and projected financials would need to be created for each segment</li><li>◦ May require asset separation / shared services agreements</li><li>◦ Investor-owned water utilities currently own wastewater businesses, which are complimentary to water businesses</li><li>◦ No pure-play publicly-traded wastewater companies</li></ul>

# JEA Electric Process Recommendation

## Project J PPA Strategy Formation

- ✦ JEA can also avoid the need for tax-exempt debt remediation at MEAG by assigning or selling the contract to another municipal utility while adhering to: (a) Sec 305 Resale Covenant (b) Sec 306 Sale Covenant
- ✦ Given the expected contract price will be greater than current market prices, as well as final cost uncertainties, a potential purchaser may require a sizable upfront payment to lower the contract price to current market levels
- ✦ If a Municipal Utility does not acquire the PPA or purchase JEA, the strategies to the right could mitigate risk / costs
- ✦ Additional revenue sources can be explored such as special assessments and user fees as might be allowed under current statutes

### Strategy Description

### Rationale

### Considerations

#### Tax-Exempt Remediation Avoidance / Risk Transfer to Rate Payers

##### Franchise Fee Tax

- ✦ Sell JEA Electric Systems Assets and Service Territory, except for Project J PPA
- ✦ JEA will hire energy manager to sell Project J PPA power output to the market under short-term contracts (<3 years)
- ✦ The City imposes an amount over the current 3% levy on IOU to fund the obligations under the PPA
- ✦ JEA will use the incremental tax to generate revenue that will "make up" cash flow differences between the PPA's contract price and the resale proceeds; the charge would be adjusted periodically as needed
- ✦ City may be prohibited from issuing additional debt secured by the tax. The incremental amount of Franchise Fee and power resale revenue would service the PPA for the remaining term of the contract

- ✦ Project J PPA will continue to stay with JEA and may not require contract renegotiation with MEAG
- ✦ MEAG will not need to remediate any of its tax-exempt bonds/ BABs since contract will still qualify (no violation of Sec 306 – tax covenant)
- ✦ Vogtle cost overrun risk / market power price risk will remain with JEA's legacy customers (not the City or IOU acquirer); unchanged from current customer pass-through expectations

- ✦ No State legislation expected as statute exists
- ✦ No PSC oversight
- ✦ City and IOU negotiate the terms of the FF tax Agreement and must be approved by City Council
- ✦ Cap on fee increased with City imposing the tax
- ✦ JEA will be limited to selling power output of PPA under 3-year contracts or shorter

##### Special Charge

- ✦ Sell JEA Electric Systems Assets and Service Territory, except for Project J PPA
- ✦ JEA will hire energy manager to sell Project J PPA power output to the market under short-term contracts (<3 years)
- ✦ JEA acquires a newly formed property right allowing JEA to assess a special charge on the customers of the IOU acquirer of JEA's electric system
- ✦ JEA will use the special charge to generate revenue that will "make up" cash flow differences between the PPA's contract price and the resale proceeds; the charge would be adjusted periodically as needed
- ✦ No debt would be issued by JEA. The special charge and power resale revenue would service the PPA for the remaining term of the contract

- ✦ Project J PPA will continue to stay with JEA and may not require contract renegotiation with MEAG
- ✦ MEAG will not need to remediate any of its tax-exempt bonds/ BABs since contract will still qualify (no violation of Sec 306 – tax covenant)
- ✦ Vogtle cost overrun risk / market power price risk will remain with JEA's legacy customers (not the City or IOU acquirer); unchanged from current customer pass-through expectations

- ✦ Likely requires State legislation to be able to create the special charge (FL law only allows for IOU storm recovery and nuclear decommissioning securitizations or municipal for water and sewer
- ✦ No PUC oversight
- ✦ JEA will be limited to selling power output of PPA under 3-year contracts or shorter

SECTION 6

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# Suggested Process Overview

# Pre-Launch Process Design Considerations

- Process design driven by objectives of JEA, the City of Jacksonville and its key stakeholders

## Key Considerations

### 1 Ensure Support from All Constituents

- Coordinate upfront with key approval constituents
  - Create efficient subcommittee with membership from key areas (JEA, Mayor's office and other key stakeholders)
  - Buy-in on process design and objectives is key to success throughout the process
  - Preview rate making construct with FL PSC staff to get a sense for its view
- Establishing upfront "Success Criteria" key to maintaining process integrity and evaluating alternatives
  - Best if these are publicly disclosed

### 2 Prepare Process Materials & Determine Marketing Strategy

- Conduct process to provide separate audited financials (if not already done) for electric and water
  - Audits not required prior to launch, but visibility on completion important
- Assess viability of providing staple financing on contemplated transaction structure to add competition and enhance valuation
- Market business excluding Project J liability
  - "Clean" electric utility would increase interest in process and enhance valuation
  - Jacksonville rate payers already subject to higher rates from Vogtle exposure

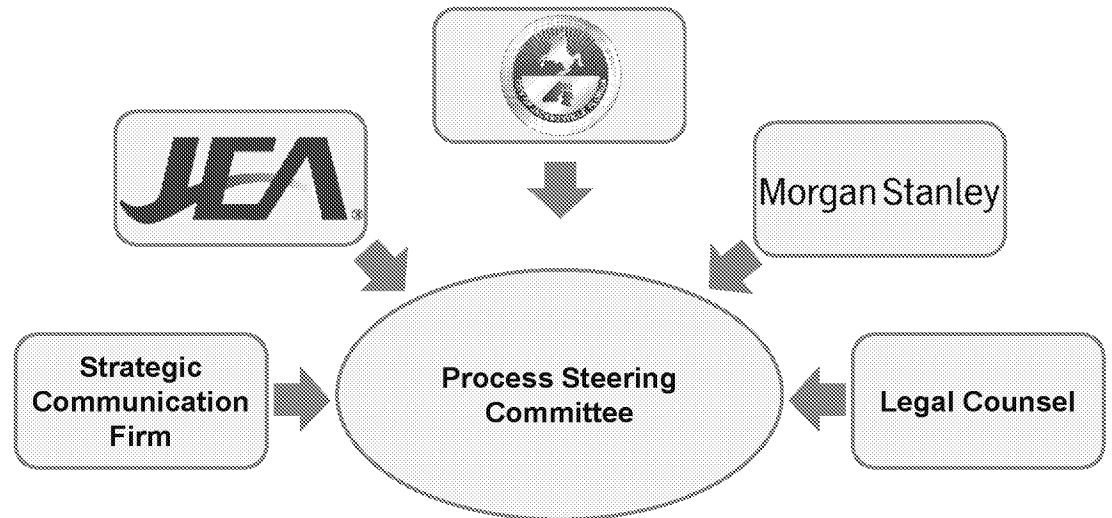
### 3 Conduct Market Sounding and Pre-Marketing

- Conduct a "soft" pre-marketing effort to key potential buyers
  - Address concerns with potentially skeptical buyers (given PGW failure)
  - Assess interest in whole business versus separation transaction
  - Determine if electric and water strategics prefer to partner / structured alternatives
  - Partnerships will add time later in the process so we recommend addressing upfront
  - Outreach conducted concurrent with initial preparation efforts, but only once political support has become clear
  - Determine if outreach is advisor only to avoid perception of management bias

## Pre-Launch Process Design Considerations (cont'd)

### Formation of Process Steering Committee

- Privatizations, by their very nature, must be public, at least as it relates to the decision to privatize and the high level aspects of the process
- We recommend creating a formal "Steering Committee" that is tasked with serving as the singular voice of the process
  - Consider engaging strategic communications firm that knows the local community and media, can help anticipate issues, and can work to respond rapidly to opposition attacks
  - Develop official communication channels to deliver process updates and receive feedback
  - Tightly control sensitive information



#### Steering Committee Authorizations and Responsibilities

- ✓ Communicate objectives of the City of Jacksonville and JEA to the public
- ✓ Formulate process evaluation criteria
- ✓ Provide information to potential bidders
- ✓ Evaluate proposals
- ✓ Communicate process updates and issue responses to the public



# Pre-Qualifying Transformation Partners

## Inclusive Pre-Qualification Process

- ◊ We anticipate opposition arguments against privatization to intensify post a formal launch of the process
- ◊ In order to provide full disclosure of the process, we recommend soliciting responses to a publicly available RFQ

### Key Considerations

- ◊ We recommend a formal Request for Qualifications ("RFQ") stage in advance of launch
  - Approximately 4 weeks
  - Broad invitation provides greater comfort to the City that it has considered all potentially interested parties
  - Screening pre-NDA provides the City opportunity to exclude any less qualified parties from moving forward
- ◊ RFQ will clearly define the criteria by which each bidder will be assessed, with particular emphasis on:
  - Experience and capabilities investing in distributed energy, renewable resources and innovative technologies in the utility space
  - Commitment to investing capital to position JEA and the City of Jacksonville for the future
  - Financial strength and certainty to consummate the proposed transaction
  - Commitment to maintaining local operations
  - Experience providing customers with industry leading service and competitive rates
- ◊ Evaluation of bids by third party advisor made public to allow transparency into the process and ensure documentation of the assessment

# Post-Launch Process Considerations

## Select Parties Invited to Participate in Formal Process

- Following the receipt of RFQ responses, those parties that meet JEA and the City of Jacksonville's specific criteria are invited to participate in a formal process

### Key Considerations

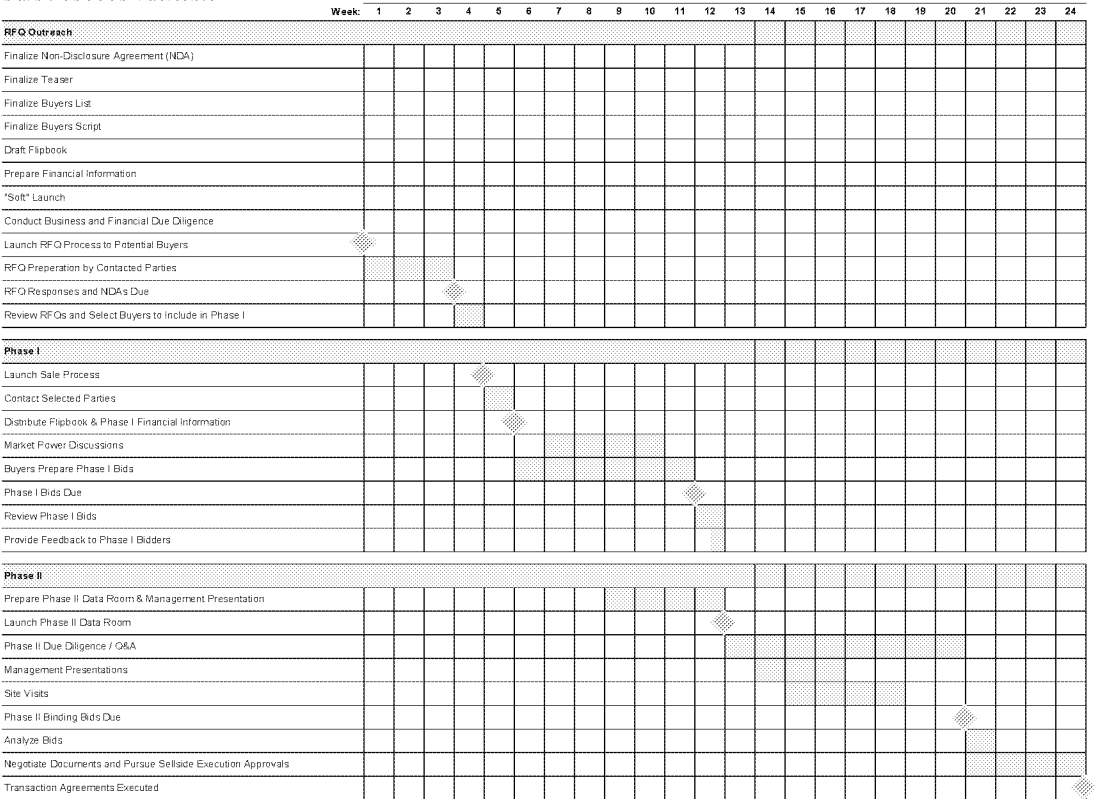
- Post-RFQ, select qualified parties to participate in a two-phase process under NDA
  - Allows all qualified parties to participate and provide value indication, while then down-selecting to a more manageable number of late stage participants requiring extensive time and effort for diligence
  - Approximately 6 weeks for Phase I and 8 weeks (or longer) for Phase II
    - In Phase I, provide information memorandum, three-statement financial projections and "horizontal expense" sheet to supplement publicly-available information
      - » Financial model is inclusive of rate making construct reviewed with FL PSC staff
      - » Hold market power discussions with interested parties
    - In Phase II, provide comprehensive data room, management presentation, draft asset purchase contract and detailed Q&A
- Post-submission of fully-diligenced proposals that include price and marked contracts, down-select parties for final stage of transaction document negotiation and City approval
  - Could include multiple parties (or even subsequent "best and final" requests) if strong competitive tension exists
  - Timing until document execution will be function of negotiation cadence and the City's approval process, but it could take at least 3-4 weeks

# Post-Launch Process Timeline

## Two Phase Process

Once pre-launch process preparation is complete, we believe transaction agreements could be executed in as few as 24 weeks

### Sale Process Timeline



Key Milestones / Decision Points

## Purchase Agreement Considerations

- ◊ A strong, competitive process will allow JEA to press for stronger contract provisions

### Key Considerations

- ◊ “Private company” style asset sale contract (including sufficiency of assets representation)
- ◊ Post closing adjustments for various items such as debt and / or working capital
- ◊ Survival of certain reps and warranties post closing for multiple years subject to indemnification construct
- ◊ Seller preserves ability to update schedules during pendency of signing and closing
- ◊ Portion of purchase price escrowed to satisfy certain breaches of reps, warranties and covenants
- ◊ Limited termination rights
- ◊ Very specific agreed conditions for regulatory approvals with commercial reasonableness standard

SECTION 7




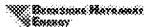

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# Potential Buyers

# Potential Strategic Buyers for JEA






- We believe there will be robust interest from select North American strategics for both the electric and the water sides of the business

## Strategic Buyers

Name	Commentary
	<ul style="list-style-type: none"> <li>◦ Interested in regulated utilities of material size that have urban footprints</li> <li>◦ They want to own customers and believe there is better potential for growth in urban areas</li> <li>◦ Open to water but current valuations would give pause</li> <li>◦ Expected to show interest and have the financial capacity to transact (market cap &gt;\$30Bn)</li> </ul>
	<ul style="list-style-type: none"> <li>◦ Largest of the publicly-traded water companies</li> <li>◦ Tax reform may pressure ratings; however, remains focused on generating a competitive EPS growth rate with acquisitions</li> <li>◦ Regulated operations in the Southeastern U.S. (TN, VA, WV)</li> </ul>
	<ul style="list-style-type: none"> <li>◦ Second largest of the publicly-traded water companies, and actively looking for acquisition targets</li> <li>◦ Announced acquisition of Peoples Natural Gas from SteelRiver for \$4.275Bn in October 2018</li> <li>◦ Focused on M&amp;A as a driver of scale and growth</li> </ul>
	<ul style="list-style-type: none"> <li>◦ Actively looking for acquisition targets</li> <li>◦ In 2017, lost its pursuit of Oncor to Sempra; in 2014, closed acquisition of AltaLink for ~\$3Bn</li> <li>◦ Publicly states an aversion to auctions, but occasionally does participate</li> </ul>
	<ul style="list-style-type: none"> <li>◦ Smaller size (~\$2.5Bn market cap; &lt;\$3.5Bn aggregate value) may require a partnership of some kind</li> <li>◦ Elevated trading multiple due in part to built-in M&amp;A premium</li> <li>◦ Future growth likely to be focused around current service territory, in absence of transformative acquisition</li> </ul>

## Potential Strategic Buyers for JEA (cont'd)






### Strategic Buyers (cont'd)

Name	Commentary
	<ul style="list-style-type: none"> <li>Big balance sheet that could help allow for an accretive transaction notwithstanding its below-average trading multiple although recent negative outlook from S&amp;P may deter Duke from debt-financed acquisitions in near-term</li> <li>In 2016, closed acquisition of Piedmont Natural Gas for \$6.7Bn, paying up for gas opportunity in its backyard</li> <li>Important to consider any potential mitigation requirements associated with its Florida service territory</li> </ul>
	<ul style="list-style-type: none"> <li>Smaller relative to most other potential strategic buyers, but local Florida opportunities would merit serious consideration</li> <li>In 2016, closed acquisition of TECO Energy, which doubled company size</li> <li>In 2019, announced divestiture of Emera Maine regulated utility assets</li> </ul>
	<ul style="list-style-type: none"> <li>Existing municipal entity in Florida, Florida Governmental Utility Authority could facilitate a public to public sale of JEA Water</li> <li>Provides service to over 80 systems with 120,000 customers in 14 Florida counties through private contract operations.</li> <li>Has the ability to issue tax-exempt debt to acquire existing public or private water and wastewater systems</li> </ul>
	<ul style="list-style-type: none"> <li>Big balance sheet, attractive trading multiple and history of looking for M&amp;A opportunities</li> <li>Important to consider any potential mitigation requirements associated with its Florida service territory</li> <li>Announced acquisition of Southern subsidiary Gulf Power in May 2018 for ~\$5.1Bn</li> </ul>
	<ul style="list-style-type: none"> <li>Vogtle nuclear issues have depressed its stock price; multiple currently trails its peers, whereas it used to be a leader</li> <li>In 2016, closed acquisition of AGL Resources for \$12Bn; significantly increased its exposure to gas</li> <li>In 2017, announced sale of Elizabethtown Gas and Elkon Gas for \$1.7Bn and in 2018 announced sale of Gulf Power for \$6.5Bn to help cover nuclear cost overruns</li> </ul>

## Potential Strategic Buyers for JEA (cont'd)

- We believe there will be robust interest from select European strategics for both the electric and the water sides of the business

### Strategic Buyers (cont'd)



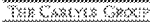




Name	Commentary
	<ul style="list-style-type: none"> <li>◦ Global leader, with over 170 years of experience, serving over 100MM customers across North America, Brazil, Europe, and the U.K.</li> <li>◦ The number-one producer of wind power and one of the largest electricity utilities by market capitalization</li> <li>◦ Leading the transition toward a sustainable energy model through investments in renewable energy, smart grids, large-scale energy storage, and digital transformation</li> </ul>
	<ul style="list-style-type: none"> <li>◦ France-based publicly-listed multinational electric utility company that focuses on electricity generation and distribution, natural gas and renewable energy</li> <li>◦ In February 2016, announced sale of 10 GW US-based merchant generation portfolio to Dynegy, ECP and PSP</li> <li>◦ North American contracted assets excluded from scope of recent sale process; Engie continues to own 40% stake in Canadian renewable portfolio</li> <li>◦ Pro forma North American strategy will be focused on renewable energy and customer focused business lines, including district energy</li> </ul>
	<ul style="list-style-type: none"> <li>◦ Supplies clean drinking water to 92MM people across 70 countries and 5 continents</li> <li>◦ Core service areas include: Water, Water Recovery, Treatment Solutions, and Consulting</li> <li>◦ In 2014, Nassau County, NY announced historic agreement with Suez for wastewater operations, representing the largest public-private partnership for water or wastewater services in the U.S.</li> </ul>
	<ul style="list-style-type: none"> <li>◦ Integrated electricity and gas operator in 34 countries across 5 continents</li> <li>◦ Generates energy with a managed capacity of more than 90 GW</li> <li>◦ Sells gas and distributes electricity across a network spanning approximately 2.2 million km, servicing 73MM customers</li> </ul>
	<ul style="list-style-type: none"> <li>◦ Keen to expand and diversify in the U.S. under the leadership of the new CEO</li> <li>◦ Interested in regulated opportunities of scale</li> <li>◦ Looking to re-deploy proceeds from natural gas sale in U.K. to new regulated opportunities</li> </ul>



# Potential Financial Buyers for JEA

- \* We believe numerous financial parties would be interested, though some may struggle to compete with motivated strategic bidders

## Financial Buyers

Name	Commentary
	<ul style="list-style-type: none"> <li>* In May 2017, announced goal to raise \$40Bn fund, anchored by \$20Bn investment from Saudi Arabia</li> <li>* Able to deploy single-digit levered cost of equity towards lower-risk investments</li> <li>* No track record to date, but leadership comes from affiliated energy-focused fund familiar with power / utility space</li> </ul>
	<ul style="list-style-type: none"> <li>* Significant familiarity with and demonstrated interest in the U.S. utility sector via precedent investments (e.g., Puget Energy, Aquarion, Cleco)</li> <li>* Focused on investing in majority or co-controlling positions, or as a strong minority partner</li> <li>* Owns Corix, a leader in implementation of sustainable water, wastewater, and energy utility infrastructure solutions. Through Corix, bclMC also owns Utilities, Inc., one of the largest privately owned U.S. water and wastewater companies serving customers across 15 states</li> </ul>
	<ul style="list-style-type: none"> <li>* In process of raising new infrastructure fund with \$2.5Bn target and recently closed on a seventh buyout fund of \$18.5Bn, surpassing the original \$15Bn target</li> <li>* Infrastructure fund has ability to partner with third-parties or with in-house buyout fund</li> <li>* Expressed interest in water and electric utilities; previously invested in Park Water Company, a regulated water utility in California and Montana</li> </ul>
	<ul style="list-style-type: none"> <li>* In January 2017, closed \$15.8Bn Fund III</li> <li>* Has long coveted a U.S. utility; internationally owns 20% interest in publicly-traded Gas Natural</li> <li>* Capital cost would be a challenge; targeting 15%+ IRRs as a portfolio, but able to go lower for lower-risk utility investments</li> </ul>
	<ul style="list-style-type: none"> <li>* Announced acquisition of El Paso Electric for ~\$4.3Bn in June of 2019</li> <li>* Open-end infrastructure investing fund with ~\$15Bn gross asset value portfolio</li> <li>* Founded in 2006 and focused on regulated utilities, contracted power/energy assets and transportation</li> </ul>
	<ul style="list-style-type: none"> <li>* In January 2019, Macquarie closed a new \$5Bn Fund IV</li> <li>* Historically a leader amongst financial fund investors in the utility space, with past and present investments in Aquarion, Cleco, Duquesne and Puget</li> <li>* Often takes lead position and partners with like-minded minority interest investors, including Canadian pension funds</li> </ul>
	<ul style="list-style-type: none"> <li>* OMERS Infrastructure is the public infrastructure arm of the Ontario Municipal Employees Retirement System</li> <li>* Typically seeks investments in assets with aggregate value in excess of \$2Bn and looks to partner with like-minded investors and highly experienced operators</li> <li>* Meaningful interest in U.S. utility sector demonstrated via Oncor and Puget Energy investments</li> <li>* Active participant in recent regulated utility sale processes</li> </ul>

# Infrastructure Fund Investments in the Utility Space

## Financial Buyers Have Shown Appetite for Large Utility Investments

- Pension funds, insurance companies, sovereign wealth funds, and infrastructure funds are low cost of capital financial buyers with an interest in infrastructure / utility investments
- While there has not been any recent announcements of these lower cost of capital buyers acquiring utility assets in the U.S., we have seen tremendous activity in Europe
- Given pension, insurance, and sovereign wealth funds appetite for stable, predictable cash flows – JEA's strong management team already in place creates the opportunity for the management team to stay in place and for the city to keep the utility in local hands from an operating perspective

	Acquirer	Target	Size	Date	Description
North America	J.P.Morgan ASSET MANAGEMENT	El Paso Electric	\$4.3Bn	2019	Sale of 100% stake in El Paso Electric to JP Morgan Infrastructure Investments Fund
	OMERS PGGM	Macquarie	NA	2018	OMERS and PGGM agreed to acquire Macquarie's 44% Stake in Puget Sound Energy
	John Hancock	Cleco	\$4.7Bn	2014	Sale of 100% stake in Cleco Corporation to Macquarie led consortium including BCI and John Hancock
	IFP	Aquarion	\$860MM	2007	Sale of 100% of Aquarion to Macquarie led consortium
	Macquarie	Puget Sound Energy	\$7.4Bn	2007	Sale of 100% stake in Puget Sound Energy to Macquarie led consortium including Canadian pension funds
Europe	Allianz VER	Elenia	€3.6Bn	2017	Sale of 100% of Elenia Group to Macquarie Infrastructure, Allianz Capital Partners and State Pension Fund of Finland
	Allianz	gas natural fenosa	€13.9Bn	2017	Sale of 20% of Gas Natural Fenosa's Spanish gas distribution business to Allianz and CPPIB
	CDP	Naturgas Energía	€2.6Bn	2017	Sale of 100% of Naturgas Energía Distribución to a consortium of long-term infrastructure investors
	SUEZ	GE Water & Process Technologies	€3.2Bn	2017	Sale of 100% of GE Water & Process Technologies to SUEZ Group and Caisse de Dépôt et Placement du Québec
	CNP	Le Réseau de L'Intelligence Électrique	\$4.35Bn	2016	Sale of 49% stake in Le Réseau de L'Intelligence Électrique to Caisse des Dépôts et Consignation and CNP Assurances
	nationalgrid	National Grid Gas Distribution	€2.9Bn	2016	Sale of 61% of National Grid's National Grid Gas Distribution business via tender offer to a consortium of financial buyers
	Global Infrastructure Partners	gas natural fenosa	\$4.3Bn	2016	Sale of 20% in Gas Natural SDG SA to Global Infrastructure Partners
	EDF	Madriñeja	€2.2Bn	2015	Sale of 100% of Madriñeja Red de Gas to EDF Invest, Ginkgo Tree and PGGM

Gas Distribution

Electricity Distribution

Water Infrastructure

Electricity Transmission

Integrated Utility

## Other Potential Buyers

- Multiple financial players who are limited by the size of the equity check required for either utility may combine to form consortiums
- Smaller strategies may look to partner with financials



APPENDIX A

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# Supporting Materials | Electric Utility

# JEA Electric Projections

## Rate Base and Revenue Requirement Build

### Rate Base Assumptions

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Net Utility Plant		2,662	2,726	2,709	2,688	2,662	2,727	3,070	3,014	2,953
Depreciation		(235)	(240)	(246)	(252)	(260)	(275)	(281)	(286)	(292)
Capital Expenditures		299	223	225	225	325	618	225	225	225
Ending Net Utility Plant	2,662	2,726	2,709	2,688	2,662	2,727	3,070	3,014	2,953	2,886
Deductions <sup>(1)</sup>	(146)	(141)	(134)	(179)	(220)	(258)	(287)	(313)	(336)	(358)
Additions <sup>(2)</sup>	266	260	262	275	287	303	318	325	328	335
<b>Rate Base</b>	<b>2,781</b>	<b>2,844</b>	<b>2,837</b>	<b>2,784</b>	<b>2,729</b>	<b>2,772</b>	<b>3,101</b>	<b>3,027</b>	<b>2,945</b>	<b>2,862</b>
Average Rate Base		2,814	2,841	2,810	2,756	2,751	2,937	3,064	2,986	2,904
Regulatory Equity % of Capitalization		43.1%	43.1%	43.1%	43.1%	43.1%	43.1%	43.1%	43.1%	43.1%
ROE		10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%

### Revenue Requirement Build

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Net Income	125	126	125	123	122	131	136	133	129
Taxes	33	34	33	33	33	35	36	35	34
EBT	158	160	158	155	155	165	173	168	164
Interest	83	90	95	101	108	124	135	136	141
EBIT	242	250	253	256	262	289	307	304	305
Depreciation and Amortization	235	240	246	252	260	275	281	286	292
<b>EBITDA</b>	<b>477</b>	<b>490</b>	<b>499</b>	<b>507</b>	<b>522</b>	<b>564</b>	<b>588</b>	<b>590</b>	<b>597</b>
Other Taxes	62	63	63	64	65	67	70	71	71
Property Tax Payment to the City of Jacksonville	60	61	62	64	65	66	68	69	70
O&M	232	238	231	258	259	259	268	268	282
Gross Margin	831	852	856	893	911	957	994	998	1,020
Fuel	342	379	400	372	383	394	406	417	429
Purchased Power	110	63	104	155	206	243	247	248	250
<b>Revenue Requirements</b>	<b>1,283</b>	<b>1,294</b>	<b>1,360</b>	<b>1,420</b>	<b>1,550</b>	<b>1,534</b>	<b>1,645</b>	<b>1,695</b>	<b>1,699</b>

#### Notes:

1. Rate Base deductions inclusive of accumulated deferred income tax, accounts and accrued expenses payable, state utility taxes payable, fees payable to the City of Jacksonville, liability for compensated absences due within one year, other current liabilities and customer deposits
2. Rate Base additions inclusive of net accounts receivable, interest receivable, net inventories, fuel inventory and materials & supplies

# JEA Electric Projections (cont'd)

## Financial Projections

### Key Observations

- In the outer years of the projection period, low capex versus D&A leads to a decline in rate base and net income for JEA Electric

### Consolidated Financial Projections

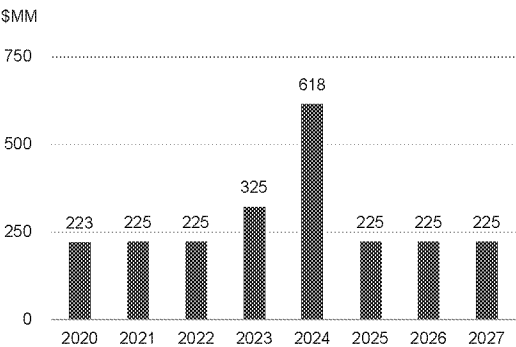
Revenue	1,293	1,294	1,360	1,420	1,500	1,594	1,648	1,663	1,689
Fuel	(342)	(379)	(400)	(372)	(383)	(394)	(406)	(417)	(429)
Purchased Power	(110)	(63)	(104)	(155)	(206)	(243)	(247)	(248)	(250)
Gross Margin	831	852	856	893	911	957	994	998	1,010
Other Taxes	(62)	(63)	(63)	(64)	(65)	(67)	(70)	(71)	(71)
Property Tax to the city of Jacksonville	(60)	(61)	(62)	(64)	(65)	(66)	(68)	(69)	(70)
O&M	(232)	(238)	(231)	(258)	(259)	(259)	(268)	(268)	(282)
EBITDA	477	490	499	507	522	584	589	590	597
D&A	(235)	(240)	(246)	(252)	(260)	(275)	(281)	(286)	(292)
EBIT	242	250	253	256	262	289	307	304	305
Interest Expense	(83)	(90)	(95)	(101)	(108)	(124)	(135)	(136)	(141)
EBT	158	160	158	155	155	165	173	168	164
Taxes	(33)	(34)	(33)	(33)	(33)	(35)	(36)	(35)	(34)
Net Income	125	126	125	123	122	131	136	133	129
YoY Growth		1.0%	(1.1%)	(1.9%)	(0.2%)	6.8%	4.3%	(2.6%)	(2.8%)
Rate Base	2,645	2,837	2,734	2,728	2,773	3,101	3,027	2,945	2,862
Capex	219	223	223	225	325	316	225	215	225

# JEA Electric Projections (cont'd)

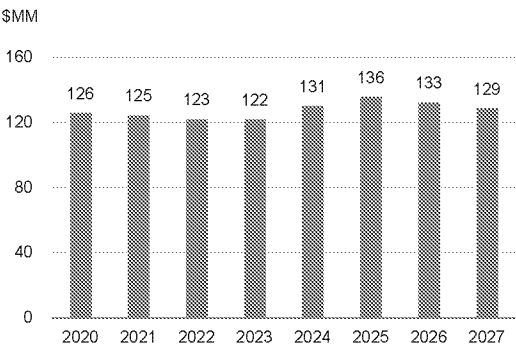
## Key Observations

- Significant uptick in capital expenditures in 2023 and 2024 increases rate base materially and thus net income
- Length of DCF used in projection period has impact on intrinsic value

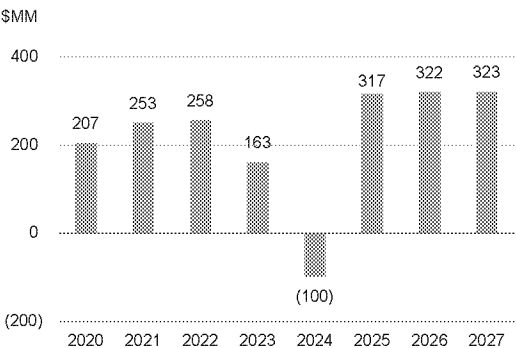
Capital Expenditure Projections



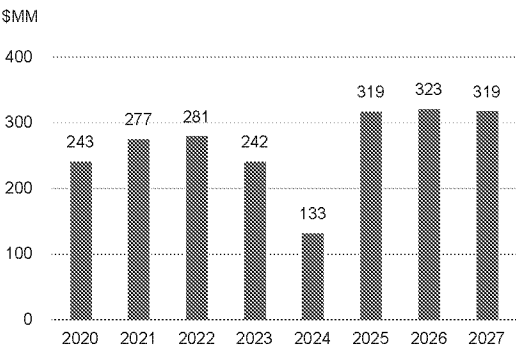
Net Income <sup>(1)</sup>



Unlevered Free Cash Flow



Levered Free Cash Flow



Note:  
1. Does not reflect HoldCo debt

# Comparable Companies – Electric

As of June 7, 2019

## Comparable Companies Analysis

Company Name	Price	Market Value \$MM	Aggregate Value <sup>(1)</sup> \$MM	Price/Earnings <sup>(2)</sup>		Dividend Yield %	2019-2022 EPS CAGR %
	Current 6/7/2019			2020	2021		
				x	x		
Electric Utilities <sup>(3)</sup>							
IDACORP, Inc.	104.45	5,284	6,857	23.0	22.7	2.4	1.7 <sup>(4)</sup>
Portland General Electric Company	54.73	4,890	7,317	21.3	20.3	2.8	4.0
ALLETE, Inc.	84.99	4,388	5,608	21.8	20.5	2.8	5.6
PNM Resources, Inc.	49.78	3,977	6,956	22.4	20.7	2.3	5.4 <sup>(4)</sup>
NorthWestern Corporation	73.19	3,692	5,793	20.4	19.7	3.1	3.8
Otter Tail Corporation	52.48	2,086	2,740	21.6	20.7	2.7	7.0 <sup>(4)</sup>
Chesapeake Utilities Corporation	93.76	1,537	2,176	23.7	22.9	1.7	4.6 <sup>(4)</sup>
Mean		3,693	5,350	22.0	21.1	2.6	4.6
Median		3,977	5,793	21.8	20.7	2.7	4.6

Low End P/E Multiple High End P/E Multiple

### Notes:

1. Aggregate Value = Market Value + Long-term Debt + Short-term Debt + Leases + Preferred Stock + Minority Interest - Cash
2. Based on I/B/E/S forward earnings estimates
3. Market Capitalization in ~\$1.5Bn. to ~\$5.3Bn range
4. Represents 2019-2021 EPS CAGR



# Price / Earnings Multiples Over Time – Electric

Historical NTM Price / Earnings Multiples for Peers Since June 7, 2009

Historical NTM Price / Earnings for Peers <sup>(1)</sup>

Since 6/07/2009 (x)



Source: Capital IQ

**Note:**  
1. Based on the following comparable companies: IDA, POR, ALE, PNM, NWE, OTTR, CPK

# WACC Analysis: CAPM Method

Illustrative Cost of Capital Analysis for JEA Electric Unlevered DCF | June 7, 2019

- Cost of equity for discounting based on CAPM using current 10-year U.S. Treasury rate, median peer Barra predicted beta and Morgan Stanley market risk premium of 6%

## JEA Beta Calculation

Peer Median Unlevered Beta <sup>(1)</sup>	0.31
Expected Debt / Cap. Ratio <sup>(2)</sup>	33.4%
Tax Rate	21.0%
Relevered Beta	0.44

## WACC Analysis: CAPM Method

Assumption	Notes	WACC Calculation		
		Base	Low	High
Market Risk Premium (MRP)	Morgan Stanley estimated market risk premium	6.0%	6.0%	6.0%
Risk Free Rate (Rf)	Spot rate 10-year U.S. Treasury as of June 07, 2019	2.1%	2.1%	2.1%
Unlevered Beta	Industry unlevered beta	0.31	0.31	0.31
Relevered Beta	Based on comparable unlevered betas and expected JEA Electric capital structure <sup>(2)</sup>	0.44	0.44	0.44
Sensitivity Adjustment	+/- 1.0% from base		(1.0%)	1.0%
<b>Cost of Equity (KE)</b>	<b>Calculated using Capital Asset Pricing Model</b>	<b>4.7%</b>	<b>3.7%</b>	<b>5.7%</b>
Pre-tax Cost of Debt (K <sub>D</sub> )	Blended rate based on current debt outstanding	4.4%	4.4%	4.4%
Tax Rate (t)	Assumed tax rate	21.0%	21.0%	21.0%
<b>Post-Tax Cost of Debt</b>		<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>
Expected Debt / Total Capitalization	Based on expected JEA Electric capital structure <sup>(2)</sup>	33.4%	33.4%	33.4%
<b>WACC</b>	<b><math>KE * E/(D+E) + K_D * (1-t) * D/(D+E)</math></b>	<b>4.3%</b>	<b>3.6%</b>	<b>5.0%</b>

Source: Company Filings, Capital IQ, Management Projections

### Notes:

- Based on the following comparable companies: IDA, POR, ALE, PNM, NWE, OTTR, CPK
- Based on aggregate value of ~\$5.4Bn for JEA Electric and OpCo debt of \$1.8Bn as of September 30, 2019

# Preliminary Unlevered Discounted Cash Flow Analysis

JEA Electric Segment | 8-Year DCF | Valuation Date of September 30, 2019

JEA Electric Preliminary Discounted Cash Flow Analysis

SMM, unless otherwise noted

P/E Exit Multiple <sup>(1)</sup>	16.4x			17.4x			18.4x		
Discount Rate	3.5%	4.3%	5.0%	3.5%	4.3%	5.0%	3.5%	4.3%	5.0%
<b>Present Value of:</b>									
Cash Flows	1,475	1,432	1,392	1,475	1,432	1,392	1,475	1,432	1,392
Terminus	3,975	3,776	3,589	4,173	3,965	3,768	4,371	4,153	3,946
<b>Aggregate Value</b>	<b>5,450</b>	<b>5,209</b>	<b>4,980</b>	<b>5,648</b>	<b>5,397</b>	<b>5,159</b>	<b>5,846</b>	<b>5,585</b>	<b>5,338</b>
Net Debt	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
<b>Equity Value</b>	<b>3,650</b>	<b>3,409</b>	<b>3,180</b>	<b>3,848</b>	<b>3,597</b>	<b>3,359</b>	<b>4,046</b>	<b>3,785</b>	<b>3,538</b>
<b>Terminal Value Percentage</b>									
% Value in Terminus	72.9%	72.5%	72.1%	73.9%	73.5%	73.0%	74.8%	74.4%	73.9%
% Value in Cash Flows	27.1%	27.5%	27.9%	26.1%	26.5%	27.0%	25.2%	25.6%	26.1%
<b>Implied Multiples</b>									
2020 Net Income	28.9x	27.0x	25.2x	30.4x	28.5x	26.6x	32.0x	29.9x	28.0x
2021 Net Income	29.2x	27.3x	25.4x	30.8x	28.8x	26.9x	32.4x	30.3x	28.3x
<b>Implied Terminal Growth Rate</b>									
Perpetual Growth Rate	0.4%	1.0%	1.7%	0.5%	1.2%	1.8%	0.7%	1.3%	2.0%

Note:

1. Based on 10-Year Average NTM P/E multiple of select comparable companies: IDA, POR, ALE, PNM, NWE, OTTR, CPK

# Preliminary Levered Discounted Cash Flow Analysis

JEA Electric Segment | 8-Year DCF | Valuation Date of September 30, 2019

JEA Electric Preliminary Discounted Cash Flow Analysis

SMM, unless otherwise noted

P/E Exit Multiple <sup>(1)</sup>	16.4x			17.4x			18.4x		
Discount Rate	6.0%	7.0%	8.0%	6.0%	7.0%	8.0%	6.0%	7.0%	8.0%
<b>Present Value of:</b>									
Cash Flows	1,642	1,577	1,515	1,642	1,577	1,515	1,642	1,577	1,515
Terminus	1,071	994	922	1,210	1,123	1,042	1,350	1,252	1,162
<b>Equity Value</b>	<b>2,713</b>	<b>2,571</b>	<b>2,438</b>	<b>2,853</b>	<b>2,700</b>	<b>2,558</b>	<b>2,992</b>	<b>2,829</b>	<b>2,678</b>
Net Debt	2,383	2,383	2,383	2,383	2,383	2,383	2,383	2,383	2,383
<b>Aggregate Value</b>	<b>5,096</b>	<b>4,953</b>	<b>4,820</b>	<b>5,235</b>	<b>5,082</b>	<b>4,940</b>	<b>5,375</b>	<b>5,212</b>	<b>5,060</b>
<b>Terminal Value Percentage</b>									
% Value in Terminus	39.5%	38.7%	37.8%	42.4%	41.6%	40.8%	45.1%	44.3%	43.4%
% Value in Cash Flows	60.5%	61.3%	62.2%	57.6%	58.4%	59.2%	54.9%	55.7%	56.6%
<b>Implied Multiples</b>									
2020 Net Income	25.6x	24.2x	23.0x	26.9x	25.4x	24.1x	28.2x	26.7x	25.2x
2021 Net Income	25.9x	24.5x	23.3x	27.2x	25.8x	24.4x	28.6x	27.0x	25.6x
<b>Implied Terminal Growth Rate</b>									
Perpetual Growth Rate	(3.5%)	(2.6%)	(1.7%)	(2.5%)	(1.6%)	(0.7%)	(1.7%)	(0.8%)	0.2%

**Note:**

1. Based on 10-Year Average NTM P/E multiple of select comparable companies: IDA, POR, ALE, PNM, NWE, OTTR, CPK

# Selected Precedent Electric Utility Transactions

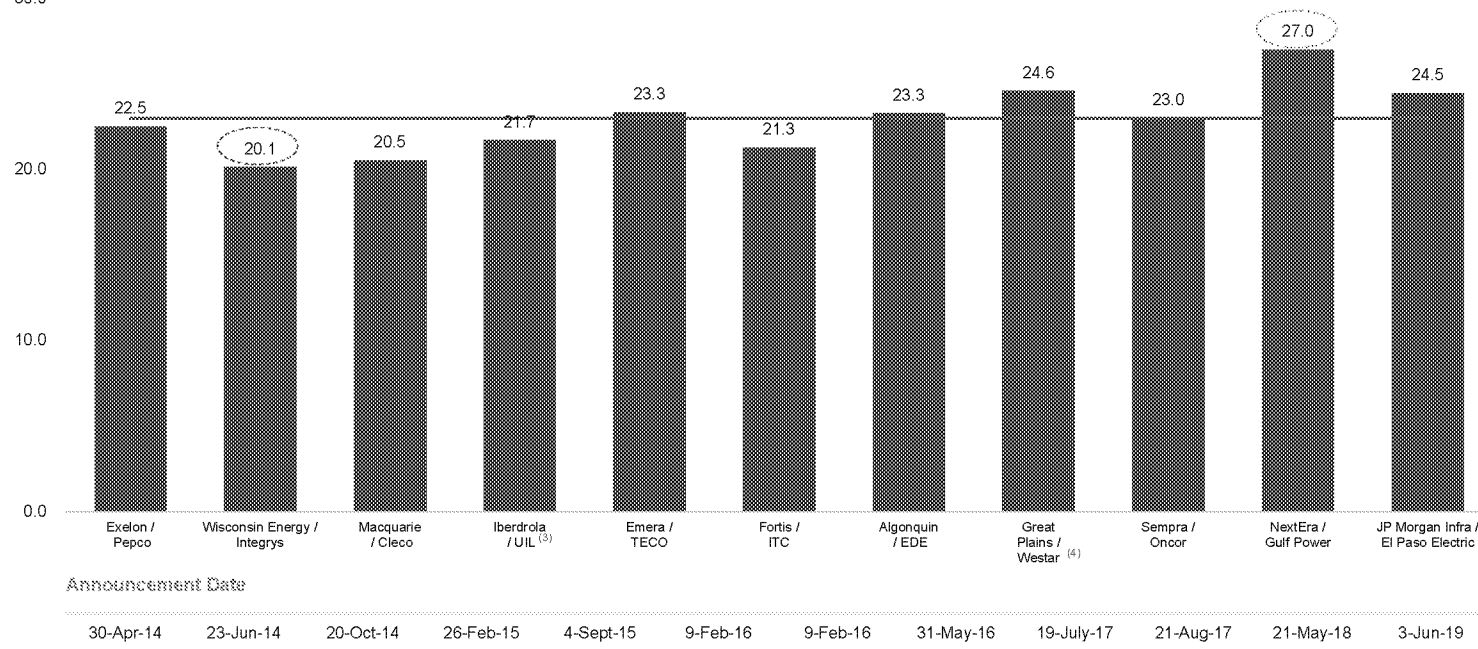
Since January 2014 <sup>(1)</sup>

Precedent Utility Transactions Price / Earnings <sup>(2)</sup>

(x)

30.0

Median: 23.0x



Announcement Date

Low End P/E Multiple High End P/E Multiple

## Notes:

- Selected public target utility transactions since January 2014; excludes Dominion / SCANA and Sempra Oncor / Infranet transactions
- For transactions announced on or before June 30 in a given year, FY1 represents the fiscal year in which the transaction is announced. For transactions announced after June 30 in a given year, FY1 represents the fiscal year following the year in which the transaction is announced
- Based on midpoint of implied transaction price range, per UIL announcement presentation, or \$52.75
- Refers to previous deal which was subsequently announced as MOE in July 2017

APPENDIX B

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# Supporting Materials | Water Utility

# JEA Water Projections

## Rate Base and Revenue Requirement Build

### Rate Base Assumptions

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Net Utility Plant		2,718	2,795	2,867	2,931	2,988	2,983	2,974	2,961	2,942
Depreciation		(171)	(177)	(183)	(189)	(194)	(199)	(204)	(208)	(213)
Capital Expenditures		248	249	248	246	190	190	190	190	190
Ending Net Utility Plant	2,718	2,795	2,867	2,931	2,988	2,983	2,974	2,961	2,942	2,919
Deductions <sup>(1)</sup>	(37)	(48)	(55)	(101)	(144)	(183)	(219)	(251)	(279)	(304)
Additions <sup>(2)</sup>	104	136	139	142	144	145	146	146	147	148
<b>Rate Base</b>	<b>2,785</b>	<b>2,884</b>	<b>2,952</b>	<b>2,972</b>	<b>2,987</b>	<b>2,945</b>	<b>2,901</b>	<b>2,956</b>	<b>2,810</b>	<b>2,763</b>
Average Rate Base		2,834	2,918	2,962	2,979	2,966	2,923	2,879	2,833	2,787
Regulatory Equity % of Capitalization		41.9%	41.9%	41.9%	41.9%	41.9%	41.9%	41.9%	41.9%	41.9%
ROE		10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%

### Revenue Requirement Build

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Net Income	124	127	129	130	129	127	126	124	121
Taxes	33	34	34	35	34	34	33	33	32
EBT	156	161	163	164	164	161	159	156	154
Interest	70	76	82	88	94	99	103	108	113
EBIT	226	237	245	253	257	260	262	265	267
Depreciation and Amortization	171	177	183	189	194	199	204	208	213
<b>EBITDA</b>	<b>397</b>	<b>414</b>	<b>428</b>	<b>442</b>	<b>452</b>	<b>459</b>	<b>466</b>	<b>473</b>	<b>480</b>
Other Taxes	11	11	12	12	12	13	13	13	14
Property Tax Payment to the City of Jacksonville	40	41	42	42	43	44	45	46	47
O&M	157	161	164	168	172	175	179	183	188
<b>Revenue Requirement</b>	<b>405</b>	<b>427</b>	<b>440</b>	<b>464</b>	<b>471</b>	<b>481</b>	<b>494</b>	<b>509</b>	<b>528</b>

#### Notes:

1. Rate Base deductions inclusive of accumulated deferred income tax, accounts and accrued expenses payable, state utility taxes payable, fees payable to the City of Jacksonville, liability for compensated absences due within one year, other current liabilities and customer deposits
2. Rate Base additions inclusive of net accounts receivable, interest receivable, net inventories, fuel inventory and materials & supplies

# JEA Water Projections (cont'd)

## Financial Projections

### Key Observations

- In the earlier years of the projection period, elevated capex versus D&A leads to an increase in rate base and net income for JEA Water
- However, beginning in 2023 D&A surpasses capex, leading to a decrease in rate base

### Consolidated Financial Projections

Revenue	605	627	648	665	679	691	704	718	723
O&M	(157)	(161)	(164)	(168)	(172)	(175)	(179)	(183)	(188)
Property Tax Payment to the city of Jacksonville	(40)	(41)	(42)	(42)	(43)	(44)	(45)	(46)	(47)
Other Taxes	(11)	(11)	(12)	(12)	(12)	(13)	(13)	(13)	(14)
EBITDA	397	414	429	442	452	459	466	475	480
D&A	(171)	(177)	(183)	(189)	(194)	(199)	(204)	(208)	(213)
EBIT	226	237	245	253	257	260	262	265	267
Interest Expense	(70)	(76)	(82)	(88)	(94)	(99)	(103)	(108)	(113)
EBT	156	161	163	164	164	161	159	156	154
Taxes	(33)	(34)	(34)	(35)	(34)	(34)	(33)	(33)	(32)
Net Income	124	127	129	130	129	127	126	124	121
YoY Growth		2.9%	1.5%	0.6%	(0.4%)	(1.5%)	(1.5%)	(1.6%)	(1.6%)
Rate Base	2,434	2,452	2,471	2,487	2,495	2,481	2,459	2,419	2,363
Capex	246	248	249	246	190	190	180	180	180

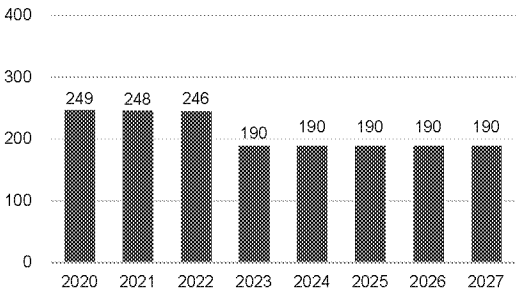


# JEA Water Projections (cont'd)

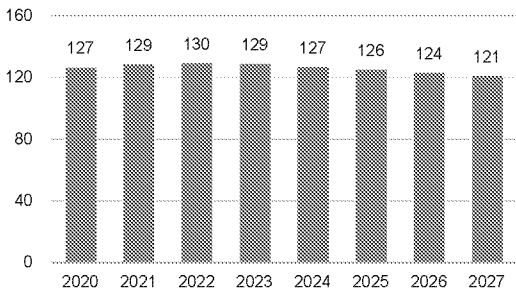
### Key Observations

- Relatively flat capital expenditure projections results in slow decline of net income projections

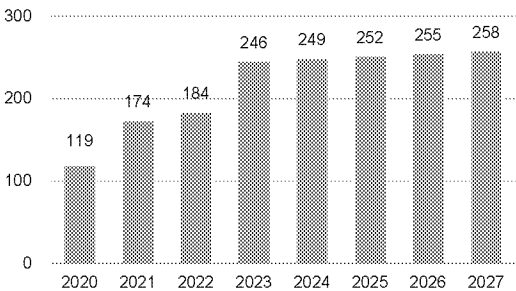
Capital Expenditure Projections (\$MM)



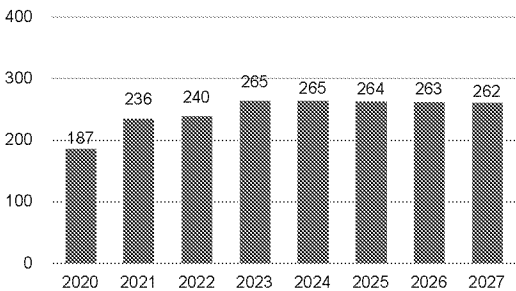
Net Income <sup>(1)</sup> (\$MM)



Unlevered Free Cash Flow (\$MM)



Levered Free Cash Flow (\$MM)



Note:  
1. Does not reflect HoldCo debt

# Comparable Companies – Water

As of June 7, 2019

## Comparable Companies Analysis

Company Name	Price	Market Value	Aggregate Value <sup>(1)</sup>	Price/Earnings <sup>(2)</sup>		Dividend Yield	2019-2022 EPS CAGR
	Current 6/7/2019			2020	2021		
		\$MM	\$MM	x	x	%	%
<b>Water Companies <sup>(3)</sup></b>							
Aqua America, Inc.	40.84	8,811	11,571	26.1	24.6	2.1	5.9 <sup>(4)</sup>
American States Water Company	74.72	2,749	3,187	35.9	33.7	1.5	6.3
California Water Service Group	50.20	2,416	3,311	31.3	28.7	1.6	10.5
SJW Group	61.73	1,755	1,879	27.2	24.8	1.9	12.3
Connecticut Water Service, Inc.	68.11	822	1,146	26.9	24.8	1.9	5.7
<b>Mean</b>		<b>3,311</b>	<b>4,219</b>	<b>29.5</b>	<b>27.3</b>	<b>1.8</b>	<b>8.1</b>
<b>Median</b>		<b>2,416</b>	<b>3,187</b>	<b>27.2</b>	<b>24.8</b>	<b>1.9</b>	<b>6.3</b>



Low End P/E Multiple



High End P/E Multiple

### Notes:

1. Aggregate Value = Market Value + Long-term Debt + Short-term Debt + Leases + Preferred Stock + Minority Interest - Cash
2. Based on I/B/E/S forward earnings estimates
3. Market Capitalization in ~\$1.0Bn to ~\$9.0Bn range
4. Represents 2019-2021 EPS CAGR

# Price / Earnings Multiples Over Time – Water

Historical NTM Price / Earnings Multiples for Peers Since June 7, 2019

Historical NTM Price / Earnings for Peers <sup>(1)</sup>

Since 6/07/2009, (x)



Source: Capital IQ

**Note:**  
1. Based on the following comparable companies: WTR, CWT, AWR, SJW, CTWS

# WACC Analysis: CAPM Method

Illustrative Cost of Capital Analysis for JEA Water | June 7, 2019

\* Cost of equity for discounting based on CAPM using current 10-year U.S. Treasury rate, median peer Barra predicted beta and Morgan Stanley market risk premium of 6%

## JEA Beta Calculation

Peer Median Unlevered Beta <sup>(1)</sup>	0.36
Expected Debt / Cap. Ratio <sup>(2)</sup>	28.9%
Tax Rate	21.0%
Relevered Beta	0.47

## WACC Analysis: CAPM Method

Assumption	Notes	WACC Calculation		
		Base	Low	High
Market Risk Premium (MRP)	Morgan Stanley estimated market risk premium	6.0%	6.0%	6.0%
Risk Free Rate (Rf)	Spot rate 10-year U.S. Treasury as of June 07, 2019	2.1%	2.1%	2.1%
Unlevered Beta	Industry unlevered beta	0.36	0.36	0.36
Relevered Beta	Based on comparable unlevered betas and expected JEA Water capital structure <sup>(2)</sup>	0.47	0.47	0.47
Sensitivity Adjustment	+/- 1.0% from base		(1.0%)	1.0%
<b>Cost of Equity (KE)</b>	<b>Calculated using Capital Asset Pricing Model</b>	<b>4.9%</b>	<b>3.9%</b>	<b>5.9%</b>
Pre-tax Cost of Debt (K <sub>D</sub> )	Blended rate based on current debt outstanding	4.4%	4.4%	4.4%
Tax Rate (t)	Assumed tax rate	21.0%	21.0%	21.0%
<b>Post-Tax Cost of Debt</b>		<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>
Expected Debt / Total Capitalization	Based on expected JEA Water capital structure <sup>(2)</sup>	28.9%	28.9%	28.9%
<b>WACC</b>	<b><math>KE * E/(D+E) + KD * (1-t) * D/(D+E)</math></b>	<b>4.5%</b>	<b>3.9%</b>	<b>5.2%</b>

Source: Company Filings, Capital IQ, Management Projections

### Notes:

- Based on the following comparable companies: WTR, CWT, AWR, SJW, CTWS
- Based on aggregate value of ~\$5.2Bn for JEA Water and OpCo debt of \$1.5Bn as of September 30, 2019

# Preliminary Unlevered Discounted Cash Flow Analysis

JEA Water Segment | 8-Year DCF | Valuation Date of September 30, 2019

## JEA Water Preliminary Discounted Cash Flow Analysis

SMM, unless otherwise noted

P/E Exit Multiple <sup>(1)</sup>

Discount Rate	20.3x			22.3x			24.3x		
	3.8%	4.5%	5.2%	3.8%	4.5%	5.2%	3.8%	4.5%	5.2%
<b>Present Value of:</b>									
Cash Flows	1,448	1,402	1,358	1,448	1,402	1,358	1,448	1,402	1,358
Terminus	3,809	3,606	3,416	3,993	3,781	3,581	4,176	3,955	3,746
<b>Aggregate Value</b>	<b>5,257</b>	<b>5,008</b>	<b>4,774</b>	<b>5,441</b>	<b>5,183</b>	<b>4,939</b>	<b>5,625</b>	<b>5,367</b>	<b>5,104</b>
Net Debt	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
<b>Equity Value</b>	<b>3,757</b>	<b>3,508</b>	<b>3,274</b>	<b>3,941</b>	<b>3,683</b>	<b>3,439</b>	<b>4,125</b>	<b>3,867</b>	<b>3,604</b>
<b>Terminal Value Percentage</b>									
% Value in Terminus	72.4%	72.0%	71.6%	73.4%	72.9%	72.5%	74.3%	73.8%	73.4%
% Value in Cash Flows	27.6%	28.0%	28.4%	26.6%	27.1%	27.5%	25.7%	26.2%	26.6%
<b>Implied Multiples</b>									
2020 Net Income	29.5x	27.6x	25.7x	31.0x	29.0x	27.0x	32.4x	30.3x	28.3x
2021 Net Income	29.1x	27.2x	25.4x	30.5x	28.5x	26.6x	31.9x	29.9x	27.9x
<b>Implied Terminal Growth Rate</b>									
Perpetual Growth Rate	1.5%	2.2%	2.9%	1.6%	2.3%	3.0%	1.7%	2.4%	3.1%

**Note:**

1. Based on 10-Year Average NTM P/E multiple of select comparable companies: WTR, CWT, AWR, SJW, CTWS

# Preliminary Levered Discounted Cash Flow Analysis

JEA Water Segment | 8-Year DCF | Valuation Date of September 30, 2019

## JEA Water Preliminary Discounted Cash Flow Analysis

SMM, unless otherwise noted

P/E Exit Multiple <sup>(1)</sup>

Discount Rate	20.3x			22.3x			24.3x		
	6.0%	7.0%	8.0%	6.0%	7.0%	8.0%	6.0%	7.0%	8.0%
<b>Present Value of:</b>									
Cash Flows	1,521	1,460	1,403	1,521	1,460	1,403	1,521	1,460	1,403
Terminus	1,360	1,262	1,171	1,494	1,386	1,287	1,628	1,510	1,402
<b>Equity Value</b>	<b>2,882</b>	<b>2,722</b>	<b>2,574</b>	<b>3,016</b>	<b>2,846</b>	<b>2,689</b>	<b>3,150</b>	<b>2,971</b>	<b>2,805</b>
Net Debt	1,984	1,984	1,984	1,984	1,984	1,984	1,984	1,984	1,984
<b>Aggregate Value</b>	<b>4,866</b>	<b>4,707</b>	<b>4,559</b>	<b>5,000</b>	<b>4,831</b>	<b>4,674</b>	<b>5,134</b>	<b>4,955</b>	<b>4,789</b>
<b>Terminal Value Percentage</b>									
% Value in Terminus	47.2%	46.4%	45.5%	49.6%	48.7%	47.8%	51.7%	50.8%	50.0%
% Value in Cash Flows	52.8%	53.6%	54.5%	50.4%	51.3%	52.2%	48.3%	49.2%	50.0%
<b>Implied Multiples</b>									
2020 Net Income	26.1x	24.7x	23.3x	27.3x	25.8x	24.4x	28.5x	26.9x	25.4x
2021 Net Income	25.7x	24.2x	22.9x	26.9x	25.4x	24.0x	28.1x	26.5x	25.0x
<b>Implied Terminal Growth Rate</b>									
Perpetual Growth Rate	0.3%	1.3%	2.2%	0.8%	1.8%	2.7%	1.2%	2.2%	3.1%

**Note:**

1. Based on 10-Year Average NTM P/E multiple of select comparable companies: WTR, CWT, AWR, SJW, CTWS

APPENDIX C

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# Supplemental Information

# Florida Regulatory Environment

## Recently Authorized ROEs

### Recently Authorized Electric ROEs in Florida

Date Authorized	Company	Service Type	ROE (%)	Equity / Total Cap. (%)
<b>Electric</b>				
4/2/2019	Duke Energy Florida LLC	Electric	10.50	NA
7/10/2018	Duke Energy Florida LLC	Electric	NA	NA
11/6/2017	Tampa Electric Co.	Electric	10.25	NA
4/4/2017	Gulf Power Co.	Electric	10.25	40.07
11/29/2016	Florida Power & Light Co.	Electric	10.55	43.35
9/15/2014	Florida Public Utilities Co.	Electric	10.25	46.47
12/3/2013	Gulf Power Co.	Electric	10.25	37.96
9/11/2013	Tampa Electric Co.	Electric	10.25	42.00
12/13/2012	Florida Power & Light Co.	Electric	10.50	46.03
2/27/2012	Gulf Power Co.	Electric	10.25	38.50
3/17/2010	Florida Power & Light Co.	Electric	10.00	46.74
3/5/2010	Duke Energy Florida LLC	Electric	10.50	46.74
<b>Average Electric</b>			<b>10.32</b>	<b>43.10</b>

### Recently Authorized Water ROEs in Florida

Date Authorized	Company	Service Type	ROE (%)	Equity / Total Cap. (%)
<b>Water</b>				
9/25/2017	Utilities Inc. of Florida	Water	10.40	41.92
<b>Average Water</b>			<b>10.40</b>	<b>41.92</b>

Source: RRA



# Morgan Stanley's Acquisition Finance Expertise

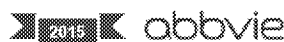
Morgan Stanley is the Leader in Investment Grade Acquisition Financing

*Morgan Stanley has a truly integrated acquisition financing platform with a seamless approach to M&A, committed financing, ratings advisory and debt and equity capital markets*

Morgan Stanley: 2017 IFR Americas Loan House of the Year  
Morgan Stanley Structured IFR's US Loan of the Year 4 of the Past 6 Years



**\$11.3Bn Bridge / Backstop**  
Acquisition of Lightower  
Lead Left Arranger



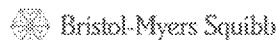
**\$18.0Bn Bridge**  
Acquisition of Pharmacyclis  
Lead Left Arranger



**\$9.2Bn Bridge / TL / RCF**  
Acquisition of Hillshire Brands  
Lead Left Arranger



**\$63.0Bn Bridge / RCF**  
Acquisition of Verizon Wireless  
Global Coordinator



**\$36.5Bn Bridge / TL / RCF**  
Acquisition of Celgene  
Lead Left Arranger  
January 2019



**\$6.45Bn Bridge / TL / RCF**  
Acquisition of Frutarom  
Sole Arranger  
May 2018



**\$38.0Bn Bridge / TL / RCF**  
Acquisition of Sprint  
Joint Lead Arranger  
April 2018



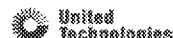
**\$5.0Bn Bridge**  
Acquisition of Vectren  
Joint Lead Arranger  
April 2018



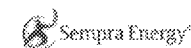
**\$30.0Bn Bridge / TL / RCF**  
Acquisition of Express Scripts  
Lead Left Arranger  
March 2018



**\$100.0Bn Bridge / TL / RCF**  
Acquisition of Qualcomm  
Joint Lead Arranger  
January 2018



**\$6.5Bn Bridge**  
Acquisition of Rockwell Collins  
Lead Left Arranger  
September 2017







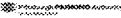
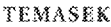






**\$7.12Bn Bridge / TL / RCF**  
Acquisition of Energy Future Holdings  
Joint Lead Arranger  
August 2017

# Morgan Stanley – Privatization Credentials

## Select Privatizations of Infrastructure Assets

\* In addition to Morgan Stanley's U.S. based team of privatization experts, the Firm can draw upon its global privatization expertise to deliver state of the art execution capabilities

Client		Role	Date	Comments
HM British Government		Government Advisor	Ongoing	Financial advisor to the British Government on potential IPO of Ureco
Victoria State Government	Port of Melbourne	Government Advisor	Ongoing	Joint financial advisor on the scoping study and potential privatisation of Port of Melbourne
Greek Government	Greek Port Portfolio	Sellside Advisor	Ongoing	Ongoing privatization of Thessaloniki Ports (sale of Piraeus Port completed in April 2016)
Dong Energy		Joint Global Coordinator & Joint Bookrunner	2016	Joint Global Coordinator and Joint Bookrunner on IPO of Dong Energy
Bidding Consortium		Buyside Advisor	2015	Advised CPP/Borealis and Australia Super on the potential acquisition of Transgrid
New South Wales Government	Port of Newcastle	Government Advisor	2014	Sole financial advisor to NSW on the scoping study, restructuring and privatization of Port of Newcastle
Transurban		Buyside Advisor	2014	Joint financial advisor to Transurban and consortium partners on the acquisition of Queensland Motorways for A\$7.1Bn
New South Wales Government	Ports Botany & Kembla	Government Advisor	2013	Sole financial advisor on the scoping study and subsequent privatization of Port Botany and Port Kembla
EnergyAustralia		Buyside Advisor	2013	Sole financial advisor to EnergyAustralia on its acquisition of the Delta West power stations from the New South Wales Government
Ohio State University (OSU)	Parking Assets	Sellside Advisor	2012	Sole financial advisor to OSU for the privatization of its parking assets by QIC for US\$483MM
German Government		Buyside Advisor	Ongoing 2001	Strategic advisory on restructuring, capital structure and international operations Strategic advisor to the German Government on the Deutsche Bahn privatization
Nassau County	Wastewater System	Sellside Advisor	2011	Sole advisor to Nassau County (NY) on the privatization of its Wastewater System
City of Pittsburgh		Buyside Advisor	2010	Financial advisor on privatization of Pittsburgh Parking System to JPM / LAZ for US\$452MM
Temasek		Sellside Advisor	2008	Sellside advisor on Temasek's privatization of ~\$8.3Bn of generation assets (three separate transactions)
Transport for London		Government Advisor	2006	Strategic advisor on the refinancing of the London Underground
MSIP		Buyside Advisor	2006	Sole advisor to Morgan Stanley Infrastructure Partners on acquisition of Millennium Garages from the City of Chicago for \$563MM
PSA		Buyside Advisor	2006 1999-2003	Sole financial advisor to PSA on its acquisition of stake in HPH (2006) Strategic advice on privatization options, capital restructuring and credit rating advisory
NSW Government	State Forests	Government Advisor	2003-2004	Financial advisor on scoping study on the potential private sector participation in State Forests' plantation business
Government of South Australia		Government Advisor	2000	Financial advisor to the South Australian Government on the privatization of ETSA Power/Utilities and Electranet

# Case Study: Walton EMC PPA & Solar Transactions

Stanton  
Springs  
**Data Center Location**

1.3 TWh/yr  
**of Power Required**

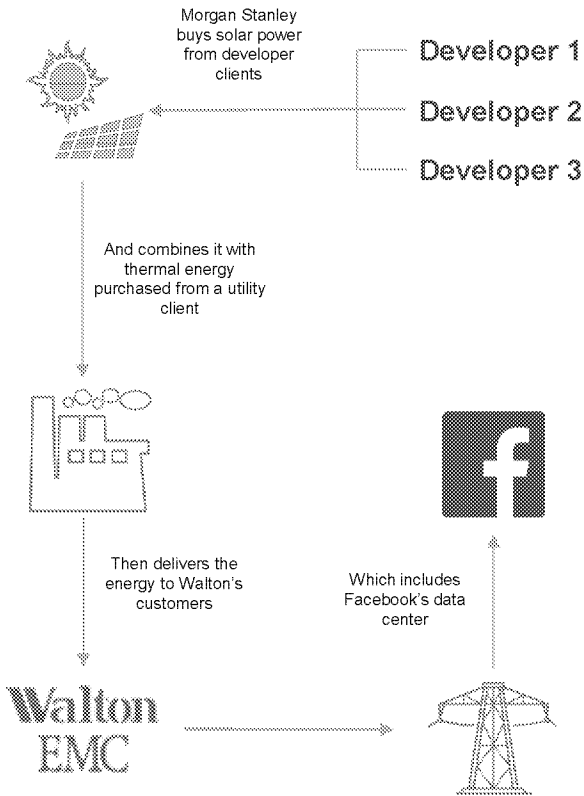
15+ Years  
**Deal Tenor**

## Project Overview

- Facebook is building a new data center in Walton's service territory
- Facebook has a corporate mandate to purchase renewable energy to offset its own energy needs
- Walton offered a fixed price commodity solution to Facebook's data center only because of Walton's longstanding relationship with Morgan Stanley
- Morgan Stanley amended its PPA with Walton to accommodate Walton's large new load supply obligation
- Walton will enter into various Solar PPAs at the behest of Facebook's data center
- The price of these Solar PPAs will set the price at which Facebook's data center pays for energy

## Notable Features

- One of the largest single loads served by any electric cooperative in the United States



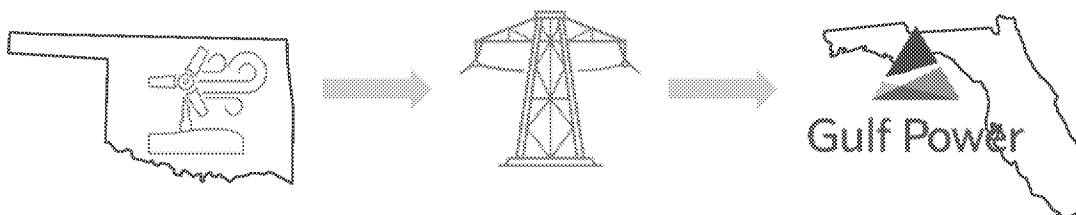
## Case Study: Kingfisher Wind / Gulf Power

- As a direct result of having a purchase contract structured & facilitated by Morgan Stanley, on January 21, 2015, Kingfisher Wind, LLC successfully closed project financing to construct the Kingfisher Wind Project, which First Reserve acquired from Apex Clean Energy as part of the transaction
- Morgan Stanley provided delivery of energy & renewable attributes from the wind project in Oklahoma to Gulf Power, along with Georgia Power, a Southern Company subsidiary
- Morgan Stanley provided construction financing for the Project, providing a bridge to take-out commitments from back leverage & tax equity investors

### Project Overview

- The Kingfisher Wind Project (the "Project") is a 298 MW wind power generation project located in the Kingfisher & Canadian Counties of Oklahoma
- The Project employs 149 Vestas V-100 2.0 MW wind turbine generators
- Blattner Energy was the BOP/EPC for the Project
- The Project connects into the SPP market via the 11.9 mile Kingfisher Transmission Line that taps into Oklahoma Gas & Electric's Cimarron substation

### Geographic Overview



### Transaction Highlights

- Morgan Stanley financially hedged the energy output of the Project and purchased the environmental attributes associated with the Project to pass through to Gulf Power
- Morgan Stanley executed a 20-year energy purchase agreement with Gulf Power to supply power & renewable energy credits associated with the Project
- Transaction cited by Platts Global Energy as the 2015 Financial Deal of the Year
- The renewable delivery structure received broad support and acclaim from the Florida Public State Commission, environmental groups, and the local purchasing utility

# Potential Utility EV Strategies

Strategy	1	2	3	4	5
	"Build-Own-Operate"	"Partner"	"Financial Investor"	"Technology Owner"	"Tertiary Services"
Rationale	<ul style="list-style-type: none"><li>Utilities can choose to pursue a "build-own-operate" strategy to build out an EV charging network in their service territories (on a regulated basis) or in broader markets (on a competitive basis)</li><li>Under this strategy, utilities would be customers of key vendors of EV charging equipment and software</li></ul>	<ul style="list-style-type: none"><li>Utilities can choose to partner with an industrial, technology or service provider to pursue a "build-own-operate" strategy to build out an EV charging network (on a competitive basis)</li><li>Under this strategy, utilities would be a JV / equity partner with other strategics or financials also interested in building / owning a charging network</li></ul>	<ul style="list-style-type: none"><li>Utilities can choose to make minority investments in EV charging technology and infrastructure companies</li><li>Early investment can help accelerate / profit from buildout and could lead to an eventual acquisition</li></ul>	<ul style="list-style-type: none"><li>Utilities can choose to acquire EV charging technology and infrastructure companies</li><li>Strategy being pursued by multiple European utilities to participate in the EV rollout (Engie, Enel)</li></ul>	<ul style="list-style-type: none"><li>Ability to participate in a new range of tertiary services, such as battery recycling to enable demand response and grid stabilization, which could become more viable as EV adoption takes shape</li></ul>
Potential Partners					

# Utility-Scale Solar Generation Ownership

## U.S. Utility-Scale Solar

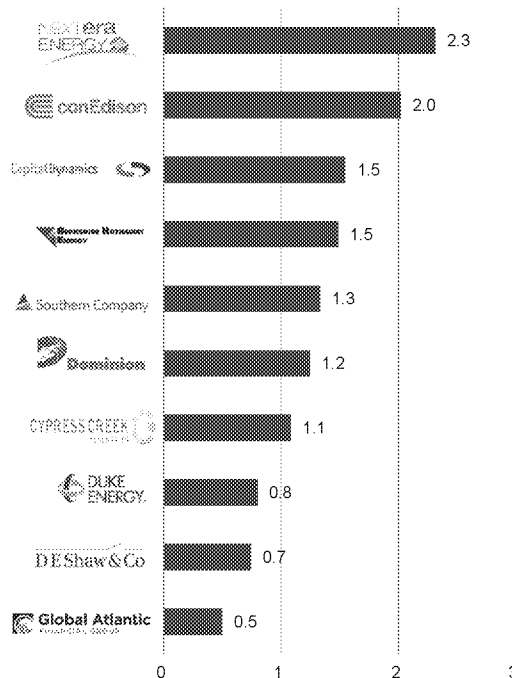
- Utilities and project developers continue to own the bulk of solar generation in the U.S.

... Low cost of capital buyers have aggressively bid down the returns of utility scale, contracted solar

... Utilities have seen minimal opportunities to rate base development, but unregulated subsidiaries enjoy cheap access to financing to acquire projects and pipelines

- Continued consolidation of solar assets by financial players
- A number of Big Oil players have also backed solar platforms

Top Owners of U.S. Operating Solar Assets <sup>(1)</sup>  
Owned Capacity as of Q4 2018 (GW)



Sources: SNL, Investor Presentations, Company Filings

Note:

1. Includes solar asset holdings of all subsidiaries that flow up through parent

Select Recent U.S. Solar Transactions

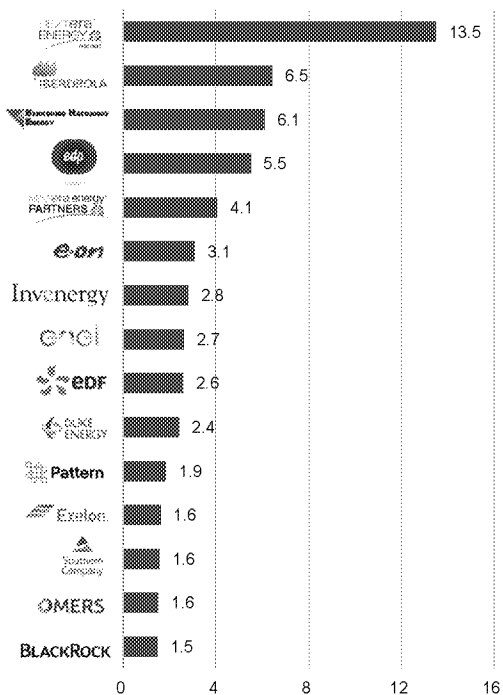
Ann. Date	Acquirer	Target
January 2019	John Hancock	PINEGATE RENEWABLES Equity interest
November 2018 / January 2019	Ullico / STEPSTONE	S POWER 24% & 24 % stakes in OpCo
September 2018	GLOBAL ATLANTIC FINANCIAL GROUP	Origis Energy Minority stake
September 2018	ConEdison	Sempra Renewables Solar
June 2018	Asset Management	SJI Solar Assets
May 2018	GLOBAL ATLANTIC FINANCIAL GROUP	Southern Company 33% interest in Solar Portfolio
February 2018	CapitalDynamics	8point3
January 2018	Shell	BUCCLEIGH 44% interest
December 2017	bp	Lightsources 43% interest
February 2017	AES / IMCO	S POWER

# Utility-Scale Wind Generation Ownership

## U.S. Utility-Scale Wind

- U.S. and European strategies continue to hold the largest operating wind portfolios
- Ownership is fragmented across companies

Top Owners of U.S. Operating Wind Assets <sup>(1)</sup>  
Owned Capacity as Q4 2018 (GW)



Sources: SNL, Investor Presentation, Company Website

Note:  
1. Includes wind asset holdings of all subsidiaries that flow up through parent

Select Recent U.S. Wind Transactions

Ann. Date	Acquirer	Target
February 2019	EVERSOURCE	Orsted Off-shore Wind JV
February 2019	AMERICAN ELECTRIC POWER	Sempra Energy Wind Portfolio
November 2018	SKYLINE RENEWABLES	New Jersey Renewable Wind Portfolio
October 2018	Orsted	DEEPWATER WIND
August 2018	Orsted	LCE
March 2018	OMERS	JEERWARD
February 2018	GLOBAL INFRASTRUCTURE PARTNERS	NRG YIELD 46% interest
February 2018	ENGIE	INFINITY RENEWABLES
October 2017 / April 2018	ALCONQUIN Power & Utilities Corp.	Atlantica Yield

# Southern Company: Bloom Energy's Strategic Partnership

50 MW of On-Site Fuel Cell Power Generating Systems – Oct 25, 2016

- On October 25, 2016, Bloom Energy announced a strategic partnership with The Southern Company for a portfolio of 50 MW of Bloom's on-site fuel cell power generating systems, or the Bloom Energy Servers

## Transaction enables:

- Optimized use of power to drive cost predictability and strategic savings
- Delivering the quality and exact type of power required by each part of their business
- Dial-in reliability
- Providing resiliency needed to ensure that the risk of operational disruption due to external events such as weather or other natural disasters is minimized
- Preferred level of performance on sustainability attributes

## Company Overview

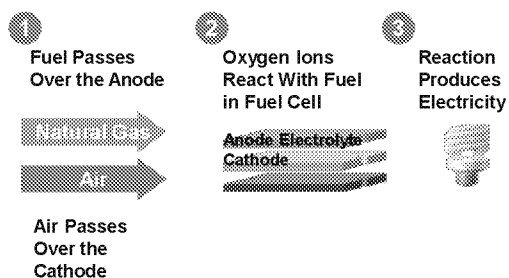
- On October 25, 2016, Bloom Energy ("BE", or "Bloom") announced a strategic alliance with The Southern Company (NYSE: SO) and its subsidiary PowerSecure
- Transaction will include project investment and joint-technology development to provide behind-the-meter energy solutions
- PowerSecure will acquire an estimated 50 MW of the Bloom Energy Servers under long-term power purchase agreements ("PPAs") with high-quality commercial and industrial customers
- By bringing together the scale and utility sector leadership of The Southern Company, its industry-leading suite of PowerSecure distributed infrastructure assets, and the Silicon Valley-style innovation and distributed generation leadership of Bloom Energy, the alliance will provide an integrated, comprehensive energy solution

## About Bloom Energy

- Founded in 2001 in Sunnyvale, CA, Bloom Energy is a leading distributed power generation and technology company offering transformative on-site power generation capabilities utilizing a proprietary fuel cell technology with roots in NASA's Mars program
- By generating power on-site, where it is consumed, Bloom Energy offers increased electrical reliability and improved energy security
- Bloom's Energy Servers provide clean, reliable and affordable power at practically any location and are capable of utilizing a wide range of renewable and traditional fuels
- Currently Bloom's customers include a wide range of electric utilities as well some of the world's largest Fortune 500 companies

## Technology Overview

Solid Oxide Fuel Cell ("SOFC") Design



## Current Customers





# AEP Investment: ChargePoint's Private Placement

Largest Fundraise in Company History as Electric Mobility Revolution Accelerates

- On November 28, 2018, ChargePoint announced it completed a \$240MM Series H Funding, its largest to date, led by Quantum Energy Partners
- Morgan Stanley served as the sole private placement agent for ChargePoint
- This transaction further solidifies Morgan Stanley's position as a partner of innovative, disruptive growth companies in the industrial technology sector and the firm's leading clean tech and automotive technology franchises

### Transaction Highlights

- Series H investors reflect a diverse set of participants – from early market to institutional investors across the energy, financial, venture capital, oil and gas, utility, manufacturing, technology and automotive sectors
- Funding round comes during the Company's most aggressive growth period in its history, powered by a broad solution portfolio accelerating the mass adoption of electric mobility for drivers and businesses
- Proceeds will be used in part to further expand ChargePoint's network, continue to build footprint in Europe and North America, improve the experience for EV drivers, and expand solutions for fleets as the market quickly approaches mass adoption of electrified transportation
- Jeffrey Harris (Venture Partner at Quantum Energy Partners) will join the ChargePoint Board of Directors

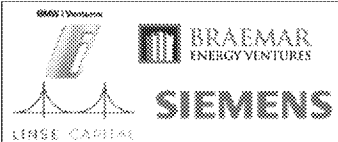
### Company Overview

- ChargePoint is the only company operating globally in every existing and emerging segment of EV charging
- Global leader in EV charging infrastructure
  - Designs, manufactures and sells commercial and home charging stations
  - Provides advanced cloud services to optimize EV charging
- Powerful network effect in North America with 70%+ share of networked charger market (53% of all EV drivers in North America have a ChargePoint account)
- Proven ability to scale across market verticals and geographies – well-positioned for rapid growth as EV adoption reaches critical inflection point
- ChargePoint has raised \$500MM+ to enable the most comprehensive smart EV charging network around the world

### New Investors



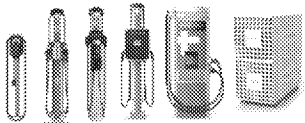
### Participating Existing Investors



### ChargePoint: Complete Solution Set Across the EV Charging Landscape

#### Hardware

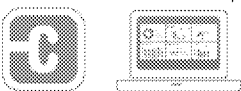
- Unparalleled design and engineering: safe and reliable charging stations available anywhere charging is needed
- Future proof: automatic, over-the-air software updates
- Built-to-last: rugged design to withstand the elements



Source: Company Materials

#### Cloud Services

- For businesses:
  - Adaptable Cloud Services plans to optimize charging station management for every industry
  - Cloud Services enable: dynamic pricing, advanced access control, energy management solutions, data analytics capabilities, waitlist notifications, etc.
- For drivers: Feature-rich mobile app



#### Support Services

- The only network providing free 24/7 driver support with strong CSAT
- For commercial customers:
  - Experienced support for installation and activation
  - Proactive station monitoring and on-site maintenance



# Enel: Acquisition of EnerNOC

- On June 22, 2017, EnerNOC announced its sale to Enel for \$7.67 per share
- Morgan Stanley served as lead financial advisor to EnerNOC on this transaction
- This transaction highlights Morgan Stanley's continued role as the market leader in Technology and Renewable Energy M&A, given our long history and deep relationships across the Technology and Power & Utilities sectors globally

## Transaction Summary

	Offer
Consideration	100% Cash
<b>Price</b>	\$7.67
Equity Value	\$250
Aggregate Value	\$303
<b>Premium</b>	
% Premium to Closing Price	42.0%
% Premium to 30-DayVWAP	38.2%
<b>AV / Revenue</b>	
CY2018E	0.9x
Expected Closing	July 2017

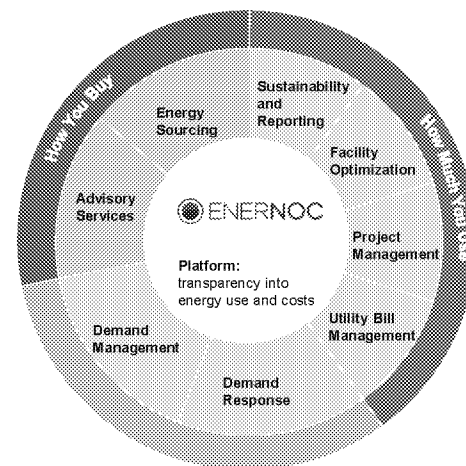
## EnerNOC Overview

Headquarters: Boston, MA

- EnerNOC provides energy intelligence software (EIS), and demand solutions to commercial, institutional, and industrial end-users of energy
- EnerNOC's platform offers several solutions to enterprise and utility customers, including:
  - Demand Response solutions for utility customers and electric power grid operators globally
  - Energy Procurement Solutions to more effectively manage energy supplier selection and energy procurement
  - Software-as-a-Service energy intelligence platform
- As of December 31, 2016, ~83% of EnerNOC's revenue was generated by their demand response segment and the remaining ~17% was generated by their software segment
- The company was founded in 2001

## Transaction Overview and Deal Rationale

- Enel (BIT: Enel) is an Italian multinational power company and an integrated operator in the electricity and gas sectors
- Creates a platform that will be key part of Enel's new E-Solutions business line
- Enables Enel to gain exposure to EnerNOC's market leading demand response capabilities and high growth software platform
- Enables Enel to increase presence in North America and accelerate EnerNOC's expansion of offerings internationally
- Substantial revenue synergies through cross-selling opportunities across broad sales channel



# Lessons Learned from Previous Privatization Efforts

## Summary Overview

- ◊ To close a transaction, JEA and any potential buyer(s) will need to garner support from the numerous constituencies with interests in JEA:

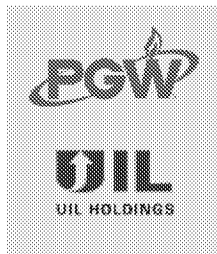
... City Council, customers, the citizens of Jacksonville and state regulators

- ◊ Morgan Stanley has been involved in three of the most relevant municipal utility privatizations in North America

... Financing Provider to UIL Holdings

... Strategic Advisor to Enmax Corp.

... Buyside Advisor to the Southern Nevada Water Authority



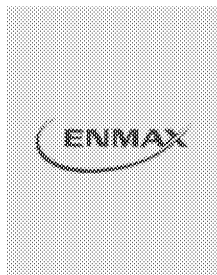
**Description:** On March 3, 2014, UIL Holdings Corporation announced a definitive agreement to acquire Philadelphia Gas Works ("PGW"), the nation's largest municipally owned natural gas utility, for \$1.86Bn in cash

**Reasons for Failed Execution:**

- ◊ Inability of Mayor to solicit a Philadelphia City Council member to introduce bill to privatize PGW, due in part to a fractured relationship with City Council
- ◊ City Council stated the financial and public policy risks associated with the sale proposal outweighed the stated benefits

**Takeaways for JEA:**

- ◊ Supportive municipal government working in concert throughout the sale process is paramount
- ◊ Philadelphia community was wary of UIL as an unfamiliar outsider, with City Council expressing the belief that the transaction could subject residents to more frequent rate hikes and endanger relief programs



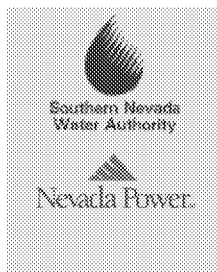
**Description:** In July 2001, Calgary City Council voted to entertain offers to sell all or part of its electric utility, Enmax Corp., and received nonbinding bids in September 2001 for up to \$2Bn. In October 2001, plans of a sale were put on hold upon the election of a new mayor who campaigned against the sale

**Reasons for Failed Execution:**

- ◊ Deregulation of Alberta in January 2001 caused confusion among customers as to who to blame for abnormally high natural gas bills that resulted from an increase in spot gas prices. Consumers by default became fearful of increases in energy costs with no ability to lobby the City for lower prices
- ◊ The City greatly underestimated the level of opposition to potential privatization and mistimed introducing the idea to sell Enmax

**Takeaways for JEA:**

- ◊ Proper timing of introduction and consummation of the process is imperative
- ◊ Proper messaging is necessary to clearly articulate plans for privatization well in advance of any action



**Description:** In August 2002, South Nevada Water Authority ("SNWA"), a cooperative, not-for-profit water utility, submitted an unsolicited offer to purchase Nevada Power ("NP") for ~\$3.2Bn; however, NP's parent Sierra Pacific Resources rebuked continual approaches even while on the brink of bankruptcy, and instead eventually received a stay of judgement from the Bankruptcy Court in a highly public process

**Reasons for Failed Execution:**

- ◊ NP voiced concerns over leverage used to finance the acquisition, the revenue disparity between the two firms (\$70MM for SNWA vs. \$1.5Bn for NP) and ability of SNWA to manage the utility
- ◊ The collapse of Enron in December 2001 caused credit agencies to downgrade NP's debt and eventually put NP on the brink of bankruptcy







**Takeaways for JEA:**

- ◊ Managing a highly public M&A process requires a sound and unified public relations strategy

# Precedent Privatization of Scale

## Philadelphia Gas Works *Then* Vs. Jacksonville Electric Authority *Now*

- Given the lack of precedent privatizations of government owned utilities of scale, we expect many potential buyers to focus on the Philadelphia Gas Works sale process for reference
- We believe that the political landscape in Jacksonville in 2019 is very different than that of Philadelphia in 2014
  - Strong Mayoral leadership
  - Supportive City Council
  - Constructive regulatory environment
- Educating potential buyers on what makes the JEA process different from PGW is critical

Entity	What Happened in 2014?	Why is Jacksonville Different?
 <b>Philadelphia Mayor</b> <i>Michael Nutter</i> <i>Democrat</i>	<ul style="list-style-type: none"> <li>Mayor Nutter, despite having served on City Council prior to his election, did not have a particularly positive relationship with the Council; as a result, the Council did not provide support for many of his priorities</li> <li>UIL's attempted acquisition of PGW was terminated due to then-Mayor Nutter's inability to solicit a single Council member to introduce his bill to privatize PGW</li> </ul>	<ul style="list-style-type: none"> <li>Mayor Curry has a constructive relationship with City Council as indicated by his ability to usher a comprehensive pension reform bill to Council, which it unanimously approved on April 24, 2017</li> <li>Lenny Curry was re-elected to a second term as Mayor of Jacksonville in the 2019 election, earning 58% of the vote compared to Anna Brosche's 24%, his major competitor</li> </ul>
 <b>Jacksonville Mayor</b> <i>Lenny Curry</i> <i>Republican</i>		
 <b>Philadelphia City Council</b> <i>Democrat - 14</i> <i>Republican - 3</i>	<ul style="list-style-type: none"> <li>After months of inaction following the announcement of an agreement, Council rejected UIL Holdings' bid on October 23, 2014</li> <li>Council stated that the financial and public policy risks associated with the sale proposal outweighed the stated benefits citing a Concentric Energy Advisors report that estimated a lower monetary benefit to the City than the Mayor's office projection</li> </ul>	<ul style="list-style-type: none"> <li>The current Republican controlled Council has indicated an interest in exploring a potential sale of JEA</li> <li>Current Finance Committee chair, Greg Anderson has been a proponent of reaching a consensus on a path forward as soon as practicable to avoid weakening JEA and its employees</li> </ul>
 <b>Jacksonville City Council</b> <i>Democrat - 6</i> <i>Republican - 13</i>		
 <b>Pennsylvania Regulators</b>	<ul style="list-style-type: none"> <li>The Pennsylvania Public Utility Commission ("PA PUC") holds all rate regulation authority for PGW pursuant to the Gas Choice Act</li> <li>The PA PUC consists of 5 commissioners serving 5-year terms; Commissioner selection is achieved via gubernatorial appointment and senate confirmation</li> <li>In 2014, RRA viewed the regulatory climate in PA as slightly more restrictive than average from an investor perspective</li> </ul>	<ul style="list-style-type: none"> <li>The Florida Public Service Commission serves as the rate regulator for electric and water utilities in the State of Florida including five investor-owned electric companies and 149 investor-owned water and / or wastewater utilities</li> <li>The Commission consists of five members, each appointed by the Governor and confirmed by the Florida Senate</li> <li>Today, RRA views Florida regulation as quite constructive from an investor perspective</li> <li>Have recently overseen a favorable regulatory environment</li> </ul>
 <b>Florida Regulators</b>		

Sources: SNL Financial, RRA, PA PUC Website, Jax Daily Record, FloridaPolitics.com

# Process Deliverables

## 1 Needed Prior to Process Launch

Define Transaction Structure

Project J Strategy Formation and Implementation

Financial Model (Prepare In Tandem with Regulatory Consultant) / "Horizontal" Expenses

Regulatory Consultant to Opine on Proposed Rate Structure

Phase I Environmental Report

Marketing Materials

NDAs and RFQ Agreements

## 2 Needed Prior to Receipt of Phase I Bids / Launch of Phase II

Market Power Review of Potential Bidders

Data Room Preparation (Legal Contracts, PPAs, Employment Agreements, Environmental)

Shared Service Agreements

Staple Bridge Process

## 3 Needed Prior to Transaction Close

Audited Historical Financials for JEA Water and JEA Electric

Real Estate Titles

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