

November 26, 2019

**REDACTED COPY**

JEA Procurement Bid Office  
21 West Church Street  
Customer Center 1st Floor, Room 202  
Jacksonville, FL 32202

Re: Invitation to Negotiate #127-19 for Strategic Alternatives Revised Reply (Revised Reply)

American Water Works Company, Inc. (American Water) is pleased to submit the attached Revised Reply in response to JEA's Invitation to Negotiate #127-19 for Strategic Alternatives (ITN). American Water proposes to acquire JEA's water and wastewater systems<sup>1</sup> (Proposed Transaction) and partner with existing management and community leaders to achieve JEA's vision of the future.

[REDACTED]

This proposal charts a path to an exceptional future for JEA and the people of greater Jacksonville, who will benefit not just from the stability and operational excellence that American Water offers, but also industry-leading water and wastewater research, development and deployment of water technology and water quality expertise. We believe it distinguishes us as the most highly qualified, long-term strategic partner for JEA, the City of Jacksonville and all of Northeast Florida.

We are confident that American Water will bring the most comprehensive and compelling water and wastewater experience and capabilities to Jacksonville. American Water's successful track record in closing municipal deals will ensure that choosing American Water will have very low execution risk. As part of this process, American Water looks to collaborate closely with other partners who are leaders in electric, district cooling and fiber communications systems, each of whom will be similarly focused on the long-term best interests of JEA and Jacksonville residents. American Water's willingness to be flexible and nimble throughout this process will also bring tremendous value to JEA and the Jacksonville community. While this Revised Reply submission is focused on all of the water-related systems, our highest priority is to collaborate with JEA and Jacksonville in the way that best serves the community overall. As such, American Water would be pleased to enter into discussions with any electric entities chosen through the ITN process in order to develop the optimal approach to jointly deliver on JEA's and Jacksonville's vision for the future.

As this proposal will describe in detail, American Water will use our experience in diverse markets to provide safe, affordable and environmentally sustainable water services to the Jacksonville community. Since 2014 alone, American Water has successfully completed more than 100 acquisitions of water and sewer systems and other strategic assets across the U.S., of which the majority were municipal utilities and some of which required referendums. Given this experience, we are uniquely positioned to understand not only successful municipal transactions, but also how each city and county is highly unique and requires a tailored and community-specific approach. We not only focus on the financials and providing substantial added value to residents and businesses, but also pay close attention to the unique community and customer needs.

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<sup>1</sup> Unless the context otherwise requires, references to "we", "us", "our", the "Company" and "American Water" mean American Water Works Company, Inc. and its subsidiaries. In addition, for purposes of this Revised Reply, the term "water and wastewater systems" is defined to include all of JEA's water-related infrastructure systems, including reuse and irrigation. Unless otherwise defined in the Revised Reply, capitalized terms used in this document shall carry the meanings assigned to them in JEA's Process Letter dated October 29, 2019.

# AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

Additional highlights of our commitment to JEA and the Jacksonville market include:

- **Commitment to People:** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]. American Water has a strong culture of volunteerism and community support that will contribute to Jacksonville and surrounding areas. In addition, American Water is proud to have lasting union relationships in multiple states, with nearly 50% of our total workforce being represented by 14 unions, three of which are represented in JEA operations today. Our employees in those unions would speak to the positive culture that our company provides.
- **Delivering Value to Customers:** For a minimum of three years, American Water will maintain current forecasted base rates for water, wastewater and irrigation customers. [REDACTED]  
[REDACTED]. And finally, our Proposed Transaction is structured to assume that proceeds will be used to fund a one-time \$350 credit for each water, wastewater and irrigation customer account, contributing to the \$400 million customer value requirement. We know that all water is local, and decision-making for our customers throughout American Water is made by our state president and leadership team who are in tune with their customers and communities.
- **Innovation:** American Water currently delivers state-of-the-art artificial intelligence and machine learning-based operational and customer service applications. In fact, we are developing our own in-house water technology apps through consultation with our front-line employees who understand our customers' needs. Our proprietary water research and development (R&D) program, comprised of 15 scientists, regularly collaborates with the U.S. Environmental Protection Agency (EPA), the Centers for Disease Control and Prevention (CDC) and numerous national and international water research foundations. [REDACTED]  
[REDACTED]
- **Military Expertise:** American Water has been chosen through a Department of Defense (DoD) competitive privatization process to provide water and wastewater services to 16 military installations across the U.S. Our "best value" bids, which include the assurance of water quality on bases from coast to coast, include winning the only two bases the DoD awarded in 2019—Joint Base San Antonio and the West Point Military Academy. We are regularly awarded top scores for our service on these bases.

Wherever given the opportunity to establish operations, American Water becomes fully engaged in our community. We truly understand that at the end of our water pipe, there is a family trusting that the water they give their children is safe. That at every fire hydrant, lives could depend on its full functionality. And that every wastewater plant is a potential shield between our customers and disease.

We believe the information provided in this Revised Reply makes a compelling case for American Water as the best choice to partner with the people of Jacksonville for their future water and wastewater services.

Sincerely,



Susan N. Story  
President and Chief Executive Officer  
Authorized Officer of American Water Works Company, Inc.

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[REDACTED]

[REDACTED]

## Executive Summary

### Place the Future of Jacksonville Water & Wastewater in Trusted Hands

American Water Works Company, Inc. (American Water) is pleased to submit its Revised Reply (Revised Reply) in response to the JEA Invitation to Negotiate #127-19 for Strategic Alternatives (ITN). American Water proposes to acquire JEA's water and wastewater systems (Proposed Transaction) and partner with existing management, employees and community leaders to achieve JEA's vision of the future.

While our Revised Reply is focused on JEA's water and wastewater systems, our highest priority is to collaborate with JEA and Jacksonville in the way that best serves the community overall. As such, American Water would be pleased to enter into discussions with any electric entities chosen through the ITN process in order to develop the optimal approach to jointly deliver on JEA's and Jacksonville's vision for the future.

These replies chart a path to an exceptional future for JEA and especially the people of greater Jacksonville, who will benefit from not just the stability and operational excellence that American Water offers, but also industry-leading water and wastewater research, development and deployment of water technology and water quality expertise. We believe this distinguishes us as the most highly qualified, long-term strategic partner for JEA, the City of Jacksonville and all of Northeast Florida.

We are confident that American Water will bring the most comprehensive and compelling water and wastewater experience and capabilities to Jacksonville. American Water offers the City of Jacksonville, JEA employees and its customers unique qualities that cannot be found with other partners. These include:

- **Sole Focus on U.S. Water and Wastewater:** We pride ourselves on being solely focused on water and wastewater systems. We have substantial experience operating every type of wastewater treatment and recycling technology that JEA currently uses. In fact, over 80% of our 130 wastewater systems employ one or more of the technologies that JEA uses. We also operate over 51,000 miles of water pipes, enough to circle the Earth at least two times.
- **Positive Working Union Relationships:** [REDACTED]  
[REDACTED]  
[REDACTED]. We are proud of our history of positive working union partnerships, with nearly 50% of our total workforce represented by 14 unions, three of which are included in JEA's current operations. American Water acquires an average of 15 municipal and private utility systems every year, and we have successfully transitioned large numbers of union employees across multiple acquisitions. We believe this experience distinguishes us as a leader among our peers.
- **Trusted Partner of the U.S. Military:** Jacksonville boasts a rich history and connection with American military families through Naval Station Mayport, Naval Air Station Jacksonville, Kings Bay Naval Base, Camp Blanding Joint Training Center, Naval Aviation Depot Jacksonville and Marine Corps Blount Island Command. Military veterans make up nearly 10% of the Jacksonville population, and the City of Jacksonville estimates that 100,000 residents are directly or indirectly employed through the U.S. military presence. American Water's military services expertise is trusted by the U.S. government to provide water and wastewater services on 16 military installations under long-term (50-year) contracts. Each of these contracts was awarded through a competitive bid process to the party that offered the best overall value to the military base. We regularly earn top scores in base satisfaction across our footprint. In addition, we are a top-ranked employer of former service members, a distinction recently recognized by the 2020 Military Friendly Gold Employer designation by VIQTY, as well as earning the "Military Spouse Friendly Employer" honor and a "Top 100 Best for Vets" Employer by Military Times magazine.



## AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

- **Large Scope and Operating Scale:** As the nation's largest water and wastewater services utility, we are the only provider with the direct ownership and operating experience to serve large populations like the one served by JEA. We buy more pipe, pumps and valves than any other water utility in the nation, giving us the greatest purchasing power in the industry. We also make significant strategic investments to continue to improve our systems, with more than \$8.5 billion planned investment over the next five years in our existing footprint.
- **Aligned Interests as a Permanent and Fully Embedded Member of Our Communities:** Unlike concessionaires and operations and maintenance (O&M) service providers who don't directly own water assets or make their own capital investments in the systems, our long-term interests are directly aligned with the communities we serve when we accept ownership of the long-lived assets. Our operational excellence strategy helps us to find better and more efficient ways to do business and to provide safe, clean, reliable and affordable water services for our customers. As the largest water and wastewater utility in the U.S., we assume the responsibility to go well beyond minimum requirements and be an industry leader in operational and environmental excellence.
- **Uncompromising Safety Culture:** We believe that no one should ever suffer an injury at work and that every person should return home to his or her family in the same or better shape than when they came to work. Safety is the number one priority for us, and every single employee has full "stop work" authority to stop any unsafe job—and use of stop work authority is not only tolerated, it is celebrated. Every employee is given the best personal protective equipment he or she needs or wants. During 2018, we had fewer injuries than in any other year recorded in our company's history, and we have reduced injuries by 64% in the past five years. [REDACTED]  
[REDACTED]. Our goal must be zero safety incidents and injuries, and we believe that it is possible.
- **Innovative Research and Development:** For more than three decades, American Water's proprietary R&D program has evolved into a national leader in the drinking water and wastewater industry, performing groundbreaking research on emerging contaminants such as per- and polyfluoroalkyl substances (PFAS); making water quality monitoring breakthroughs in addressing known and emerging contaminants; and developing various water technologies in partnership with the EPA, CDC and numerous national and international environmental and water research foundations and organizations. Our Central Laboratory and treatment plants perform more than one million water quality tests every year. We partner our plant operations, maintenance, state and corporate engineering, and Technology and Innovation organization with our R&D group to ensure compliance, improve treatment techniques and water quality, reduce our carbon footprint and enhance our operational effectiveness. Through our partnerships with external agencies, we help establish effective environmental, health and safety, and water quality standards and regulations that can aid the entire water industry. We hold nine patents in water technology applications and continue to raise the bar for smart technology deployment.
- [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
- **Outstanding O&M Efficiency:** We continue to improve O&M and capital efficiency through innovative technology applications, supply chain operations and cost management with a 35.4% O&M efficiency ratio (\$ O&M Expense / \$ Revenue). Our compound average growth rate (CAGR) in O&M has been 0.6% across our company from 2010 through September 2019. This efficiency allows us to invest more needed capital while minimizing the impact on customer bills.

- **Recycling, Reuse and Desalination Expertise:** We are among the largest U.S. operators of water desalination, as well as water recycling and reuse, with more than a dozen advanced facilities including a 25 MGD reverse osmosis plant in Tampa, FL, and a 6.4 MGD facility under construction in Monterey, CA, which we will both own and operate.

We believe that American Water is the best water and wastewater partner for the future of JEA, the City of Jacksonville and the residents of the city and surrounding communities. American Water has the experience in diverse markets to provide safe, affordable and environmentally conscious water and wastewater services to the Jacksonville community. We look forward to exploring the many ways American Water and JEA can align their capabilities and interests during the negotiation process.

The following sections of this document provide a detailed description of American Water’s history, experience and capabilities, as well as the services and benefits we will provide to JEA, the City of Jacksonville and the many customers we would serve in the community. To assist in the review process, the next pages offer a “road map” to illustrate the comprehensive scope of American Water’s Revised Reply:

## Summary of American Water Proposal

Criteria	American Water Proposal Summary
i. <a href="#">Identification of the Respondent</a>	<ul style="list-style-type: none"> <li>• American Water is the largest and most geographically diverse publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. American Water is a holding company that employs approximately 7,100 professionals who provide drinking water, wastewater and other related services to more than 14 million people in 46 states.</li> </ul>
<a href="#">Financial Qualification</a>	<ul style="list-style-type: none"> <li>• Market Capitalization and Access to Equity Capital Markets: With total enterprise value of \$30.79 billion and \$21.57 billion in market capitalization, American Water has financial capabilities that are well-known in the equity investment community.</li> <li>• Credit Ratings and Access to Debt Capital Markets: American Water has strong credit ratings from S&amp;P (A) and Moody’s (Baa1), reflective of our strong balance sheet and stable cash flows from lower-risk, rate-regulated water utility operations, providing strong access to the debt capital markets.</li> <li>• Capital Duration: American Water primarily utilizes 30-year long-term debt to fund capital investments for regulated operating companies.</li> <li>• Liquidity: American Water enjoys sufficient liquidity through a \$2.25 billion credit facility (expandable to \$2.75 billion) and a \$2.1 billion commercial paper program in support of current working capital needs.</li> </ul>
<a href="#">Major Shareholders</a>	<ul style="list-style-type: none"> <li>• The majority of American Water’s shareholders are institutional investors, representing approximately 80% of the company’s investor base. The remainder are retail investors.</li> <li>• American Water’s top investors as of September 30, 2019, include The Vanguard Group, Blackrock Fund Advisors, State Street Global Advisors, T. Rowe Price Associates and Pictet Asset Management.</li> <li>• The Florida State Board of Administration is a long-time shareholder of American Water, having held our common stock since the IPO in 2008.</li> <li>• Our beneficial owners of more than 5% of our common stock as of December 31, 2018, as disclosed in our 2019 Proxy Statement, are Blackrock, Inc. and The Vanguard Group. These index investors are</li> </ul>

# AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

	typically the largest shareholders of the majority of S&P 500 and Fortune 1000 companies.
<a href="#">Headquarters</a>	<ul style="list-style-type: none"> <li>American Water maintains its headquarters at 1 Water Street, Camden, NJ 08102. The company completed this LEED Platinum-certified building in 2018.</li> <li>We also have various subsidiary headquarters in our states.</li> </ul>
<a href="#">Type of Entity</a>	<ul style="list-style-type: none"> <li>American Water (EIN: 51-0063696) is a corporation and holding company, originally incorporated in 1936 in the State of Delaware. The company is publicly traded on the New York Stock Exchange (NYSE: AWK). The company and its predecessors trace our history back to 1886.</li> </ul>
<a href="#">Schedule of Assets</a>	<ul style="list-style-type: none"> <li>American Water has an established presence in Florida, providing a solid foundation for the company as it seeks to become JEA's water and wastewater partner.</li> <li>A description of our presence and schedule of assets can be found in <a href="#">Section i</a>.</li> </ul>

## Overall Value to the City of Jacksonville and JEA's Customers

<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> </ul>
iii. <a href="#">Material Conditions, Terms, or Assumptions</a>	
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li></li> </ul> </li> </ul>
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d) <a href="#">Key Community Engagement Factors</a>	
i. <a href="#">Community Engagement</a>	<ul style="list-style-type: none"> <li>American Water will translate community engagement into tangible community benefits that recognize JEA's legacy as a community partner. In fact, we pledge to broaden these partnerships even further.</li> <li>American Water pledges to be a key player in strengthening the communities in JEA's service territory <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> </li> <li>As a company, We work with a number of community-based partners throughout our service areas to positively impact the overall quality of life where our employees and neighbors live and work. In addition, we sponsor national workplace-giving campaigns with the United Way and Water For People and every September we encourage our people to spend a full day volunteering in their local communities as part of our company-wide AmeriCANS in Action! Month of Service in addition to our other multiple community efforts throughout the year.</li> </ul>
ii. <a href="#">Interagency Coordination on Emergency Operations</a>	<ul style="list-style-type: none"> <li>Interagency coordination on emergency operations is a strength of American Water, and one the company has a history of executing when customers are most in need of utility company cooperation for prompt disaster response.</li> <li>As it does in most locations across the U.S., American Water would open its facilities in Jacksonville free of charge to community partners, including first responders, emergency management coordinators and others, as needed, for planning sessions and to provide a base of operations in the event a disaster strikes.</li> <li>JEA customers, as well as businesses and industries across the surrounding service area, will benefit from American Water's resources and leadership on storm and disaster resiliency, preparedness and response. As part of JEA's vision for the water utility of the future, American Water's weather hardening and preparedness plans will bring JEA's excellent operations into the fold.</li> </ul>

	<ul style="list-style-type: none"> <li>Emergency response plans start with training by way of the National Incident Management system, enabling coordinating government, private-sector and nongovernmental organizations to work together during domestic incidents. American Water will also work with Jacksonville Fire and Rescue to provide training and grants, as we do in every community we serve. At a high level, responsiveness and incident management plans include incident recognition processes, risk assessment procedures and processes, incident action plans, a comprehensive communications plan, corporate reporting requirements and incident closedown steps.</li> </ul>
iii. <a href="#">Environmental Stewardship</a>	<ul style="list-style-type: none"> <li><a href="#">Section xii</a> contains an extensive discussion of American Water's dedication to environmental stewardship, including our commitment to alternative energy sources, conservation of water resources, reduction in greenhouse gas emissions, careful handling and disposal of biosolids, and close work with appropriate authorities on stormwater management.</li> <li> <div style="background-color: black; width: 100%; height: 100px; margin-bottom: 10px;"></div> </li> <li>Engaging local educators is a critical part of ensuring that environmental stewardship continues through future generations. American Water pledges to work through existing Florida organizations to offer Project WET (Water Education for Teachers) certification to a minimum of 100 community educators and teachers per year across Duval County. Community educators can include a wide range of individuals in addition to teachers, such as scouting leaders and community volunteers.</li> </ul>
iv. <a href="#">Other relevant programs</a>	<ul style="list-style-type: none"> <li>A detailed description of our community commitments can be found in <a href="#">Section xii</a>.</li> </ul>
e) <a href="#">Rates</a>	<ul style="list-style-type: none"> <li>For purposes of our evaluation, American Water has generally maintained the same assumptions as those presented in the Respondent Financial Model. Please see full detail in <a href="#">Section iii</a>.</li> </ul>

# AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

Ability to Satisfy the Enumerated Goals in Section 1.1	
iv. <a href="#">Minimum Requirements</a>	
<a href="#">\$3.0 billion in value</a>	<ul style="list-style-type: none"> <li>• [REDACTED]</li> <li>• In addition, partnering with American Water will bring additional ongoing economic benefits to Jacksonville to realize a total value in excess of \$3 billion. JEA and Jacksonville would realize additional benefits above this \$3 billion from direct and indirect benefits from the options it pursues for the electric utility.</li> </ul>
<a href="#">\$350 of credit per customer account</a>	<ul style="list-style-type: none"> <li>• Our Proposed Transaction is structured to assume proceeds will be used to fund a \$350 credit for each water, wastewater and irrigation customer account.</li> </ul>
<a href="#">Three-year guaranteed base rate stability</a>	<ul style="list-style-type: none"> <li>• For a minimum of three years, American Water will maintain current forecasted base rates for each water, wastewater and irrigation customer, as presented in the Due Diligence Materials.</li> <li>• [REDACTED]</li> </ul>
<a href="#">100% renewable electricity to schools and city</a>	<ul style="list-style-type: none"> <li>• [REDACTED] We intend to work with an electric partner to satisfy the full 100% renewable goal by 2030.</li> </ul>
<a href="#">40 MGD of alternative water capacity</a>	<ul style="list-style-type: none"> <li>• We commit to construct the planned 40 MGD alternative water source by 2035 by utilizing our proven expertise and experience in recycling, reuse and desalination, along with traditional water supply expertise.</li> </ul>
<a href="#">Retirement benefits</a>	<ul style="list-style-type: none"> <li>• American Water agrees to protect certain employee retirement benefits as outlined in the ITN.</li> </ul>
[REDACTED]	<ul style="list-style-type: none"> <li>• [REDACTED]</li> </ul>
[REDACTED]	<ul style="list-style-type: none"> <li>• [REDACTED]</li> </ul>
<a href="#">New JEA headquarters</a>	<ul style="list-style-type: none"> <li>• American Water commits to developing its Florida headquarters in downtown Jacksonville.</li> </ul>
Feasibility and Ability to Consummate the Plan on a Timely Basis	
v. <a href="#">Feasibility</a>	
<a href="#">Structural/Legal</a>	<ul style="list-style-type: none"> <li>• Based on our review of the Due Diligence Materials, American Water sees nothing in its corporate structure or that of JEA, or in the relevant governmental/regulatory structures, that would adversely and materially affect the ability of American Water and JEA to ensure the feasibility of the Proposed Transaction.</li> </ul>
<a href="#">Political</a>	<ul style="list-style-type: none"> <li>• As a partner, American Water would join JEA to conduct a public education campaign to clearly demonstrate the community benefits of the Proposed Transaction. This campaign would include public relations, rapid</li> </ul>



	response, community events and paid media. American Water has proven experience and success with referendum campaigns required for the purchase of both water and wastewater systems
<a href="#">Financial</a>	<ul style="list-style-type: none"> <li>American Water's Proposed Transaction is not subject to any contingencies beyond completion of due diligence, identification of our electric partner identified by JEA (if applicable) and negotiation of key transaction documentation</li> </ul>
vi. <a href="#">Financing Sources</a>	<ul style="list-style-type: none"> <li>Any binding proposal and ultimate consummation of the potential Proposed Transaction will not be subject to any financing contingencies. If required, our final proposal will include a committed financing package. American Water intends to fund the proposed acquisition through a combination of debt, common equity and equity-linked sources, as well as internally generated cash flow. We intend to incur short-term and long-term debt to be held at American Water Capital Corp., a wholly owned subsidiary of American Water. The amount of debt at the JEA water and wastewater systems will be consistent with its regulated capital structure.</li> <li>Given that American Water is a known issuer and has strong senior unsecured investment grade ratings (S&amp;P: A / Moody's: Baa1), we expect to be able to raise debt sources in a timely manner and do not expect this to be a constraint on the timing of Closing. With regard to the planned common equity or equity-linked issuance, we have a market capitalization of \$21.57 billion and have authorized capital in excess of any equity sources needed.</li> <li>[REDACTED]</li> </ul>
[REDACTED]	<p>[REDACTED]</p> <ul style="list-style-type: none"> <li>[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]</li> <li>[REDACTED] [REDACTED] [REDACTED]</li> <li>[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]</li> <li>[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]</li> </ul>
viii. <a href="#">Regulatory/External Approvals and Conditions</a>	<ul style="list-style-type: none"> <li>In order to successfully move forward with the Proposed Transaction, American Water will obtain all necessary regulatory approvals.</li> <li>The Proposed Transaction will require American Water to obtain a Certificate of Authorization from the FPSC to own, operate and provide service using JEA's water and wastewater system currently owned by JEA and to charge JEA's existing rates. Additionally, American Water may need to obtain certain yet-to-be-determined FPSC accounting approvals based on information derived from further confirmatory due diligence and</li> </ul>

# AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

	<p>inspection of JEA's books and records, as well as the final terms of a definitive transaction agreement with JEA. American Water will consult with the FPSC prior to making any such application to ensure that we satisfy all FPSC expectations and facilitate a timely review and FPSC approval.</p>
ix. <a href="#">Prior Acquisitions/Investments</a>	<ul style="list-style-type: none"> <li>• In keeping with its status as the largest and most geographically diverse publicly traded water and wastewater utility company in the United States, American Water has successfully completed more than 100 acquisitions since 2014, the majority of which were municipal systems and some requiring referendums. The full list can be found in <a href="#">Section xii</a>.</li> <li>• American Water has an established record of successfully closing deals, which will ensure low execution risk.</li> <li>• Since 2014, the company has invested more than \$8.6 billion in acquisitions and strategic capital investment, including for regulated capital investment, technology, energy efficiency/renewables, new water supply, combined sewer overflow (CSO)-related expenses, and more.</li> </ul>
x. <a href="#">Advisors/Contact List</a>	<ul style="list-style-type: none"> <li>• American Water has several organizations directly serving as advisors for the current phase of the ITN negotiation process. The full list can be viewed below in <a href="#">Section x</a>.</li> <li>• [REDACTED]</li> </ul>
xi. <a href="#">Due Diligence</a>	<ul style="list-style-type: none"> <li>• American Water expects to undertake a due diligence exercise typical for a transaction of this nature and scale, including but not limited to: (i) a review of the Phase II virtual data room; (ii) attending management presentations and site visits; and (iii) Q&amp;A.</li> <li>• We expect to be able to conduct Phase II due diligence quickly and efficiently, including expeditiously assessing operating expense levels and efficiencies, capital expenditure plans, rates and regulatory strategy, and growth opportunities for the JEA water and wastewater systems.</li> </ul>
Ability to Satisfy Priorities of JEA as Articulated in the Evaluation Criteria 3.2.3 and Selection Criteria	
xii. <a href="#">Other Information</a>	
<a href="#">Experience and Customer Commitment</a>	<ul style="list-style-type: none"> <li>• Our regulated utilities operate in approximately 1,600 communities in 16 states in the United States, with approximately 3.4 million active customer connections representing around 12 million people across our water and wastewater networks.</li> <li>• American Water serves many large service areas similar in size to JEA's, including one that serves over 370,000 customer connections.</li> <li>• Our customers are supported by two 24-hour call centers, one of which is located in Pensacola, Florida.</li> <li>• We have a dedicated customer experience team [REDACTED].</li> <li>• In late 2018, American Water was recognized with Advanced Customer Center of Expertise (ACCOE) certification, making it the first U.S. utility company to reach this benchmark.</li> </ul>

	<ul style="list-style-type: none"> <li>• Indiana American Water took the top spot in the Midwest Region 2019 JD Power Water Utility Residential Customer Satisfaction Study with above-average results for a number of state utilities.</li> <li>• American Water has employed an ongoing customer listening strategy comprised of focus groups, online communities, and digital feedback to drive a proactive, data-driven approach to the customer experience.</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• [REDACTED]</li> <li>• We offer our customers multiple bill payment options including online, telephone and one or more physical locations throughout the community.</li> <li>• We offer customer assistance programs.</li> <li>• Our corporate culture demonstrates a long-term commitment to being the best in our five fundamental operational areas: Safety, Water Quality, Metering, Asset and Capital Management, and Environmental Leadership.</li> <li>• American Water is poised well for future operations through strategic and effective supply chain management. As the largest water and wastewater utility company in the U.S., we are able to leverage volume procurement significantly more than other water utilities for lower costs for customers.</li> <li>• We have significant experience with acquisitions of other municipal utility systems, as well as some with required referendums.</li> <li>• Military Services Group <ul style="list-style-type: none"> <li>◦ American Water operates at 16 military bases across the U.S. (the most of any water/wastewater provider), with exemplary recognitions from the Department of Defense.</li> </ul> </li> <li>• American Water is highly committed to our military and veteran workforce, as evidenced by our earning the 2020 Military Friendly Gold Employer designation by VIQTORY (one of only four utilities to earn this designation) and our involvement with the Military Spouse Employment Partnership (MSEP). Additionally, Military Times magazine named us a “Top 100 Best for Vets Employer.”</li> </ul>
<a href="#">Economic Development and Benefits to Jacksonville</a>	<ul style="list-style-type: none"> <li>• As a community partner, American Water will work to accelerate economic growth, [REDACTED].</li> <li>• [REDACTED]</li> <li>• American Water expects to invest billions of dollars in the Jacksonville region infrastructure over the next 20 years, which in turn will lead to thousands of new construction-related jobs and attract businesses to the area. The Water Research Foundation estimates that every \$1 million spent in water/wastewater infrastructure investment creates 16 jobs.</li> <li>• American Water has an industry-leading supplier diversity program and will work with regular local vendors and prioritize supplier diversity (women, minority, veteran disabled owned) to fulfill its needs.</li> <li>• American Water will work collaboratively with Jacksonville and the Florida Public Service Commission to develop regulatory initiatives that encourage economic development in Jacksonville.</li> </ul>

## [Employee Retention and Benefits](#)

- [REDACTED]
- American Water is a large, public company providing employees with meaningful career growth opportunities.
- American Water provides a full spectrum of benefits that are competitive with utility industry benchmarks.
- In addition to our competitive formal benefits package, American Water employees also receive: access to programs offered by the American Water Charitable Foundation; significant training and development opportunities, as well as a college tuition reimbursement up to \$10,000 per year; and a work environment committed to and recognized for inclusion and diversity.
- American Water is proud to have strong relationships with our 14 different unions, which represent nearly 50% of our total workforce. This includes three of JEA's current five unions. We are the proud recipient of the Federal Mediation and Conciliation Services Partnership of the Year Award in 2016, in conjunction with the Utility Workers Union of America (UWUA).

## Capability to Deliver Innovation to JEA's Existing Operations

### [Innovation Plan](#)

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- Operational Excellence – Proactive Approach to Water Loss
  - American Water is at the forefront of using advanced technology to address water loss, [REDACTED]
- Water R&D – Industry Leading Solutions Ensure a Bright Business Future
  - American Water professionals have been trailblazers in water research for decades, including renewable energy applications, saltwater solutions, recycling and reuse opportunities and wastewater energy savings.
  - [REDACTED]
- [REDACTED]

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<a href="#">Environmental, Social and Governance</a>	<ul style="list-style-type: none"> <li>• ESG Leader: For some, Environmental, Social, and Governance (ESG) is a recent development – at American Water, it is an affirmation of the values we have held for decades. Recent honors include: 2019 Bloomberg Gender-Equity Index, NAACP Equity, Inclusion and Empowerment Index, Barron's 100 Most Sustainable Companies ranking (highest ranked water, gas or electric utility in the nation), and top scoring company (100%) on the Disability Equality Index.</li> <li>• Recycling, Reuse and Desalination Expertise: We are among the largest U.S. operators of water desalination, as well as water recycling and reuse, with more than a dozen advanced facilities including a 25 MGD reverse osmosis plant in Tampa, FL; a 6.4 MGD desalination and recycling/reuse facility under construction in Monterey, CA which we will own and operate; a reclaimed water facility at Army Base Fort Sill (Lawton, OK) able to provide up to 37 MG annually; and a 15MG raw water reservoir for alternative water capacity constructed in Southern New Jersey.</li> <li>• Accelerated Septic Phase-Out: We will work with the City of Jacksonville to resolve Jacksonville's residential septic tank issue on an accelerated timeline.</li> <li>• Support Blue-Green Algae Task Force: As Florida's water management districts work to fulfill Gov. Ron DeSantis' order to identify sources of pollution and implement projects that will help address harmful algae blooms and maximize nutrient reductions, American Water has the expertise and resources to provide significant support to this effort and the Blue-Green Algae Task Force.</li> <li>• Committed to Sustainability: We are reducing our greenhouse gas (GHG) emissions by 40%, with a target date of 2025 from our 2007 baseline through deployment of renewables, efficiency initiatives and upgrade projects such as pressure management and pump refurbishment. We have already achieved approximately a 31% reduction in GHG emissions through 2018, toward our goal of a 40% reduction by 2025. Wherever possible, we consider green energy when negotiating power purchase agreements to reduce costs and lower our carbon footprint.</li> <li>• Inclusion and Diversity: We are dedicated to maintaining an equitable workforce, leadership team and Board of Directors. In 2018, over 52% of promotions were filled by minority, female, veteran or disabled candidates. Our Board of Directors consists of 11 members, including six women and two African American board members. <div style="background-color: black; height: 1.2em; width: 100%;"></div><div style="background-color: black; height: 1.2em; width: 100%;"></div><div style="background-color: black; height: 1.2em; width: 100%;"></div><div style="background-color: black; height: 1.2em; width: 100%;"></div><div style="background-color: black; height: 1.2em; width: 100%;"></div></li> </ul>
<a href="#">Community Stewardship</a>	<ul style="list-style-type: none"> <li>• <div style="background-color: black; height: 1.2em; width: 100%;"></div><div style="background-color: black; height: 1.2em; width: 100%;"></div><div style="background-color: black; height: 1.2em; width: 100%;"></div><div style="background-color: black; height: 1.2em; width: 100%;"></div></li> <li>• <div style="background-color: black; height: 1.2em; width: 100%;"></div><div style="background-color: black; height: 1.2em; width: 100%;"></div><div style="background-color: black; height: 1.2em; width: 100%;"></div></li> </ul>

	<ul style="list-style-type: none"><li>• American Water will work with Jacksonville Fire and Rescue to provide training and grants, as we do in every community we serve.</li><li>• American Water will work with local environmental groups to promote and enhance the natural beauty of the Jacksonville area, especially regarding all things water.</li></ul>
<a href="#">Financial Stability</a>	<ul style="list-style-type: none"><li>• As an NYSE-traded company and member of the S&amp;P 500 and the Dow Jones Utility Index, American Water has access to a full range of capital market alternatives.</li><li>• We have strong investment-grade credit ratings, a \$30.79 billion of total enterprise value and a \$2.25 billion credit facility (expandable to \$2.75 billion), as well as ample balance sheet capacity sufficient to fund this Proposed Transaction and JEA's ongoing capital needs.</li></ul>
<a href="#">Acquisition History</a>	<ul style="list-style-type: none"><li>• American Water is proud to have completed more than 100 Regulated and Market-Based Business acquisitions since 2014, some of which included required referendums. Please see a detailed table in <a href="#">Section xii</a>.</li></ul>



## i. Identification of the Respondent

### Principal Businesses and Operational Qualifications

American Water is the largest and most geographically diverse publicly traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. American Water is a holding company that employs approximately 7,100 professionals who provide drinking water, wastewater and other related services to more than 14 million people in 46 states.

American Water's primary business involves the ownership of utilities in multiple states that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. Our regulated utilities operate in approximately 1,600 communities in 16 states in the United States, with approximately 3.4 million active customers in our water and wastewater networks.

We conduct the majority of our business through regulated utilities that provide water and wastewater services, collectively presented in this document as our "regulated businesses." We also operate market-based businesses that provide a broad range of related and complementary water, wastewater and other services, primarily to residential and smaller commercial customers, U.S. military installations, and municipalities, utilities and industrial customers.

### Financial Qualifications

American Water is the largest publicly traded water and wastewater utility in the country. American Water has earned strong credit ratings from S&P (A) and Moody's (Baa1), reflective of stable cash flows from lower-risk, rate-regulated water utility operations. Given our ability to effectively access the equity and debt capital markets, American Water will be able to finance this Proposed Transaction and JEA's ongoing capital needs.

- **Market Capitalization, Net Worth and Access to Equity Capital Markets:** With total enterprise value of \$30.79 billion and \$21.57 billion in market capitalization<sup>2</sup>, American Water has financial capabilities that are well-known in the equity investment community. Our ability to deliver strong results for all our stakeholders – customers, employees, communities and investors alike – has supported continued growth in our share price and exceptional value for the communities we serve.
- **Credit Ratings and Access to Debt Capital Markets:** As noted, American Water has strong credit ratings from S&P (A) and Moody's (Baa1), reflective of our strong balance sheet and stable cash flows from lower-risk, rate-regulated water utility operations, providing strong access to the debt capital markets.
- **Capital Duration:** American Water primarily utilizes 30-year long-term debt to fund capital investments for regulated operating companies.
- **Liquidity:** American Water enjoys sufficient liquidity through a \$2.25 billion credit facility (expandable to \$2.75 billion) and a \$2.1 billion commercial paper program in support of current working capital needs.

### Major Shareholders

The majority of American Water's shareholders are institutional investors, representing approximately 80% of the company's investor base. The remainder are retail investors. Institutional investors represent a range of funding sources, including Passive, Growth, Dividend, Index and ESG funds.

American Water's top investors as of September 30, 2019, include The Vanguard Group, Blackrock Fund Advisors, State Street Global Advisors, T. Rowe Price Associates and Pictet Asset Management.

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<sup>2</sup> Note: Net worth and fund specifications do not apply to the American Water organization.

## AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

Beneficial owners of more than 5% of our common stock as of December 31, 2018, as disclosed in our 2019 Proxy Statement, are Blackrock, Inc. and The Vanguard Group. It should be noted that these are the two largest index investors in the world and are top owners of the vast majority of S&P 500 and Fortune 1000 companies.

### Location of Headquarters

American Water maintains its headquarters at 1 Water Street, Camden, NJ 08102. American Water recently completed construction of its LEED platinum-certified corporate headquarters building at that location, on time and on budget. Its state subsidiaries also have headquarters in their respective states.

### Type of Entity or Organization

American Water (EIN: 51-0063696) is a corporation and holding company, originally incorporated in 1936 in the State of Delaware. The company is publicly traded on the New York Stock Exchange (NYSE: AWK).

If American Water is selected to acquire JEA's water and wastewater systems, we will create a separate, wholly owned legal entity in Florida for Jacksonville operations.

### Florida Assets and Operations

American Water has an established presence in Florida, providing a solid foundation for the company as it seeks to become JEA's water and wastewater partner.

Our customers across the nation are supported by two 24-hour call centers, one of which is located in Pensacola, Florida. This 60,000-square-foot Customer Service Center houses 161 American Water employees, providing round-the-clock customer relations, field service and operational support to our regulated businesses, while also employing local customer care and customer advocacy employees in our state operations.

American Water operates an advanced 25 MGD water plant in Tampa that is one of the largest in the country, supplying up to 10% of the area's drinking water through the use of reverse osmosis desalination technologies.

American Water's Homeowner Services Group is the premiere utility-owned homeowner warranty and utility solutions company in the U.S., and it has partnered with Florida City Gas and the Orlando Utilities Commission (OUC) to provide utility line protection and maintenance/repair plans to 187,000 OUC customer accounts.

Our Board of Directors consists of 11 members, [REDACTED]

A complete schedule of our assets and operations in Florida is as follows:

Name	Location
National Call Center	Pensacola
Water Desalination Facility	Tampa
Florida City Gas and Orlando Utilities Commission Homeowner Services Group Partnership	Orlando

[REDACTED]

[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

### iii. Material Conditions, Terms or Assumptions

[REDACTED]

[REDACTED]

[REDACTED]

#### Key Community Engagement Factors

American Water understands that the water and wastewater services we provide are critical to the health and safety of our customers, today and for generations to come. We are zealously focused on our customers and, every day, take pride in delivering the critical services of water, wastewater and fire protection. Whenever American Water is honored with the opportunity to serve a new community or expand our services in communities we already serve, we set a goal of becoming an integral part of that community – not just as the water/wastewater service provider, but also as an integrated part of what makes that community unique and special. In short, American Water is committed to making sure communities and customers are better because we are there.

As described in additional detail elsewhere in this response (see [Section xii](#)), American Water has a rich and positive history of engaging with the institutions and organizations that give a community its character. For the greater Jacksonville area, these activities will include:

- **Community Engagement**

American Water will translate community engagement into tangible community benefits that recognize JEA's legacy as a community partner. In fact, we pledge to broaden these partnerships even further. We will bring this strong community focus to the greater Jacksonville market.

As a company, we work with a number of community-based partners throughout our service areas to positively impact the overall quality of life where our employees and neighbors live and work. In addition, we sponsor national workplace-giving campaigns with the United Way and Water For People, and every September we encourage our people to spend a full day volunteering in their local communities as part of our company-wide AmeriCANS in Action! Month of Service.

- **Interagency Coordination on Emergency Operations**

Interagency coordination on emergency operations is a strength of American Water, and one the company has a history of executing when customers are most in need of utility company cooperation for prompt disaster response. As part of JEA's vision for the water utility of the future, American Water's weather hardening and preparedness plans will bring JEA's excellent operations into the fold.

- **Physical and Cyber Security**

As providers of essential water and wastewater services, both JEA and American Water place top priority and focus on the protection of critical infrastructure. This includes facilities that provide water and wastewater service to our customers, the protection of our facilities, technology systems, and customer and employee information. We share goals and focus of our program to:

- Ensure the cybersecurity of our operational technology systems;
- Safeguard the physical security of our employees, facilities and assets; and
- Provide support and leadership to our operations teams in emergency response and business continuity activities.

Central to our cyber and physical protection model is our advanced 24/7 Integrated Operations Center (IOC). The IOC monitors American Water's security and technology systems; continuously tracks weather alerts, security threats and intelligence; and serves as a key collaboration point for operations, leadership and functional teams. Our security team conducts regular internal security reviews and partners with the Department of Homeland Security on external security assessments, using the results to develop improvement initiatives and further enhance security controls of company assets and systems. We are also very active in the state Fusion and emergency operations centers in each of the states within which we operate, bringing an array of key federal, state and local security stakeholders together for better coordination of efforts.

- **Training and Exercises**

We have security awareness employee trainings for physical and cybersecurity risks, incident response and emergency preparedness. This training reinforces the shared responsibility for security with all employees, contractors and visitors, and supports a safe and secure work environment. We host dozens of preparedness exercises across our business annually (over 30 such exercises were conducted in 2018), while also participating in regional and national-level exercises with state and federal partners. In addition to our state-level operations, our Executive Leadership Team and Board of Directors also engage in these exercises. Not only do these activities enhance readiness, they often identify opportunities for increased operational efficiency.

We have established a business continuity framework across the company, bringing functional and operational teams together for the purpose of reducing risk and enhancing resiliency. As part of the framework, we adopted the nationally recognized National Incident Management System, which enables unified emergency response and effective coordination with emergency management in the communities we serve. We also participate in the Water/Wastewater Agency Response Networks by responding to emergencies by delivering water, loaning equipment and receiving aid from other water purveyors in case of emergencies.

- **Partnerships and Leadership**

Demonstrating external leadership and fostering effective partnerships is key to our internal success and to making improvements to security across the water and wastewater sector. We partner with environmental organizations, PSCs, state Fusion Centers, Homeland Security and the FBI to share information and promote security best practices. We also take a leadership role in advancing security and resiliency of the water and wastewater sector through participation in key working groups, such as the national [Water Sector Coordinating Council \(WSCC\)](#). Together with other utilities and the EPA, we collaborate in a public-private partnership to plan and implement programs aimed at achieving the common goal of clean and safe water, land and air for all Americans.

[REDACTED]

American Water would open its facilities in Jacksonville free of charge to community partners, including first responders, emergency management coordinators and others, as needed, for planning sessions and to provide a base of operations in the event a disaster strikes. Because we are the largest water utility in the nation, we are our own “mutual assistance” partner, bringing in hundreds of support personnel in from our other states who use the same technology and systems and who are immediately familiar with the operational processes and tools. American Water will also work with Jacksonville Fire and Rescue to provide training and grants, as we do in every community we serve.

## **Environmental Stewardship**

[Section xii](#) contains an extensive discussion of American Water’s dedication to environmental stewardship, including our commitment to alternative energy sources, conservation of water resources, reduction in greenhouse gas emissions, careful handling and disposal of biosolids, and close collaboration with appropriate authorities on stormwater management.

In addition to these high-level activities, American Water also works in the community to foster a culture of environmental stewardship. For example, through our Foundation’s partnership with the Union Sportsmen’s Alliance, there would be an opportunity to bring a series of youth and environment-focused outdoor and conservation events to children in the Jacksonville area.

[REDACTED]

Engaging local educators is a critical part of ensuring that environmental stewardship continues through future generations. American Water pledges to work through existing Florida organizations to offer Project WET (Water Education for Teachers) certification to a minimum of 100 community educators and teachers per year across Duval County. Community educators can include a wide range of individuals in addition to teachers, such as scouting leaders and community volunteers.

## **Engaging Military Communities**

American Water considers it an honor and privilege to work with men and women who have served our country and continue to find a calling by providing critical water and wastewater services in their community. Our military services expertise is entrusted by the U.S. government to provide water and wastewater services on 16 military installations under long-term (50-year) contracts. Each of these contracts was awarded through a competitive bid process to the entity that offered the best overall value to the military base. We regularly earn top scores in base satisfaction across our footprint.

The company is a top-ranked employer of former service members and has been recognized for its efforts to support military spouses and families, without whom our service men and women would not be able to perform at peak levels. In addition, we recently were recognized by the 2020 Military Friendly Gold Employer designation by VIQORY as well as being recognized as a “Military Spouse Friendly Employer” honor and “Top 100 Best for Vets Employer” by Military Times magazine.

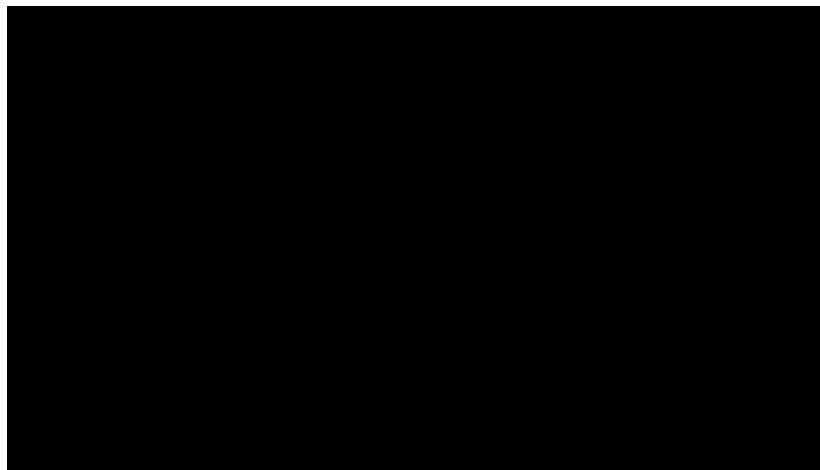
American Water will offer members of Jacksonville’s large military community opportunities to transfer highly desirable military leadership skills into civilian careers through an annual military and veterans-focused networking and hiring event. We have invested in onboarding processes, resources and transition activities that best support the change from military service to civilian careers.



## Rates

For purposes of our evaluation, American Water has generally maintained the same assumptions as those presented in the Due Diligence Materials:

- Rate base: We have assumed the rate base methodology as presented in the Due Diligence Materials.
- Targeted equity layer and return on equity: We have assumed the allowed equity capitalization and allowed ROE as presented in the Due Diligence Materials. [REDACTED]
- Debt capitalization and cost of debt: We did not take a view on future interest rates in our current proposal. We assumed current market rates in our financings throughout our projections. [REDACTED] We assume a debt capitalization at JEA consistent with the Due Diligence Materials (47.5% of regulated capital); Customer demand: We have assumed the same customer demand (in KGal) for water, sewer and reclaim as presented in the Due Diligence Materials. [REDACTED]
- State and local taxes: We have maintained the sell side assumptions for property taxes of 1.80% of net utility plant.
- Operations and maintenance expense: We have assumed no changes in the O&M profile shown in the Due Diligence Materials. [REDACTED]
- Anticipated amount and timing of proposed O&M savings: We have assumed the O&M savings as presented in the Respondent Financial Model, including Water System Resiliency, Septic Tank Phase Outs, Alternative Water Reclamation and Advanced Asset Management. As we continue to refine our due diligence, we will work to identify additional sources of O&M savings that could potentially enhance value and/or lower rates.
- Capital expenditures by functional area and utility system: We have assumed no changes in the capital expenditure profile as presented in the Due Diligence Materials. [REDACTED]



- [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
- Franchise taxes: We have maintained the sell side assumptions for franchise taxes equal to 2.30% of net utility plant. As presented in the Respondent Financial Model, this has been included in the rate-making mechanism and passed on to customer rates, contributing to the rate step-up.
- Other revenue: We have assumed the same Other Revenue as presented in the Due Diligence Materials. [REDACTED]  
[REDACTED]  
[REDACTED]
- Dispatch costs and drivers including fuel and purchased power: Not applicable.
- Anticipated amount and timing of any fuel or purchased power savings: Not applicable.
- Estimates of forward commodity prices: Not applicable.

## iv. Minimum Requirements

### Proposed Transaction Overview

We propose to acquire all of JEA's water and wastewater assets through a special purpose entity formed to acquire the assets, which will be a wholly owned subsidiary of American Water. American Water assumes the parties will execute customary documentation to transfer the water and wastewater assets, with typical terms and conditions that are not expected to alter the Gross Proceeds.

As stated earlier, while this response submission is focused on all of the water-related systems, our highest priority is to collaborate with JEA and Jacksonville in the way that best serves the community overall. As such, American Water would be pleased to enter into discussions with any electric entities chosen through the ITN process in order to develop the optimal approach to jointly deliver on JEA's and Jacksonville's vision for the future.

The Jacksonville community deserves a water and wastewater partner who is a trusted and recognized national leader in ensuring that water is of the highest quality and that wastewater is managed effectively, with priority concern for protecting our environment. American Water has an established record of success in each of these areas and is well acquainted with the strong connection between JEA and the communities it has served with distinction for more than half a century.

American Water is committed to maintaining and building on that legacy, applying our industry-leading scale, size and experience to benefit JEA customers and the entire community through our water quality measures, innovation and R&D, and ESG measures.

We pride ourselves in making every community better because we are there – with local decision-making on customer and service issues. As the oldest and largest water utility seeking to take on this significant and important challenge, American Water is the most qualified company to provide clean water and reliable wastewater service for the people of greater Jacksonville.

### Financial

American Water offers an extraordinary opportunity for JEA to move forward with a long-term partner that will provide exceptional benefits for the city and its residents and businesses. Our proposal to purchase the existing JEA water and wastewater systems will provide in excess of \$3 billion in total value to the City of Jacksonville, [REDACTED]

[REDACTED] This does not include the additional material economic benefits to the City of Jacksonville that would be realized from partnering with American Water specifically:

- [REDACTED]
- [REDACTED]
- Significant property tax assessed value growth;
- Billions of dollars of ongoing investment in Jacksonville over the next 20 years, resulting in thousands of new infrastructure improvement-related jobs, more business for local contractors and vendors and improved infrastructure to attract new business; and
- Enhancements to the customer experience through the expertise of American Water's proprietary R&D organization, which specializes in improved water quality and technology.

## Customers

Our customers are at the center of everything we plan and do at American Water, and we will strive to exceed the needs and expectations of the people within the Jacksonville service area through several ways.

Customers will realize savings from the start of our partnership. Our Proposed Transaction for JEA's water and wastewater systems will be structured to allow proceeds to be used to fund at least a \$350 credit for each water, wastewater and irrigation customer account, exclusive of electric customer credits, contributing to the \$400 million-plus customer value requirement.

[REDACTED]

[REDACTED]

[REDACTED]

In addition, we commit to provide several incremental customer benefits:

- Provide around-the-clock emergency services for our customers.
- Offer our customers multiple bill payment options including online, telephone and physical locations throughout the community, and seek Florida Public Service Commission approval to offer customer assistance programs for households facing particularly challenging circumstances.

American Water's history and experience in large-scale purchases of water and wastewater systems is tied to a deep understanding of the need for stability and predictability of rates.

JEA's customers will benefit from American Water's ability to share our compliance and capital investment expertise, while leveraging our scope and size reflected in our volume purchasing power, scale, technology and innovation development to maintain the affordability of the services we provide [REDACTED]

[REDACTED]

American Water has diverse regulated utility operations throughout the country, operating within a variety of regulatory frameworks that differ from state to state. Despite varying geographic conditions that impact costs, our rate changes, on an annual basis, have been comparable to or lower than the water and wastewater consumer price index. For example, our five-year compounded annual growth rate on average customer water bills (2013-2018) was close to half the U.S. average – 2.00% compared with 3.82%.

Our rate case management program aims to balance infrastructure investment needs and protect water quality while minimizing rate increases. In an operating environment where the company plans to invest more than \$1.8 billion per year across the country on infrastructure and other necessary capital projects, American Water is able to mitigate rate increases by lowering its per-customer operating costs.

For every \$1 in operations and maintenance savings, we can invest \$8 of capital with no impact on a typical customer's bill. This is a result of growing the customer base through strategic acquisitions and optimizing shared and back-office services, allowing the company to maintain a robust field staff to operate our systems at high service quality. Through a partnership with the Jacksonville community, we will apply these same savings and efficiency strategies to bring current JEA customers the best possible service at the lowest possible rates.

Protecting all of our customers, no matter their economic status, is vitally important to American Water's vision for the Jacksonville community. To help ensure that water is affordable for all customer populations, American Water participates in a number of practices including low-income tariffs, grant programs and payment plans.

Where approved by state legislatures or regulatory authorities, we offer customer assistance programs to help financially challenged or disadvantaged households pay for water services. Programs vary by state and include assistance in the form of one-time emergency grants and/or ongoing service charge discounts. Other examples

include leak detection kits, free water-saving devices and educational booklets to help customers make their homes more water-efficient and reduce water costs.

In many states, to help promote access to clean water, vulnerable populations are eligible for low-income tariffs – and we would work to establish such a program in Florida to serve JEA customers to the extent feasible. We currently have customer assistance programs for 12 states (over 85% of our regulated operations), including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia. In Pennsylvania, for example, qualifying households can work with community action agencies to receive discounts of up to 85% on their monthly service charges. In most states, other customers support these low-income tariffs.

These efforts, coupled with maintaining current forecasted base rates for a minimum of three years, as presented in the Due Diligence Materials, give JEA customers certainty about the future of their utility costs.

## Environmental

As with JEA, American Water's commitment to ESG excellence is an affirmation of the values we have upheld for decades. It has been and continues to be an essential part of our business. At American Water, we know that how a company operates is just as important as what a company does.

At American Water, ESG is much broader than just three words. It includes environmental leadership and sustainability; operational excellence; employee engagement and safety; active community engagement, civic and charitable involvement; and transparency and good governance – all these are foundational to our corporate strategy.

One of the earliest priorities for American Water will be transitioning aging and environmentally damaging septic tanks to reliable and affordable sewer services. [REDACTED]

[REDACTED] This important process will help protect and preserve the environment, such as the First Coast's numerous waterways, from contamination while improving service to Jacksonville-area customers.

American Water's commitment to sustainability is integrated into our operations and will be invaluable to the City of Jacksonville. We have experience with many forms of renewable energy, and we have a keen understanding of the economic drivers that affect financial performance. In addition, we look for other tangible, non-financial benefits, like asset and system resiliency and carbon footprint reduction as we evaluate renewable energy investments.

[REDACTED]

- [REDACTED]

- **Alternative Water Capacity**

American Water commits to deliver the proposed 40 MGD alternative water capacity by 2035 through utilizing our expertise in recycling, reuse and desalination, along with our traditional water supply expertise. Additional detail about our alternative experience can be found in [Section xii](#).

## Community Impact

Wherever we are given the opportunity to serve the critical resource of water and water services to customers, American Water becomes part of the community. Our focus, always, is on providing the best service to the people who depend on us for one of life's most critical needs: water.

The service we provide does not simply make life more comfortable or more enjoyable for customers, it truly makes life possible and sustainable. We understand that the water and wastewater services we provide are critical to our customers today and for generations to come. That is why we focus on water and wastewater services; what we believe we do better than anyone else. We work continuously to deliver safe, clean, reliable water service that is also affordable (at less than a penny a gallon) – because our customers, employees, partners, community leaders and others who depend on us deserve nothing less.

We pride ourselves in making every community better because we are there – with local decision-making on customer and service issues.

## Employee Benefits

The employees of JEA helped build the utility into one of the nation's outstanding publicly owned utilities. American Water is committed to honoring the pledge made to those employees, through their compensation and benefits packages and their retirement plans. The commitments below relate to the compensation and benefits of water and wastewater system employees and retirees only.

- **Retirement:** American Water is committed to protecting certain employee retirement benefits as outlined in the ITN, including funding the portion of the estimated \$132 million in GEPP pension protection related to the water and wastewater systems and assuming any assets and liabilities of the SJRPP Pension Plan and the OPEB Plan specific to the water and wastewater systems. Retirement benefits are one of the cornerstones of how labor unions represent their members, and American Water is proud to have established and maintained outstanding relationships with its 14 unions (three of which are part of JEA operations today,) representing nearly 50% of our total workforce.

We are proud of the relationships that we have cultivated and are pleased to have received recognition alongside our largest union, the Utility Workers Union of America (UWUA), as joint recipients of the Federal Mediation and Conciliation Services' 2017 Award for Excellence in Labor Management. This award affirmed American Water's journey to improve our relations with our unions and forge working partnerships built on the pillars of trust and respect.

- [REDACTED]

American Water offers its employees a highly competitive full spectrum of medical, prescription, dental and vision coverage, as well as disability, life insurance, voluntary benefits, paid family leave, a wellness program, 401(k) Savings Plan with immediate vesting and much more.

We strive to ensure that our employees have the choice, value and quality they need when making benefit elections to provide important protection for themselves and their families. When American Water last benchmarked our medical plan in 2019, we were highly competitive in the utility sector on each deductible and out-of-pocket amount, and on medical plan actuarial values.

We also believe it is important to regularly update our plans to meet the needs of our diverse workforce. In 2019 we added coverage for the treatment of autism, hearing aids and transgender services. Current and future JEA employees will benefit from American Water's progressive approach to paid family leave, generous vacation, holiday and sick policies, transparency and equity in pay.



We have proven to be an employer of choice by providing a comprehensive compensation program, designed to recognize our people and the vital roles they play in our success. All our employees, including those represented by unions, participate in the short-term Annual Performance Plan, which pays cash bonuses based on established goals that are the same from frontline employees to the CEO. We believe that when the company does well, all employees should benefit.

For all employees who are in director level or above roles, American Water also provides the Long Term Performance Plan, which promotes the achievement of the company's long-term, strategic business goals and allows participants to benefit from our achievements. Annually, equity awards in the form of Restricted Stock Units and Performance Stock Units are granted to eligible employees. Performance Stock Units paid out at the end of the performance period ultimately depend on American Water's total shareholder return and adjusted compounded earnings per share growth. In this way, contributions help generate results that lead to success for American Water.

Jacksonville is proudly home to a wide range of businesses, nonprofits and other organizations that make the area one of the most dynamic places in the country to live, work, play and learn. American Water will be honored to join this vibrant community and will provide a full range of benefits that significantly outperform utility industry benchmarks. In addition to our excellent formal benefits package, eligible American Water employees also receive:

- A company-contributed 5.25% of employees' base salary or hourly pay into a defined contribution account, regardless of whether the employee chooses to make contributions to the 401(k) Plan;
- An Employee Stock Purchase Plan that includes a 15% stock discount during an enrollment period each quarter;
- A company-sponsored Employee Crisis Fund that may provide up to \$2,000 to help out in times of personal financial stress;
- A college tuition reimbursement of up to \$10,000 per year;
- Significant training and development opportunities; and
- A work environment that actively practices inclusion and diversity.

Additional information about our Employee Compensation and Benefits can be found in [Section xii](#)

- [REDACTED]
- **Community Economic Development:**  
Reflecting the company's strong commitment to the community, American Water will locate its new Florida headquarters and accompanying parking garage in downtown Jacksonville. We can make this commitment without the need for an electric partner, unless requested. We will also commit to work with the 3,000-member JAX Chamber to recruit prospective companies to the region. We will partner with local businesses and economic development experts to leverage incentives and credits to maximize economic development for the community. When Jacksonville businesses thrive in partnership with us, the entire community will benefit through increased employment and a stronger tax base. [REDACTED]

American Water will commit to the highest standards of sustainability and environmental leadership when developing its Jacksonville headquarters, as we have done for our newly completed corporate headquarters

in Camden, NJ. In December 2018, American Water relocated over 600 employees to its newly completed LEED platinum-certified headquarters. American Water's headquarters is a 220,000-square-foot "Class A" office building with a 662-space parking garage, and is comparable to the size of JEA's proposed headquarters. This building demonstrates American Water's commitment to sustainability and environmental stewardship in all aspects of our business. Achieving LEED platinum certification required a tremendous amount of collaboration through design, construction and completion of our new home in Camden, and gave us the expertise to do the same for future projects. Additionally, we have state headquarters in our regulated states, including the newest in Mechanicsburg, Pennsylvania which boasts energy efficient features such as a geothermal heating and cooling system.

American Water's move to Camden, an economically distressed U.S. city, has also been an opportunity to contribute to the continuing revival of that city. We invested in Camden's youth and the city's future economic prosperity, including working with our general contractor to develop programs to hire local Camden residents and businesses, and we provide safe, clean, reliable and affordable water and wastewater services to customers. Just as American Water's move came with a goal of improving the quality of life in Camden, the company would act as a catalyst for development in downtown Jacksonville. As a part of the Jacksonville community, American Water will emphasize and promote community education and outreach, job training programs and hiring initiatives. Our headquarters in Jacksonville would be a tangible demonstration of our commitment and desire to become part of the Jacksonville community, as we have done in countless other communities across the country throughout our 133-year history.

We will work with city leaders to develop beneficial community programs and projects for Jacksonville. We look forward to working with the 3,000-member Jacksonville Chamber to recruit potential companies to the region. Northeast Florida cannot reach its full potential without predictable commercial and industrial water and wastewater rates, as well as strong infrastructure, in place. This commitment includes supporting strong environmental protections for the St. Johns River and other important local natural resources, including the Northeast Florida shoreline, Intracoastal Waterway and Timucuan Preserve.

[REDACTED]

## v. Feasibility

### **Structural/Legal**

Based on our review of the Due Diligence Materials, American Water sees nothing in its corporate or legal structure or that of JEA, or in the relevant governmental/regulatory structures, that would adversely and materially affect the ability of American Water and JEA to ensure the feasibility of the Proposed Transaction.

### **Political**

As a partner, American Water would join JEA to conduct a public education campaign to clearly demonstrate the community benefits of the Proposed Transaction would include public relations, rapid response, community events and paid media. We have a history of successful acquiring municipal systems, some of which have required referendums prior to acquiring the systems, and we have expertise in these type of grassroots efforts.

### **Financial**

Any binding proposal and ultimate consummation of the Proposed Transaction will not be subject to any financial contingencies. If required, our final proposal will include a committed financing package.

## vi. Financing Sources

American Water intends to fund the proposed acquisition through a combination of debt, common equity and equity-linked sources, as well as internally generated cash flow. We intend to incur short-term and long-term debt to be held at American Water Capital Corp., a wholly owned subsidiary of American Water. The amount of debt at the JEA water and wastewater systems will be consistent with its regulated capital structure.

Given that American Water is a known issuer and has strong senior unsecured investment grade ratings (S&P: A / Moody's: Baa1), we expect to be able to raise debt sources in a timely manner and do not expect this to be a constraint on the timing of a transaction Closing. With regard to the planned common equity or equity-linked issuance, we have a market capitalization of \$21.57 billion and have authorized capital in excess of any equity sources needed.

Any binding proposal and ultimate consummation of the Proposed Transaction will not be subject to any financing contingencies. If required, our final proposal will include a committed financing package.

[REDACTED]

## vii. Internal Approvals Process

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The Board of Directors must review and approve definitive and binding transaction agreement with respect to the ITN and may be required to review and approve certain related financing agreements. Arranging for any such Board approval or its timing will not be an impediment to execution of a definitive agreement.

## viii. Regulatory/External Approvals and Conditions

Because American Water is proposing acquisition of only JEA's water and wastewater systems, the Federal Energy Regulatory Commission and the Federal Power Act are not relevant to our Revised Reply.

American Water believes that its acquisition of JEA's water and wastewater assets may be exempt from the pre-merger notification and waiting period requirements of the HSR Act. Our research indicates that the Federal Trade Commission is likely to classify JEA as a political subdivision of the state that is exempt from complying with the HSR Act's pre-merger notification process and waiting period. While we are confident in our analysis, the Federal Trade Commission's evaluation of whether JEA qualifies as a political subdivision is highly fact-sensitive and we would seek support and input from JEA to confirm our assessment. However, if an HSR filing is required, we have timely secured these approvals in the past for every applicable transaction we have completed in the last 10 years. In order to successfully move forward with the Proposed Transaction, American Water will obtain all necessary regulatory approvals, including issuance of a Certificate of Authorization from the Florida Public Service Commission and associated tariff approval.

The Proposed Transaction will require American Water to obtain a Certificate of Authorization from the FPSC to own, operate and provide service using water and wastewater assets currently owned by JEA and to charge JEA's existing rates. Additionally, American Water may need to obtain certain yet-to-be-determined FPSC accounting approvals based on information derived from further confirmatory due diligence and inspection of JEA's books and records, as well as the final terms of a definitive transaction agreement with JEA. Accordingly, American Water cannot provide an exhaustive list of all possible FPSC approvals at this time. American Water will consult with the FPSC prior to making any such application to ensure that we satisfy all FPSC expectations and facilitate a timely review and FPSC approval. American Water does not believe there is significant risk of negative action from the FPSC, and it is our expectation that all such approvals could be obtained within 4-8 months. We and our advisors have considerable experience in making regulatory filings and are confident we will obtain all regulatory approvals in a prompt and efficient manner. While American Water owns and operates utilities in other states, it would not need the approval of any other state commission to enter into the Proposed Transaction contemplated here.

While any privatization of JEA would require compliance with the City of Jacksonville Charter, based on our review of the Due Diligence Materials, our acquisition of JEA's water and wastewater assets would additionally require only the regulatory approvals described above and customary third-party approvals and notifications, if any. Through our ongoing due diligence, American Water would identify any material third-party consent or notice requirements, including compliance with any rights of first refusal held by third parties, that would be required to expeditiously complete the Proposed Transaction. American Water reserves the right to supplement this list, and to designate approvals that it deems necessary or appropriate as conditions precedent to closing of the Proposed Transaction, however at this time we do not anticipate any material impediments to promptly completing the Proposed Transaction.

## ix. Prior Acquisitions/Investments

In keeping with its status as the largest and most geographically diverse publicly traded water and wastewater utility company in the United States, American Water has successfully completed more than 100 acquisitions since 2014, some of which required public referendums. American Water has an established record of success in closing deals, which will ensure low execution risk.

Since 2014, the company has invested more than \$8.6 billion in acquisitions and strategic capital investment, including for regulated capital investment, technology, energy efficiency/renewables, new water supply, asset hardening for climate resiliency, combined sewer overflow (CSO)-related expenses, and more.

We invest significant amounts of capital across the company to add, replace and maintain property, plants and equipment, improve aging infrastructure, and asset hardening for climate resiliency,. We focus on both capital efficiency and O&M efficiency so that we may spend every capital dollar most cost-effectively and save O&M costs, in order to do more capital investment with minimal impact on customer bills. American Water is projected to invest more than \$1.8 billion in net company-funded capital improvements per year for the next five years over our footprint. The addition of JEA's water and wastewater business will increase American Water's total annual capital investment program to no less than \$2.0 billion per year, or at least \$230 million per year for Jacksonville-area projects.

American Water continues to be on a steady path making capital investments to ensure clean, safe and reliable water service, while we continue to improve our operating efficiencies to benefit our customers.

Of the acquisitions American Water has completed since 2014, the majority were municipal utilities. Given this unrivaled experience, we are uniquely positioned to understand not only successful municipal transactions in general, but also how each city and county requires a tailored and community-specific approach. We not only focus on the financials and the objective of providing substantial added value to residents and businesses, but we also pay close attention to the unique community and customer needs – and we have the experience to manage the Closing process efficiently, effectively and timely.

A complete list of the Regulated and Market-Based Business acquisitions we have completed since 2014 can be found in [Section xii](#).



## x. Advisors/Contact List

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

## xi. Due Diligence

American Water expects to undertake a due diligence exercise typical for a transaction of this nature and scope, including but not limited to: (i) a review of the Phase II virtual data room; (ii) attending management presentations and site visits; and (iii) Q&A. We expect to be able to conduct Phase II due diligence quickly and efficiently, including expeditiously assessing operating expense levels and efficiencies, capital expenditure plans, rates and regulatory strategy, and growth opportunities for the JEA water and wastewater systems. Key areas of due diligence will include tax, legal, regulatory, financial, commercial, technical, insurance and IT.

We are keenly interested in discussing the future business and capital expenditure program with JEA management, getting their firsthand perspectives on customer growth and usage, and receiving additional detail regarding operating expenses. Our goal in assessing the capital expenditure program and details of operating expenses is to find optimization/savings opportunities that we can pass on to customers or increase the value to the City of Jacksonville.

Some key due diligence areas identified at this stage that will be subject to further diligence include, but are not limited to:

- Age of assets / non-revenue water (leakage)
- Capital expenditures
- Customer tariffs
- Depreciation policies
- Environmental compliance and social plans
- IT
- Legal and organizational structure (ability to separate the JEA water and wastewater systems business)
- Ongoing operation and maintenance expenses
- Pension and employee benefit obligations
- Regulatory developments and regulatory strategy
- Tax structure
- Transaction-related documentation (i.e., Purchase Sale Agreement, Transition Services Agreement, etc.)
- Water sourcing / extraction rights
- Working capital

## xii. Other Information

### ITN 127-19 3.2.3. Evaluation Criteria and Selection Criteria

In addition to the core capabilities detailed in this Revised Reply, American Water is proud to share our approach to satisfy each of the Evaluation Criteria contained in item 3.2.3 of the Invitation to Negotiate (ITN) #127-19.

#### Experience and Customer Commitment

Although more than 87% of our total operating revenues in 2018 were derived from regulated operations in which we are the only supplier of water and wastewater services, we approach every customer experience with a relentlessly competitive mindset. While our regulated customers do not currently have a choice of their water provider, we believe it is critical to provide such strong customer experiences and treat our customers so well that if they were given a choice of a water or wastewater service provider, they would choose American Water.

#### **If Given the Choice, We Want Customers to Choose American Water Because They Want To, Not Because they Have To**

We hold ourselves to a standard that is continually growing more personalized. In today's world of increasingly personalized service, where fulfillment is usually no more than a click away and our customers are expecting an "Amazon-like" experience, the job of meeting and surpassing customer expectations has never been more challenging.

By directly engaging and listening to our customers, we aim to achieve customer satisfaction and service quality ratings in the top quartile of service industries beyond the water and wastewater industry. In Jacksonville, we will implement a multi-year strategic plan to enhance technology and innovation across all customer experience lines by:

[REDACTED]

#### **Longevity of utility generation, transmission and distribution operations of greater than 5 years**

##### **A Long -Standing History & Focus on the Future**

With history dating back to 1886, American Water has kept life flowing for our customers by providing water and wastewater services for over 133 years – and we have efforts in place to keep life flowing for years to come. Today, when we lay pipe in the ground, build water treatment facilities, expand our research capabilities or invest in the training and well-being of our employees, we are not thinking merely in quarters or years. We are thinking in decades, preparing for the challenges that lie ahead on water supply, water infrastructure, and water quality. It is not enough for us to be the trusted source of everything water for our current customers. We expect to be there for their children and grandchildren as well.

##### **Supplier Savings, Quality and Diversity to Fuel Longevity**

American Water has significant price leverage when we buy materials and supplies in the marketplace, given our annual spend of \$1.8 billion in water and wastewater equipment, products and services.

Below are a few examples of how our supply chain program is able to use this market power to produce savings:

- We have over 50,000 miles of main pipes in the ground and purchase about \$150 million worth of pipe, valves, hydrants and meters each year. We have been able to work directly with manufacturers for

national pricing agreements. [REDACTED]

- As a Top 100 Non-Government U.S. Fleet, we spend about \$24 million to buy 300-500 service vehicles per year. Because of our scale, we are able to negotiate directly with manufacturers. [REDACTED]
- We purchase approximately \$55 million of water treatment chemicals annually across multiple products and suppliers. [REDACTED]

[REDACTED]	
[REDACTED]	
■ [REDACTED]	■ [REDACTED]
■ [REDACTED]	■ [REDACTED]
■ [REDACTED]	■ [REDACTED]
■ [REDACTED]	■ [REDACTED]

We also have a well-established and recognized Supplier Diversity Program to better afford smaller organizations, and those run by women, minorities, veterans, individuals with disabilities and LGBTQ members the opportunity to provide essential products and services. As part of our commitment to Jacksonville and supplier diversity, American Water will continue to participate in the Jacksonville Small and Emerging Business (JSEB) program to support small business owners in the community. Additionally, we have a pre-qualification supplier diversity program that will allow Jacksonville area diverse businesses to not only be qualified to supply products and services in the Jacksonville area, but across our U.S. footprint. We strive to have diverse suppliers participate in all supply chain sourcing events [REDACTED].

**Leveraging Customer Insights to Improve Experience and Satisfaction**

Like JEA, American Water focuses on listening intently to the needs of our customers and works hard to find solutions that benefit them and the communities we serve. Receiving feedback from our customers is vital to improving our customer initiatives and ensuring the best possible customer experience. [REDACTED]

[REDACTED]

[REDACTED] We judge our customer performance through a quarterly survey conducted by an independent third-party firm, comparing our customers’ satisfaction to those of customers across the country from both public and private water and wastewater utilities located near our operations.

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]

Country	Year	Age Group	Population (Millions)
China	2010	0-14	1.8
China	2010	15-64	8.5
China	2010	65+	1.2
China	2015	0-14	1.7
China	2015	15-64	8.3
China	2015	65+	1.3
China	2020	0-14	1.6
China	2020	15-64	8.1
China	2020	65+	1.4
India	2010	0-14	2.5
India	2010	15-64	7.5
India	2010	65+	0.5
India	2015	0-14	2.4
India	2015	15-64	7.3
India	2015	65+	0.6
India	2020	0-14	2.3
India	2020	15-64	7.1
India	2020	65+	0.7
USA	2010	0-14	0.8
USA	2010	15-64	3.5
USA	2010	65+	2.2
USA	2015	0-14	0.7
USA	2015	15-64	3.4
USA	2015	65+	2.3
USA	2020	0-14	0.6
USA	2020	15-64	3.3
USA	2020	65+	2.4

\_\_\_\_\_  
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\_\_\_\_\_

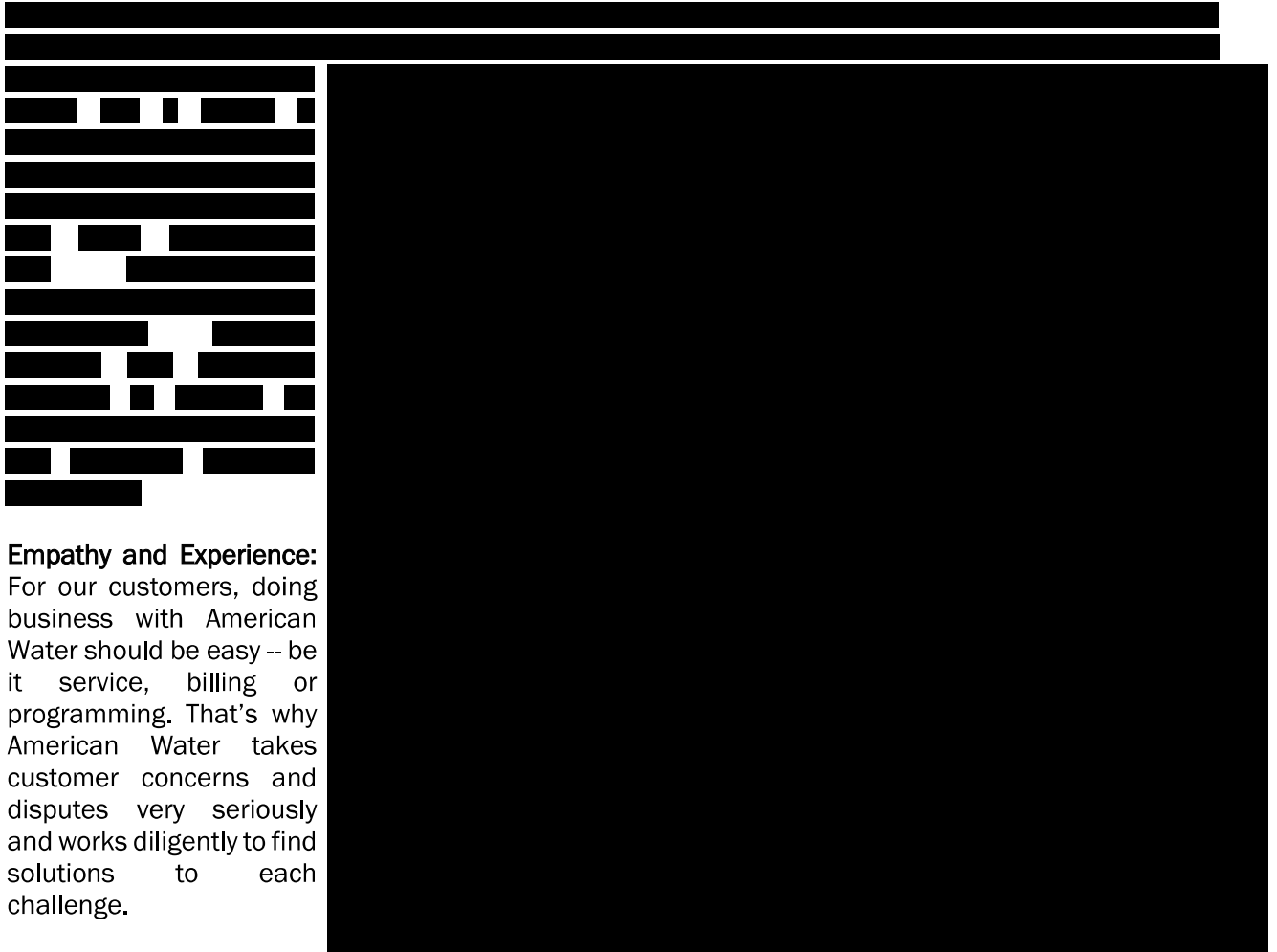
- Personalize Information and Services:** Making our customers' lives easier is a central theme to our customer-obsessed strategy. Delivering on this requires water and wastewater utilities to tailor each aspect of the customer journey to meet the individual customer's expectations.

[illegible]

As the needs of our customers shift, we strive to be a leader in providing them with the tools to work with us however they would like. Recently, we launched an updated, mobile-enabled Self-Service Customer Portal that allows customers to access their account 24/7 from anywhere.

**American Water's Self-Service Customer Portal**  
**Nearly 50% of Customers Are Enrolled**

## American Water's Self-Service Customer Portal Nearly 50% of Customers Are Enrolled



- **Empathy and Experience:**  
For our customers, doing business with American Water should be easy – be it service, billing or programming. That’s why American Water takes customer concerns and disputes very seriously and works diligently to find solutions to each challenge.

We have several layers in place to manage relationships and keep customers satisfied. The type of concern will determine which layer is engaged.

#### Customer Advocacy Team

- Every American Water state subsidiary has a dedicated Customer Advocacy Team. This customer-facing team serves as our “feet on the street.”
- Customers working with this team will receive support from the start, including communications trafficking and assistance to accelerate the issue to final resolution.

#### Customer Care Operations

- Our call center operations in Pensacola, FL, and Alton, IL, also feature small teams of issue resolution specialists who are dedicated to each American Water state subsidiary.
- These specialists receive specific training on interacting with customers who have targeted concerns and disputes.
- The resolution process typically begins and ends with this team. If the specialist is unsuccessful in resolving the issue, it is moved through an orderly chain of command to ensure timely resolution.



**REDUCING THE  
NUMBER OF  
TOUCHPOINTS THE  
CUSTOMER NEEDS**

“Every associate, in person or on the phone, always takes care of any issue I have, with a great attitude. Great customer service.”  
– Residential Customer, WV

“We are very satisfied. They are very forthcoming and supportive when we have issues. We are a high-volume user. We are pleased with the response to requests, and the professionalism of the staff.”  
– Industrial Account, NJ

**Improve Systems and Processes:** Our customer obsession drives us to continually challenge the norm. Real process changes come out of our efforts to glean insights from listening to customer feedback we receive from our Customer Advocacy Teams and Customer Care Operations. Our goal is to allow our customers to engage with us how, when and from wherever they like.

A recent success in this regard included our comprehensive company-wide utility bill redesign. Based on feedback from thousands of American Water customers through our online customer community, we streamlined our water bills, both paper and electronic, making them simpler and easier to understand while remaining compliant with local PSC regulations. [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

We recognize that each of our customers has unique needs and wants to create flexibility in how they can pay for their services. Below is a list of different methods and payment options we provide to customers so they can select the right option for themselves. In addition to flexible options, we have instituted a number of customer assistance programs, including Budget Billing, Installment Plans and donation programs, to support our customers in need.

88% of new portal users were satisfied with the ease of completing their task on the American Water website

[REDACTED]		[REDACTED]	
■	[REDACTED]	■	[REDACTED]
■	[REDACTED]	■	[REDACTED]
■	[REDACTED]	■	[REDACTED]
■	[REDACTED]	■	[REDACTED]
■	[REDACTED]	■	[REDACTED]
■	[REDACTED]	■	[REDACTED]



## Our corporate culture demonstrates a long-term commitment to our operations

### A Culture Built on Safety

Safety is more than just “the right thing to do” – it is a core company value and strategy that shows American Water’s commitment to ensuring that our employees have a safe place to work and that our communities and customers are safe.



As an ongoing strategy that American Water has embraced, Occupational Health and Safety (OHS) translates to better performance across our entire organization. With healthy and injury-free employees, our culture of caring is reinforced and we perform better as a business, lower our operating costs and increase employee morale.

We constantly and rigorously listen to our employees and inspect work sites with a focus on enhancing safety. Through frequent labor-management meetings across the company, we explore new ways to further enhance safety on the job. If it takes longer to do a task safely, then employees are empowered to take the time they need. We have numerous peer-to-peer safety inspections where coworkers help each other without management involvement. Every employee has a “Stop Work” authority and can shut down an unsafe job (including contractors) and will never be penalized for doing so—in fact, they are celebrated for doing so.

American Water’s 2018 safety performance was the best in our recorded history.

However, our target always is – and must be – zero injuries.

Under our Health and Safety Charter, developed by a team of management and union leadership, we hold all employees and contractors to the same high standard of safety accountability for themselves, their coworkers and the communities we serve. We engage all management and hourly (union/non-union) employees in our safety management system through our Certified Safe Worker program.



50% REDUCTION IN  
WORKPLACE INJURIES  
SINCE 2013

### Continued Education and Professional Development

JEA employees who join American Water will be eligible to participate in our tuition reimbursement program, which offers up to \$10,000 per year in tuition costs, registration fees and books for courses or degrees that might enhance employees’ overall effectiveness in his or her current role, or for potential developmental opportunities. The company encourages and supports employees who enroll in college, university and technical school courses to gain specific knowledge or to obtain a degree. With Jacksonville’s multiple outstanding institutions of higher learning, these opportunities could be used by employees to gain important skills to develop into more well-rounded professionals while supporting the region’s institutions. This program is intended to enhance employees’ professional development and their skills and knowledge related to American Water’s business.

As an added benefit, JEA employees who transition to American Water will have full access to a robust library of content that offers guided learning about the utility industry, safety, leadership and other meaningful topics. In addition to engaging and informative digital content, American Water also offers regular small group education and development courses. We firmly believe that continuing education helps improve each member of our team and we require that every employee receive at least 20 hours of formal training every year paid for by the company.

### Ethics Embedded in Every Facet of Our Business

American Water maintains a culture of professional respect and emotional safety across our organization. This is demonstrated through our best-in-class respect and dignity policy, harassment-free workplace policy, and

ongoing training policies. For the benefit of our employees, we encourage reporting through human resources, management or a confidential third party-administered Ethics Hotline that is available to employees and external stakeholders, including suppliers and customers.

## Seamless Integration Process

We are confident that JEA customers will benefit from American Water's proven expertise in successfully integrating dozens of municipal acquisitions. American Water utilizes SAP as its core enterprise resource planning system enabling streamlined business integration. In late 2018, the company was certified as an Advanced Customer Center of Expertise (ACCOE) and is the first U.S. utility company to reach this noteworthy benchmark. [REDACTED]

American Water also leverages innovative Data Stewardship Platform (DSP) technology to support customer data transition, bringing a unique benefit to our company and entities it acquires. The DSP combined with American Water proprietary features deliver many benefits, including:

- Highly scalable approach to customer volume: Regardless of the number of customers we serve, our processes and integration techniques can be quickly and effectively scaled to easily accept new customers.
- Advanced customer GIS mapping technology: These innovative technologies allow our team to more effectively map and notify customers in the event of a customer-impacting emergency.
- Proactive and established user acceptance process: Having an intuitive process helps improve programmatic approval flows across organizations with built-in data validation.

## Strong focus on maintaining reliability and minimizing time of disruptions

We are keenly focused on maintaining reliability and minimizing time of disruptions because water management and climate variability are inextricably linked. The impacts of climate variability, such as sea level rise, and increases in frequency of extreme weather events directly affect water sources and infrastructure. The number and frequency of droughts, severe storms and wildfires has intensified over the past 20 years. Further, the U.S. Geological Survey has linked river salinity to climate change. The changing of source water makeup and extreme weather events directly impacts the environmental aspects of our business and is something American Water's leadership team regularly considers when determining future plans and preparedness strategies.

American Water has policies directly focused on this, such as our Capital Program Management Policy requiring investment in our infrastructure to follow specific recommendations from our comprehensive asset planning process. This includes assessing risks from climate variability and developing appropriate mitigation and adaptation strategies. For example, in our construction we use either a 100-year minimum or 500-year flood elevation as the basis for design, depending on the criticality of the asset and specific application.

When we build new facilities, we consider climate variability, raising critical equipment well above historic flood levels and designing for more frequent and intense weather events to strengthen their resiliency. We have committed approximately \$1.5 billion or more annually to upgrade and renew water and wastewater treatment plants, distribution and transmission pipes, pumping stations and other essential facilities. Approximately 8% of our capital investment is dedicated to resiliency and hardening of our assets.

## Disaster Planning

We invest in the resiliency of our systems and in the communities we serve. Infrastructure that is in poor condition or designed for historical environmental conditions is more susceptible to the impacts of extreme weather events, especially flooding and droughts, which can result in contamination or loss of service. Challenging weather conditions, and thus the related risks, are predicted to continue and escalate. Given Jacksonville's coastal location, the city is especially vulnerable to this threat. With Northeast Florida experiencing a rise in the occurrence of hurricanes and related storm surge activities, JEA will benefit from American Water's approach to disaster planning, which addresses risks through redundancies and strategic planning. This work is vital to continually meet all customers' basic needs for clean, safe and reliable water.

Increased climate variability including intense storms and winds can lead to power outages that have the potential to affect services if appropriate preparations are not taken. We must be prepared for these events by ensuring that our most critical facilities can operate for an extended period of time on stand-alone power generation sources, such as gas-powered generators and/or solar panels. We are proud to have backup generation in place for over 80% of our customers. Additionally, our emergency response plans focus on strategies to mitigate the potential impact from extreme weather and climate variability to improve the reliability of our systems for the benefit of our customers.

American Water's investment approach provides many opportunities to increase climate resilience in the communities served by JEA by implementing mitigation and adaption strategies. As climate models and forecasts continue to improve, we are constantly evaluating risks to our operations and implementing new design standards into our engineering processes to make assets more resilient.

## Capital Investment Planning

Like JEA, American Water has a robust process in place to develop strategic capital investment plans, which includes making our assets and operations more resilient to climate variability and other threats from our changing world. Our resiliency planning strategy is not limited to our capital investment plans – it is also integrated into our asset management, emergency response planning, capacity development and other decision-making processes.

American Water will continue to prioritize and invest in our resiliency and asset hardening efforts. This forward-thinking philosophy will extend to our partnership with JEA because we see the readiness of our systems as critical to addressing weather challenges and climate variability impacts on our life-sustaining services.

In 2018 alone, our completed resiliency projects included:

- \$37 million flood protection project at the Raritan-Millstone plant in Bridgewater, NJ
- \$45 million water supply pipeline project to reduce the risk of water scarcity in Monterey, CA
- \$13.4 million emergency generator at the central water treatment plant in St. Louis, MO, allowing us to treat over 120 million gallons of water each day

These projects manage water supply, a finite resource, and safeguard customers' long-term needs. In some regions, concerns about long-term water scarcity and water quality are increasing stakeholder expectations for American Water to protect this valuable resource and ensure access to clean, safe water into the future. The risks posed by climate change increase pressure to plan for and address Water Supply Resilience.

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## Resiliency in Northern California

More recently, California American Water was able to maintain normal water service in Geyserville and Larkfield during the Kincaid Fire and Public Safety Power Shutoff events by implementing our emergency preparedness and resiliency plans.

Through the use of back-up generation and remote operations, California American Water was able to continue operating both water systems to support first responders during the evacuations and has been providing normal water service to customers as they return to their homes and businesses.

## Proven Leader of Wastewater Fundamentals

In addition to our expertise in potable water, American Water owns and operates 130 wastewater treatment plants (WWTPs) across the U.S., which range in size from less than 10,000 GPD up to 20 MGD. In addition, we own and operate more than 175 wastewater collection systems with a combined total of more than 2,500 miles of separate sanitary and combined wastewater system piping and over 600 sewage lift stations.

Given the vast number and scale of these facilities, American Water has experience with nearly every conventional and advanced wastewater treatment technology currently being used in the industry, including numerous activated sludge and biological nutrient removal configurations; trickling filters; rotating biological contactors; facultative lagoons; sequencing batch reactors (SBRs); membrane bioreactors (MBRs); grit and

screenings headworks technologies; aerobic and anaerobic digesters; gravity and dissolved air floatation thickening; centrifuge, belt press and screw press dewatering; and thermal drying and lime stabilization.

American Water is able to draw on the industry-leading experience of our operations and engineering staff in all of our states and at corporate to better inform our decision-making process when evaluating alternatives for upgrading or expanding existing equipment or facilities.

American Water has experience tackling the multitude of challenges that wastewater systems face on a regular basis. Like JEA, a number of our WWTPs are located in warm-weather climates and where water resources are limited. We have experience developing and operating a range of water reuse facilities in various service areas and through our association engagements.

For example, six of American Water's WWTPs in California provide reuse water for local crop and landscape irrigation, and American Water recently completed construction of the first unrestricted non-potable reuse facility in the State of Oklahoma at our Fort Sill WWTP, where the reuse water is currently used for landscape irrigation and cooling water purposes. In New Jersey, American Water owns and operates several MBR facilities that discharge highly treated effluent to ground water, which helps to replenish aquifers and eliminates pollutant loading to high-quality streams from septic systems in the area.

In addition, many of our facilities discharge to sensitive ecosystems, which means we must meet stringent discharge standards related to biochemical oxygen demand (BOD), total suspended solids (TSS), total nitrogen and phosphorous. Specifically, American Water owns multiple WWTPs near Woodbridge, VA, that discharge to tributaries of the Chesapeake Bay. These facilities are equipped with SBRs and tertiary filtration technology that allow the facilities to meet stringent total nitrogen and phosphorous discharge requirements. In fact, our plants have been so successful in meeting their total maximum daily load (TMDL) allowances that we have been able to offset operating costs by selling excess nutrient trading credits to nearby utilities that cannot meet their own discharge limits.

Several other American Water WWTPs also provide biological and/or chemical nutrient removal, which is an important factor for reducing the risk of harmful algal blooms in large urban water bodies like the St. Johns River.

### **Wastewater Innovations**

American Water is also a leader in innovation, having developed and patented a wastewater treatment process technology called NPXpress. This process reduces aeration energy consumption by up to 50% and supplemental carbon sources for Biological Nutrient Removal (BNR) plants by up to 100%. The unique operating conditions of the NPXpress process promote the growth of a type of microorganism that removes nitrogen and phosphorus in wastewater. These microorganisms require less oxygen and carbon sources to convert ammonia nitrogen to nitrogen gas than conventional BNR plants. This is just one example of the technical expertise at American Water.

### **Focus On Maintaining Rate Stability For Customers**

American Water's history and experience in large-scale purchases of water and wastewater systems is tied to a deep understanding of the need for stability and predictability of rates.

JEA will benefit from American Water's ability to share our compliance and capital investment acumen, while leveraging our volume purchasing power, scale, technology and innovation development.

### **American Water Rate History**

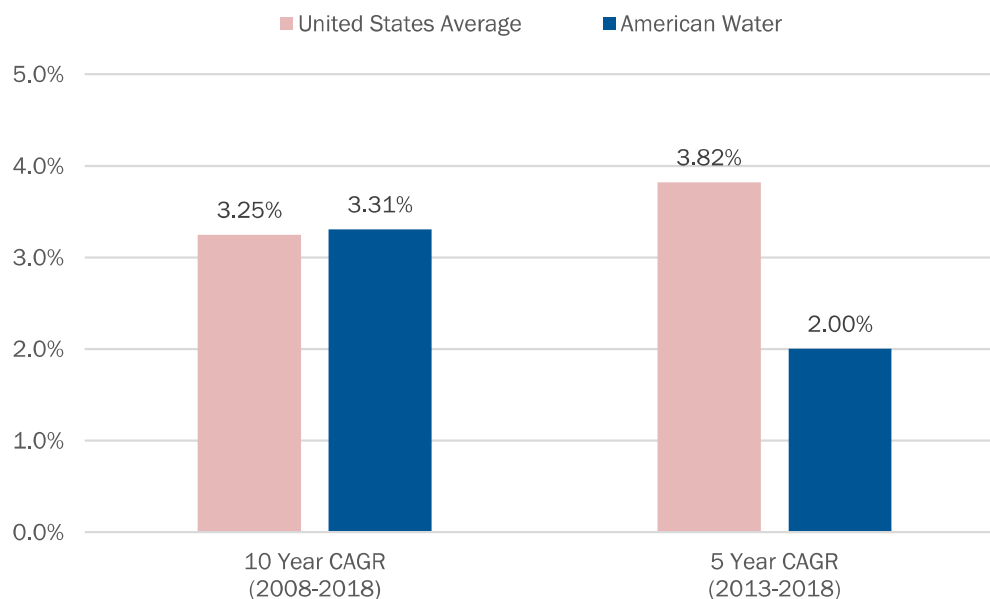
American Water has diverse regulated utility operations throughout the country, operating within a variety of regulatory frameworks that differ from state to state. Despite varying geographic conditions that impact costs,



American Water's rate changes, on an annual basis, have been comparable or lower than the water and wastewater consumer price index.

## American Water's annual rate change is nearly half of the United States average over the last 5 years

Compound Annual Growth Rate on Average Customer Water Bills  
American Water Compared to United States Average<sup>1</sup>



<sup>1</sup> United States Average is based on percent change to the U.S. Bureau of Labor Statistics housing / utility consumer expenditures (All Consumer Units) for Water and Other Public Services. AWK is based on the percent change in residential revenue per residential customer, based on data from AWK's 10-Ks.

Our rate case management program aims to balance infrastructure investment needs and protect water quality while limiting rate increases. Over the past five years (2013-2018), our average water customer bill across our service areas increased by only 2.0% per year, which is nearly half the United States average of 3.82%.

In an operating environment where the company plans to invest more than \$1.8 billion per year across the country on infrastructure and other necessary capital projects, American Water is able to mitigate rate increases by lowering its per-customer operating costs. As we noted earlier, for every \$1 in O&M savings, we can invest \$8 of capital with no adverse impact on a typical customer's bill. This is a result of growing the customer base through strategic acquisitions and optimizing shared and back-office services, allowing the company to maintain a robust field staff to operate our systems at high service quality. Through a partnership with the Jacksonville community, we will apply these same savings and efficiency strategies to bring current JEA customers the best possible service at the lowest possible rates.

American Water has taken a leading position in promoting innovative ways to limit sizable increases in bills while replacing aging infrastructure. These include infrastructure replacement surcharges, future and hybrid test years, and mechanisms for utility plant recovery, expenses and revenue stability. In our view, Florida has a constructive regulatory environment and American Water looks forward to proactively delivering rate stability to customers in Jacksonville under the construct provided by the Florida Public Service Commission.

## Low-Income Programs

When it comes to water access and affordability, JEA and its customers can be confident that American Water will use customer-focused strategies that benefit the community in two distinct ways. The first is to provide safe, clean and reliable water service to meet our customers' needs, and work hard and smart to ensure that we meet this commitment every day. The second is ensuring that the cost of water service to all customers is affordable, including implementing ratemaking structures and processes that protect our most vulnerable customers. Protecting all of our customers, no matter their economic status, is vitally important to American Water's vision for the Jacksonville community.

To help ensure that water is affordable for all customer populations, American Water participates in a number of practices including low-income tariffs, grant programs and payment plans.

Where approved by state legislatures or regulatory authorities, we offer customer assistance programs to help financially challenged or disadvantaged households pay for water services. Programs vary by state and include assistance in the form of one-time emergency grants and/or ongoing service charge discounts. Other examples include rebates for water-saving appliances, leak detection kits, free water-saving devices and educational booklets to help customers make their homes more water efficient and reduce water costs.

In many states, to help promote access to clean water, vulnerable populations are eligible for low-income tariffs. We have low-income programs for 12 states (over 85% of our regulated operations), including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia. In Pennsylvania, for example, qualifying households can work with community action agencies to receive discounts of up to 85% of their service charges. In most states, other customers support these low-income tariffs.

These efforts, coupled with maintaining current forecasted base rates for a minimum of three years, as presented in the Due Diligence Materials, give JEA customers certainty about the future of their utility costs.



## Economic Development and Benefits to Jacksonville

### American Water is Dedicated to the New JEA Headquarters

As part of our bid, American Water commits to locating its Florida headquarters in downtown Jacksonville. We are flexible as to whether our Jacksonville headquarters is a result of JEA's existing or future procurement processes or our own initiative. We recently completed construction of our LEED platinum-certified corporate headquarters building in Camden, NJ, on time and on budget, so we are confident that we can successfully execute on and exceed this requirement.

While we remain open to stakeholder discussions regarding possible ways to implement this exciting development in downtown Jacksonville, one option is to continue to develop the new JEA headquarters on West Adams Street as currently proposed by Ryan Companies, which includes a nine-story "Class A" office building with a nine-level parking garage.

The estimated cost of construction of the new JEA headquarters for the base building shell and parking garage is approximately \$72.2 million, which does not include costs for interior tenant improvements, furniture, fixtures and equipment. American Water commits to continue to develop the base building shell and interior improvements consistent with the project costs and schedule established by JEA and Ryan Companies, or to otherwise meet JEA's and Jacksonville's objectives. Our bid contemplates American Water assuming full responsibility for the completion of this building, irrespective of a potential partner on other segments of JEA. American Water recognizes that JEA's plans regarding this building may change over time. If, for any reason, JEA's headquarters plans change, American Water is willing to either work with any new plans that JEA may have or begin to develop our own plans. In any event, American Water would maintain its commitment to have its headquarters in downtown Jacksonville.

American Water will commit to the highest standards of sustainability and environmental leadership when developing the JEA headquarters, as we have done for our newly completed headquarters. In December 2018, American Water relocated over 600 employees to its newly completed LEED platinum-certified headquarters in Camden, NJ, and economically distressed city. Both the base building shell and interiors of our headquarters building earned all possible points within the sustainable site credit category. American Water's headquarters is a 220,000-square-foot "Class A" office building with a 662-space parking garage, and is comparable to the size of JEA's proposed headquarters. This building demonstrates American Water's commitment to

sustainability and environmental leadership stewardship in all aspects of our business and we would strive to do the same for the JEA. Achieving LEED platinum certification required a tremendous amount of collaboration through design, construction and completion of our new home in Camden and lent us the expertise to do the same for future projects. Notable environmentally friendly building features include: a water reuse system, providing water for the building toilets and landscaping; LED lighting through the building and solar shades on the windows to maximize the use of natural light; high-efficiency glass windows to reduce the heat impact inside



the building; low-flow toilets, sinks and showers to reduce water usage and high-efficiency HVAC system to reduce energy consumption.

American Water's move to Camden has been an opportunity to contribute to the continuing revival of the city. We invested in Camden's youth and the city's future economic prosperity, and provided clean, safe, reliable and affordable water and water services to customers. Just as American Water's move came with a goal of improving the quality of life in Camden, the company would act as a catalyst for development in downtown Jacksonville. This future agreement, outlined more deeply in [Section xii](#), provides a comprehensive plan for how American Water will emphasize and promote community education and outreach, job training programs and hiring initiatives at the Jacksonville headquarters. Our headquarters in Jacksonville would be a tangible demonstration of our commitment and desire to become part of the Jacksonville community, as we have done in countless other communities across the country throughout our 133 -year history.

### **Industry Affairs Partnership with JAX Chamber**

American Water looks forward to working with the 3,000-member JAX Chamber to recruit potential companies to the region. Northeast Florida cannot reach its full potential without predictable commercial and industrial water and wastewater rates, as well as strong infrastructure, in place. This commitment includes supporting strong environmental protections for the St. Johns River and other important local natural resources including the Northeast Florida shoreline, Intracoastal Waterway and Timucuan Preserve.

As noted previously, American Water is committed to developing a new headquarters in Jacksonville. We bring unique value in our willingness to work with the community to directly create new jobs in Jacksonville areas of priority, as our company hires nearly 1,000 people every year to serve our businesses across the country.

Training is a key element for the success of any workforce; since 2015, we have invested \$900,000 in internships at Hopeworks, a Camden, NJ, nonprofit that is teaching students to use Global Positioning Systems (GPS) technology to digitize water lines and other assets while building tech-savvy skills and our future workforce. We offer student internships and provide the nonprofit with equipment and technology including laptops, Panasonic Toughbooks, computer monitors and office furniture. While we are proud to support this important program financially, the most meaningful way we help enhance opportunities for student success is through hands-on experiences where students work alongside American Water employees, learning skills and building friendships and mentors.

To underscore the true impact of that strategic partnership with Hopeworks, here is an excerpt of a recent letter from Executive Director Dan Rhoton regarding an award application to Jersey Water Works under the One Water Award:

"At Hopeworks, we often cite our partnership with American Water as a model. This nomination is one opportunity to bring recognition to an innovative industry partner who is truly transforming lives in Camden. On average, youth entered our program with an average annual income of under \$900. The average annual wage for those same young people now averages over \$33,000!"

## Employee Retention, Salaries and Benefits

American Water also commits to protecting certain employee retirement benefits as outlined in the ITN. We offer a highly competitive full spectrum of medical, prescription, dental and vision coverage plus disability, life insurance, voluntary benefits, paid family leave, a wellness program, 401(k) Saving Plan with immediate vesting and much more. We strive to ensure that our employees have the choice, value and quality they need when making benefit elections to provide important protection for them and their families. When American Water last benchmarked our medical plan in 2019, we were very competitive in the utility market on each deductible and out-of-pocket amount, and on medical plan actuarial values.

We also believe it is important to update our plans to meet the needs of our diverse workforce. In 2019 we added coverage for the treatment of autism, hearing aids and transgender services. Current and future JEA employees will benefit from American Water's progressive approach to paid family leave, generous vacation, holiday and sick policies, transparency and equity in pay.

We have proven to be an employer of choice by providing a comprehensive compensation program, designed to recognize our people and the vital roles they play in our success. All our employees, including union-represented, participate in the short-term Annual Performance Plan, which pays cash bonuses based on established goals that are the same from front-line employees through the CEO.

American Water believes in sharing our success with those who make it possible – our employees. We contribute an amount equal to 5.25% of employees' base salary or hourly pay into a defined contribution account, regardless of whether the employee chooses to make contributions to the 401(k) Plan. We also proudly offer our employees the ability to purchase American Water stock at a 15% discount during an enrollment period each quarter. To encourage our employees' continuing education, we reimburse tuition costs, registration and required fees, up to \$10,000 per employee per year, for approved education costs. We also recognize employees with a host of awards, recognizing outstanding contributions in the areas of customer service, technology, safety and teamwork. Winners receive American Water stock and a trophy. For employees at the director level or above, we reward those who contribute significantly to the company's long-term, strategic business goals with Restricted Stock Units and Performance Stock Units.

### Seamless Employee Integration

We take pride in the support we provide to the employees of newly integrated companies. Prior to transition, a team of American Water human resource professionals conducts onsite meetings to review our compensation, benefit plans and other employment-related items. We welcome the spouses of employees to attend a meeting and we schedule evening sessions to accommodate differing schedules.

Beginning with the first day of employment, the HR team will be on-site to onboard the employees, help them navigate the HR and Benefits website, assist with benefit enrollment, guide them through safety and operations training sessions and answer any questions. This employee-centered support continues from day one throughout their career with American Water.

## AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

Below are just a few examples where American Water has exceeded employee expectations:

*"The transition for me was how quick the union and American Water were able to reach an agreement. I feel it was fair for both parties and knowing now that it was the best thing that could happen to this group. I feel we are being treated very fairly with all the changes. Going into this was a huge adjustment for me. I had been with the city for 29 years and the thought that starting over was horrible. But after all the negotiations and meetings it became pretty clear that I wasn't losing anything, in fact things got better."*

– Todd Pohlman, Teamsters Union, Local 525

*"...the city called a meeting shortly after we heard the rumors and confirmed what I thought was my worst fear. They were selling us. In the meeting Karen Cooper and other representatives of American Water assured us that they didn't have a room full of people to take our jobs. They wanted our experience. As time went on, we spoke with other FSR guys, Field employees and others that work on the water side and they told us how great a company American Water was to work for. Through contract negotiations I came to realize this was the easiest contract I have ever been involved with."*

– Bob Herring, Teamsters Union, Local 525

*"From a safety standpoint, the transition has been absolutely awesome. When we came to American Water, we came with nothing other than the shirts on our backs. We literally had no safety equipment to bring with us. American Water went out of their way to get us all the safety equipment they purchase to protect their employees. Since June 26<sup>th</sup> when the transition took place, all my fears have changed to enjoying going to work and loving my job again. This has turned out to be one of the most awesome experiences of my life. Thank you American Water."*

– Tony Bellitto, Teamsters Union, Local 525

### American Water Charitable Foundation

Knowing that JEA employees are active in their community, the programs offered by the American Water Charitable Foundation will also be well-received. Employees who donate their time to eligible 501(c)(3) public charities may apply for matching funds at a rate of \$20 per hour volunteered, as well as a 100% match on contributions for monetary donations, up to \$1,000 per employee, per year in total across both programs. This benefits eligible public charities in the entire community surrounding Jacksonville and we are proud that JEA employees will have the opportunity to make a meaningful difference to organizations that are important to them.

### Employee Crisis Fund

JEA employees will also have access to the Employee Crisis Fund, a program funded by American Water Charitable Foundation and employee donations. Employees are eligible to apply for a grant of up to \$2,000 when impacted by an unexpected emergency causing financial hardship, such as a house fire, natural disasters, or serious injuries or illnesses.



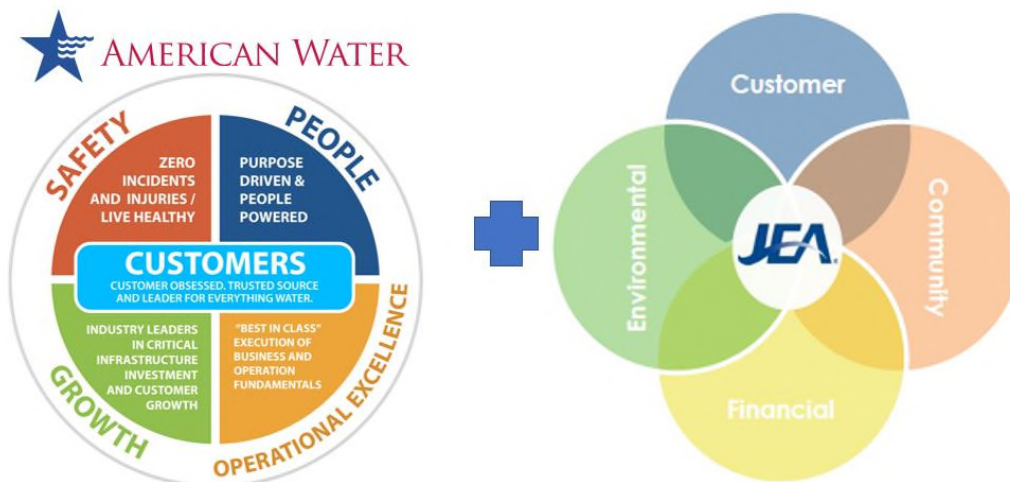
## Inclusion and Diversity

Jacksonville is a diverse community that celebrates the diverse backgrounds and people that make a city great. American Water sees diversity as a vital element in creating an environment where differences are accepted and are important to the company's success. As we live our values daily, we create a culture of inclusion for all. Below are examples how our each of our values is structured to be inclusive of everyone who works at American Water.

- Safety is a great example of our dedication to inclusion. We want every single person who is part of our company to go home to his or her family in as good a shape or better than when he or she came to work – and we wish for each of our employees and their families to live safely in their personal lives as well. This commitment comes from our fundamental caring and concern for every employee – not just at work, but 24 hours a day.
- Trust is a simple word that encompasses a tremendous amount of meaning. First, trust implies an open, candid, respectful, honest and caring relationship. It also means challenging each other respectfully and holding ourselves accountable for doing the right thing when it is most difficult to do so. That is why we have zero tolerance for any type or form of discrimination or harassment. Inclusion means appreciating the value of each person's diversity and acknowledging their thoughts, ideas and concerns.
- Environmental Leadership is at the heart of who we are and what we do. Water is a critically essential, life-giving product and service for all living creatures. We must ensure that we protect our water sources, and are diligent in our stewardship of the planet so we can continue to provide this critical part of daily life, and uphold the physical and economic health of the communities we are privileged to serve.
- Teamwork means we recognize that our employees are stronger together. That leveraging our different talents, backgrounds, viewpoints and beliefs helps us understand our diverse customers and communities better. That our differences make us able to "Keep Life Flowing." Because of this, it is critical that we include the thoughts and ideas of everyone who is part of our American Water team when making decisions that affect our business.
- High Performance means we like to win. No apologies – we want to be the best at what we do. We will be honest and ethical, and win the right way. We want to be the best place for people to work. To be the best company – of any kind – for our customers. We want to be the most trusted by our regulators and elected officials, and make a positive difference in the communities we serve. We will attempt to tackle the problems our nation faces with emerging water quality, water supply and infrastructure challenges. We will find the best ways to give our customers a great personal experience. We will leverage the strengths and abilities of each of our employee councils.

## Innovation Plan

At American Water we focus the efforts of our people and extensive resources through our *Purpose Driven, People Powered, Customer Obsessed and Trusted Source of Everything Water* strategy. Innovation is a priority at American Water and is embedded in our overall strategy and the many initiatives we develop to enhance services for our customers. JEA has always been an innovation leader in public utilities throughout its history, and we see alignment between American Water's and JEA's priorities and see tremendous opportunities to support JEA in its strategy, particularly through four untapped growth opportunities that we discuss further in the innovation plan details below.



JEA's existing platform is an excellent foundation to drive the growth needed to fuel Jacksonville's ever-changing water and wastewater needs. By coupling this platform with American Water's resources, expertise and extensive external network, we see opportunities that will place the Jacksonville community in the driver's seat to keep life flowing, not only for residents of greater Jacksonville but for Floridians in every part of the state. With American Water's national footprint, we are interested in exploring potential opportunities to use this combined enhanced platform to develop innovation pilots in Jacksonville with a view to expand them nationally – and the resulting recognition of Jacksonville as the birthplace of water and wastewater technological advances. At American Water we value strategic growth as much as JEA does, and we believe each innovation opportunity solidifies the future of the utility, establishes new revenue channels and assures the future success of JEA and the Jacksonville economy.

Our innovation plan consists of the following components, which can be delivered by either our regulated or market-based businesses.

- Technology and Innovation
- Operational Excellence
- Water R&D
- Homeowner Services

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**Operational Excellence - Proactive Approach to Jacksonville Water Loss**

American Water makes a significant investment in technology and resources to keep our water losses to a minimum. We foresee an opportunity to integrate these investments across Northeastern Florida to increase resiliency from hurricanes, floods and other emergency situations. Additional innovative technologies and programs all help drive efficiency by minimizing the withdrawal of limited freshwater supplies, reducing power demands associated with pumping and treatment, and using less chemicals and other resources throughout our processes.

**Water R&D – Industry Leading Solutions Ensure A Bright Business Future**

Cutting-edge solutions are needed today to address the challenges of professionals have been trailblazers in water research, developing solutions to address health advisories, controlling contaminant issues (such as Cyanotoxins, lead and PFAS), delivering energy and water conservation at the water-energy nexus, and collaborating with the AWWA, EPA and others. These solutions have

demonstrated mutually beneficial results for customers, communities, the environment, American Water and now greater Jacksonville. [REDACTED]

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- **Wastewater Energy Savings:** American Water's patented, award-winning NPXpress process could be used to reduce the energy and chemical demands of JEA's existing wastewater treatment plants, especially those that employ Biological Nutrient Removal (BNR) technology. Our team of research scientists and process engineers has the experience to develop customized solutions that minimize energy and maximize value.
- **EPA Awards Innovation:** Every Jacksonville resident will benefit as American Water provides services that grow the number of awards (now 68) it receives from the EPA. We are fortunate to have received extensive recognition for our high standard of water quality excellence.

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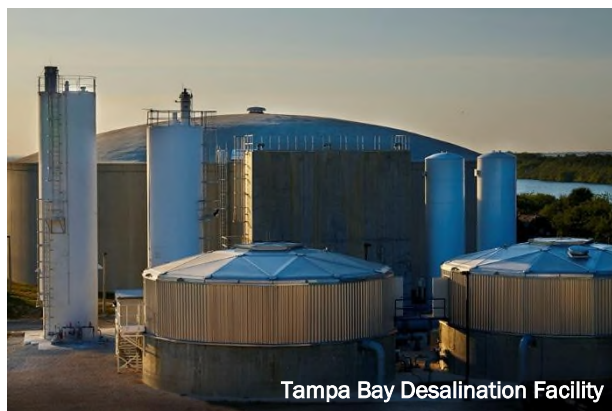
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Tampa Bay Desalination Facility

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## Environmental, Social and Governance

### Sustaining Our Values

As with JEA, American Water's ESG is an affirmation of the values we have upheld for decades, and has been and continues to be an essential part of our business. At American Water, we know that "how" a company operates is just as important as "what" a company does. A commitment to ESG principles is a priority for our entire company, from the Board of Directors to leadership to every employee. We truly believe that organizations do well by doing good.

At American Water, ESG is much broader than just three words. It includes environmental leadership and sustainability; operational excellence; employee engagement, safety and equality; active community engagement, civic and charitable involvement; and transparency and good governance – all are foundational to our corporate strategy. Today's stakeholders expect corporations to provide leadership on ESG principles and make a positive impact. Stakeholders want to see defined and measured actions and results that are reflective of a company's commitment to such principles.

### Sustainable Commitments That Guide All Operations

Environmental leadership is one of five core values at American Water, and we have the responsibility to treat and deliver the most precious of life's needs -- water. Our primary responsibility is the delivery of clean, affordable, reliable water and wastewater services. In fulfilling our responsibilities, we have committed ourselves to environmental leadership. We consistently work to protect public health and promote environmental stewardship.

**American Water's commitment to sustainability is integrated into all operations and will be invaluable to the City of Jacksonville.**

Some examples of how we have committed to environmental leadership include:

- We have established a goal of reducing our greenhouse gas emissions 40% by 2025 – and already achieved a 31% reduction from our 2007 baseline through 2018 – through deployment of renewable energy and efficiency initiatives and projects, such as pressure management and pump refurbishment.
- We consider green energy whenever possible when negotiating power purchase agreements, in order to reduce our costs and lower our carbon footprint.
- American Water maintains a portfolio of alternative energy sources to reduce GHG emissions while increasing access to cheaper renewable energy.
  - We have solar installations at four of our surface water treatment facilities and two of our groundwater treatment facilities that have produced more than 3 million kWh of solar energy annually in the past four years, reducing our CO2 emissions by more than 5,000 metric tons total. Examples from our New Jersey American Water operations include:
    - Canal Road Water Treatment Plant has one of the largest ground-mounted solar arrays on the East Coast; and
    - Canoe Brook Water Treatment Plant developed a sustainable solar power energy capability, including utilization of solar bees which improve water quality, producing 135,000 kilowatt hours of energy annually.

- Overall in recent years, our residential customers have saved about 1,100 gallons per customer per year – or 3.3 billion gallons annually, about 12.5 million cubic meters – through conservation and efficiency measures. Among the initiatives contributing to these savings are:
  - California American Water’s leading conservation program, which totaled about 100 million gallons in water savings in 2018.
  - New York American Water’s 2018 conservation study, featuring a detailed evaluation of water use patterns and a customer survey about water consumption habits that identified the water-savings opportunities.
  - [REDACTED]

### Environmental Stewardship Commitments to Jacksonville

#### Accelerated Septic Phase Out Program

We understand that a number of Jacksonville neighborhoods are the cause of environmental concern because they do not have access to JEA’s community sewer network and have aging residential septic tanks. American Water proposes to work with the City of Jacksonville to resolve Jacksonville’s replacement of aging residential septic tanks on an accelerated timeline. [REDACTED]

#### Support Blue-Green Algae Task Force

As Florida’s water management districts work to fulfill Gov. Ron DeSantis’ order to identify sources of pollution and implement projects that will help address harmful algae blooms and maximize nutrient reductions, American Water has the expertise and resources to provide significant support to the Blue-Green Algae Task Force key areas:

- **Wastewater Infrastructure and Sanitary Sewer Overflows.** American Water has a robust master planning and capital program management process to ensure the proper maintenance, improvement and performance of its water and wastewater systems. We develop and implement Comprehensive Planning Studies for each of our wastewater systems to evaluate customer water usage and wastewater flows, infiltration/inflow patterns, and the capacity, condition and performance of the wastewater assets including sewer collection systems, lift stations and wastewater treatment facilities.
- **Biosolids.** Like JEA, American Water owns and operates numerous wastewater facilities that produce residuals that must be handled and disposed of in an environmentally safe manner. We recognize the value and importance of promoting beneficial reuse of biosolids as a critical component of sustainability for wastewater utility operations. At the same time, we are also keenly aware of the risks that improper biosolids management practices can pose to both the environment and drinking water supplies. Nutrients, heavy metals, and contaminants of emerging concern must all be monitored closely, along with site-specific physiographic conditions and regional hydrogeology to ensure that the benefits of residuals recycling can be achieved without compromising the long-term quality of water supplies and the environment. American Water also understands the regulatory, financial, and operational complexities associated with biosolids management practices, and has experience seeking optimal reuse and disposal options in a variety of unique environmental and economic regions of the country.
- **Septic Systems.** One of the earliest priorities for American Water will be transitioning existing aging and environmentally damaging septic tanks to reliable and affordable sewer services. Eliminating the use of septic systems throughout the JEA service area is a critical need to improve both surface and groundwater quality in the region over the long term, and will immediately improve the quality of life in neighborhoods that are currently served by failing septic systems. Careful planning and design are essential to ensure that sewer system layouts and materials standards are optimized for long-term performance, maintenance and cost, and



American Water's ownership experience with more than 150 individual sewer collection systems covering all size ranges provides us with unique insights into the design standards that provide the best value. In addition, American Water has experience with extending services to previously unsewered areas, so we understand the unique challenges that can occur when new sewer collection systems are first placed into service. American Water's size and geographic reach allows us to take advantage of incredible buying power leverage to maximize the value we obtain for our capital investments, and our standard project delivery practices foster robust competition and high quality, a combination that allows us to maximize value to our customers.

- **Agriculture.** American Water relies on both surface water and groundwater supplies that are impacted by runoff from agricultural regions across the United States, and we have experience addressing the challenges created when contaminants like nitrates, pesticides and herbicides enter the water sources our customers rely on. We routinely work with regulators and other stakeholders to raise awareness of the impact of agriculture, development and industrialization on water supplies, and to try to minimize, reverse or eliminate those impacts. Many of our treatment plants have nutrient removal requirements to help reduce nutrient loading to impacted water bodies, and, when necessary, we deploy state-of-the-art treatment to ensure that water supplies meet or exceed all regulatory requirements.
- **Stormwater.** Although JEA is not directly responsible for stormwater management throughout the City of Jacksonville or its service area, it must work closely with the St. Johns River Water Management District (SJRWMD) to ensure that stormwater management systems are effective at helping to replenish groundwater supplies with high quality water. American Water's extensive experience in stormwater management can be a key asset to both JEA and the SJRWMD as they work together to ensure that the assimilative capacity of the St. Johns River ecosystem is fairly and effectively allocated to meet the needs of the region.

**Green Energy.** American Water has experience with renewable energy, and we have a keen understanding of the economic drivers that affect its financial performance. In addition, we look for other tangible, non-financial benefits, like resiliency and carbon footprint reduction as we evaluate renewable energy investments.

Primarily, we focus on Water Use & Efficiency methods to reduce energy use and greenhouse gas emissions. Additionally, we work with third-party energy suppliers and local utilities to get the best energy price and reduce energy cost burdens on our customers. Wherever possible, we consider green energy when negotiating power purchase agreements to reduce our costs and lower our carbon footprint.

- American Water maintains a portfolio of alternative energy sources to reduce GHG emissions while increasing access to cheaper renewable energy.
  - We have solar installations at four of our surface water treatment facilities and two of our groundwater treatment facilities that have produced more than 3 million kWh of solar energy annually in the past four years, reducing our CO2 emissions by more than 5,000 metric tons total. Examples from our New Jersey American Water operations include:
    - Canal Road Water Treatment Plant has one of the largest ground-mounted solar arrays on the East Coast; and
    - Canoe Brook Water Treatment Plant developed a sustainable solar power energy capability, including utilization of solar bees which improve water quality, producing 135,000 kilowatt hours of energy annually.

We also recognize that, in many cases, environmental benefits outweigh reducing costs. When projects have known environmental benefits and/or an option to reduce greenhouse gas emissions, we will consider them even if the cost

is higher than projects without these additional benefits. As a business, we also seek out energy efficiency and alternative energy rebate programs at the state and local levels, where available.

American Water's proactive approach to conserving energy and water includes:

- Plan for efficiency: We consider opportunities to improve energy and water efficiency in our Comprehensive Master Planning process.
- Design for efficiency: We employ enhanced pump, pressure management, lighting and process design standards.
- Construct for efficiency: We follow sustainable construction standards and methods.
- Operate for efficiency: We use enhanced best operating practices, leak detection and repair procedures.
- Maintain for efficiency: We utilize computerized maintenance management systems and advanced preventative maintenance strategies to optimize performance and reliability of our equipment.

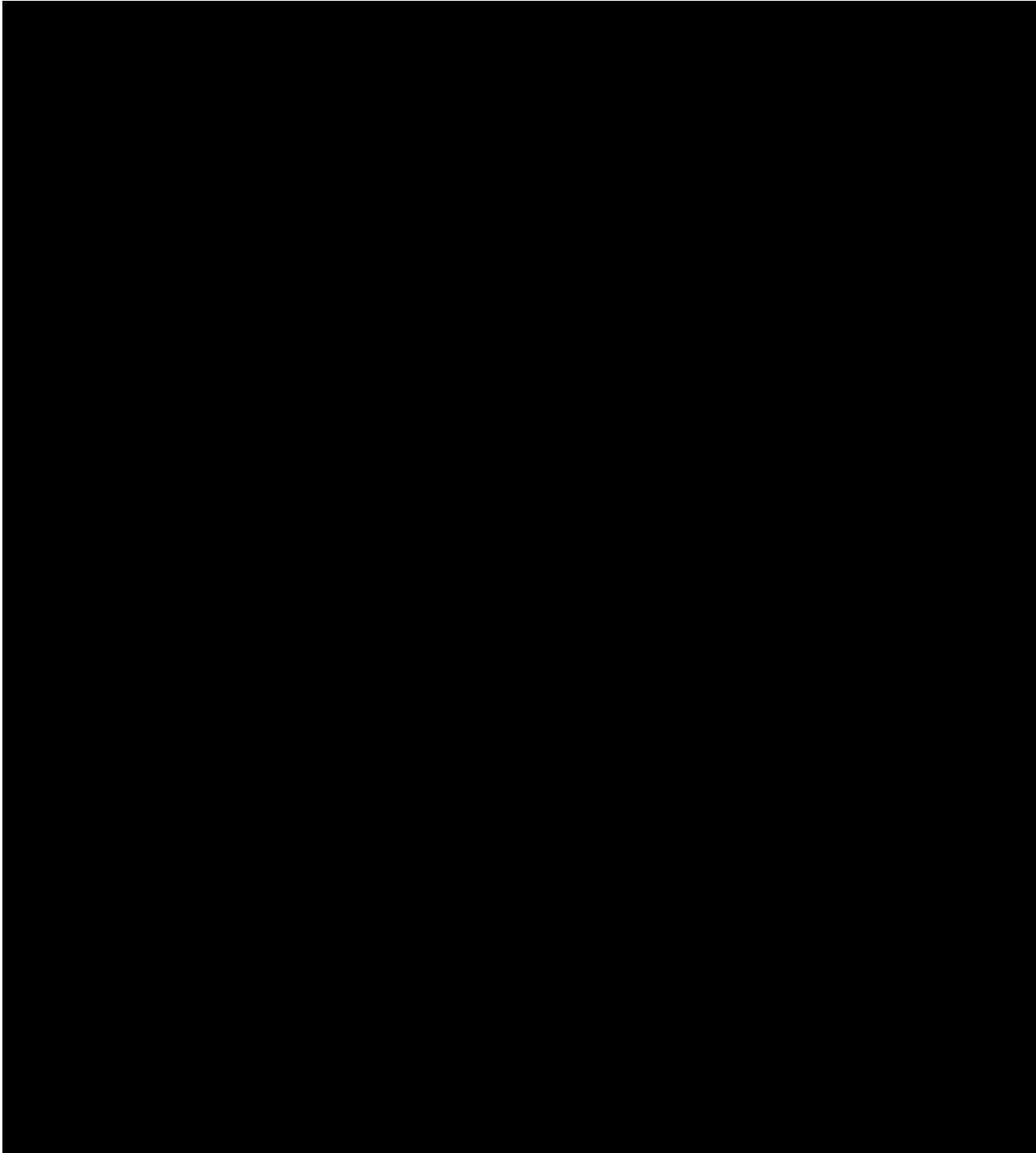
Given the high energy demands of water and wastewater systems, we already have implemented strong energy efficiency and alternative energy programs, which we will tap to deliver these commitments, including the use of solar arrays at water treatment plants. In addition, American Water proposes to solve Jacksonville's ongoing issue of aging residential septic tanks on an accelerated timeline; [REDACTED]

[REDACTED]

### Alternative Water Capacity

American Water has significant experience in resolving regional water supply issues across its geographic footprint and will bring this competency to the greater Jacksonville area. By collaborating and partnering with numerous stakeholders, including neighboring utilities, state environmental regulators, municipalities and various local and state public officials and stakeholder groups, we can forge solutions such as alternative raw water supplies, water recycling/reuse and demand management.

**American Water commits to addressing the water supply needs of the Northeast Florida region, which are estimated by JEA to be an additional 40 MGD by 2035**



## Social Impact

At American Water, we approach every day with a three-part commitment to transparency, responsibility and integrity. By doing the right things the right way, positive results will follow – for everyone. We take very seriously our company's impact on everyone it touches – our people, customers, communities, investors, regulators, vendors and many more. This commitment to people is reflected in everything we do, including these recent examples:

- We have a long-standing commitment to gender equality at all levels of our company, as evidenced by our inclusion on the Bloomberg Gender-Equality Index and our continued commitment to Paradigm for Parity, an action plan to further diversity our leadership.
- We were honored to be included in the NAACP's Inaugural Equity, Inclusion and Empowerment Index in 2018.
- We invested nearly 80,000 hours in employee safety training in 2018, helping to ensure that our employees should return home every day in the same, or better, condition as they were when they came to work.
- We enhance the lives of those we serve by supporting our employees in giving back to organizations they care about. Encouraging employee volunteerism creates a more engaged workforce and generates positive returns to the communities we serve.
- We sponsor company-wide workplace-giving campaigns focused on helping communities around the world: local United Way organizations and Water For People. Our employees contribute to these giving campaigns because they care deeply about our local and global communities. These are just part of the hundreds of other organizations that our company and employees support in our U.S. communities.

[REDACTED]

[REDACTED]

## Governance

### Dedicated to an Equitable Workforce, Leadership Team and Board of Directors

American Water has been recognized for its efforts by inclusion in the 2019 Bloomberg Gender-Equity Index, the NAACP Equity, Inclusion and Empowerment Index, Barron's 100 Most Sustainable Companies ranking #23 as highest ranked water, electric, or gas utility, and the Disability Equality Index (DEI) as a top-scoring (100%) company.

The American Water Board of Directors is chaired by an independent chairman, a rarity in the utility industry. Our transparent governance structure guides our day-to-day operating decisions, ensuring that we have the values, principles and management strategy needed to maintain that trust and meet our regulatory requirements.

[REDACTED]

## AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

Strong corporate governance practices support our strategic direction, culture of ethics and brand reputation, and provide critical oversight of cybersecurity, technology and market and economic trends analysis. At American Water, effective corporate governance means:

- Adopting the philosophy that all stakeholders – not just shareholders – are critical to the long-term financial sustainability of the company;
- Having a high-quality, diverse Board of Directors that reflects our customers;
- Implementing policies and procedures that promote governance quality, protect stakeholders' best interest and engage stakeholders;
- Promoting the integrity of governing bodies, such as by ensuring the independence of the chair;
- Ensuring clear lines of accountability for "material" environmental and social topics, including board engagement on sustainability topics; and
- Demonstrating transparency and accountability to stakeholders through public disclosures.

We have also added a Safety, Environmental, Technology and Operations (SETO) Committee to our Board of Directors. The SETO committee assists the Board in the oversight and review of:

- Employee and public safety;
- Environmental policies and practices including water quality and emerging contaminants;
- Technology policy, strategy and governance, including physical and cybersecurity matters related to the company's operations; and
- Operational performance and risks (other than risks covered by another committee of the board).

Our Board of Directors consists of 11 members, including six women and two African Americans. [REDACTED]

[REDACTED]

[REDACTED]

We are a leader in integrating ESG principles into our business and maintain an equitable workforce and management team. Diverse representation is always included as a focus on job requisitions and when building a candidate pool. Specific focus is given to job opportunities that are non-traditional for female candidates, such as plant operators, distribution employees, etc.

- In 2018, over 52% of transfers/promotions were filled by minority, female, veteran or disabled candidates.
- Everyone at American Water plays an important role in creating an inclusive workforce. Our 2018 campaign "# Beautifully Different" invited diverse employees from across the company to share what makes them beautifully different and capture their stories in a video. In 2019, the Inclusion and Diversity Advisory Council solicited Inclusion and Diversity Champions to serve as liaisons with local workforces to ensure that all voices are heard within our company.

American Water has a national Inclusion and Diversity Council, which includes executives, an advisory council and champions from across the business. The Council promotes diversity in the company's workforce and aims to reflect the local communities it serves through the people it employs. It seeks feedback from employees on the current climate of diversity and inclusion at American Water and what opportunities exist for improvement. When you focus on doing the right things the right way, positive results follow, and that's part of American Water's daily approach based on transparency, responsibility and integrity.

## Political Transparency

American Water is committed to responsibility and transparency in our political contributions. Our score on the Center for Political Accountability-Zicklin Index, a measure of responsibility, transparency and oversight with respect to political contributions, improved to 82.9% this year, making us the fourth most improved company overall. Our score is 13.3% better than the average of 69.6% for all utility companies in the S&P 500. Utility companies were the second highest scoring sector – making us an above-average performer even within a leading sector.

As a company whose regulated operations can be significantly impacted by public policies, American Water participates responsibly in the political process and makes reasonable political contributions consistent with all applicable laws and reporting requirements. American Water also holds memberships in a variety of industry, trade and business associations, which enables the company to understand the views of others and obtain feedback on its positions.

As part of our commitment to good governance principles and transparency, and in accordance with our Board-approved Political Contribution Policy, American Water Works Company, Inc. publicly discloses on its website information related to its political contributions and third-party payments (each as defined in the Policy) within 180 days after the end of the fiscal year. The required disclosures include information regarding:

1. Direct political contributions by American Water or a subsidiary, which, as of December 31, 2018, must be made to or through the American Water Works Company, Inc. Employee Federal PAC (the "Employee Federal PAC") or a subsidiary or line-of-business PAC (a "Subsidiary PAC").
2. Political Contributions made by the Employee Federal PAC or any Subsidiary PAC.
3. Third Party Payments to a tax-exempt organization or trade association during a fiscal year where the aggregate amount of all payments made by the Company or any subsidiary exceeds \$50,000 in that fiscal year, and the Third-Party informs the Company in writing that a portion of any such payment was used for lobbying expenditures or political contributions that are considered non-deductible under Section 162(e)(1)(B) of the Internal Revenue Code of 1986.

These disclosures have been reviewed and approved by the Company's Board of Directors.

The Nominating/Corporate Governance Committee, comprised solely of independent members of the Board of Directors, recommended that the Board of Directors approve the Political Contribution Policy and these disclosures, and annually will review the effectiveness of the Political Contribution Policy.

## Community Stewardship

We have strong roots and are fully engaged in every community we serve – not just as American Water employees, but as neighbors, families and friends. We never forget that at the end of every water pipe, there's a family depending on us to provide life's most critical need. That every fire hydrant properly maintained will save lives. That every wastewater treatment plant serves as a barrier against disease. And that every community should be stronger because we are there.

Since 2012, we have volunteered more than 28,000 hours in the communities we serve. In September 2018 alone, American Water provided more than 5,000 hours of service through company-sponsored events. The Jacksonville community would become a large beneficiary of American Water-sponsored community service following the company's entry into the market.

In addition, we sponsor national workplace-giving campaigns with the United Way and Water For People, as well as supporting our employees' own charitable endeavors through the American Water Charitable Foundation. Through these efforts, American Water and AWCf have provided:

- \$5 million to United Way
- \$4.3 million in giving through the AWCf
- \$2.1 million to Water for People

In the developing world, we support Water For People, an international non-profit organization working across nine countries to bring safe water and sanitation to 4 million people. In 2018, our partnership raised more than \$200,000, with total donations reaching \$2.5 million in the last decade. In 2017 and 2018, our annual United Way giving campaign raised nearly a combined \$816,000. During the last ten years, the campaign generated approximately \$5 million in donations to United Way efforts across the country.

We will bring this strong community focus to the greater Jacksonville market.

Our strong commitment to Jacksonville also extends to working with elected officials and municipal stakeholders on meaningful community investment agreements that benefit local hiring, giving and community and school engagement.

American Water pledges to be a key player in strengthening the communities in JEA's service territory

Communities served by American Water are also eligible to apply for the American Water Charitable Foundation's signature grant program, Building Better Communities, which in partnership with the National Recreation and Park Associations, awards two to three annual grants that enhance or create public park spaces that encourage the community to engage in water, nature-inspired play, and environmental education. This is in addition to the Foundation's annual Keep Communities Flowing Grant Program for projects that impact environment, water healthy living, environmental education and community sustainability.



American Water will provide Water Education for Teachers certifications to no fewer than 100 Jacksonville educators each year

## **Water Education for Teachers – Project WET**

Currently in Florida, three sponsoring organizations exist to certify community educators in Project WET (Water Education for Teachers). These include the University of Florida School of Forest Resources & Conservation, the League of Environmental Educators in Florida and the Southwest Florida Water Management District. American Water pledges to work through these organizations to offer Project WET certification to a minimum of 100 community educators and teachers per year across Duval County. Community educators can include a wide range of individuals in addition to teachers, such as scouting leaders and community volunteers. These training opportunities offer insight into diverse water topics to empower educators and assist in reaching children with objective, experiential, science-based water education.

## **Duval County School Partnership**

As Duval County schools continue to age, with more than 65% of the county schools hitting the 50-year mark and beyond, American Water is interested in exploring opportunities to engage with the school district on increased investment in water and energy efficiency throughout school facilities that enable new sources of revenue.

[REDACTED]

A partnership with Duval County Public Schools would certainly extend to supporting Science, Technology, Engineering and Math (STEM) education through year-round learning opportunities; exposure to American Water careers on an age-appropriate basis; in-kind donations of computers, lab equipment and furniture; and engagement and sponsorship of Duval County schools' science fairs.

## **Leading Disaster Preparedness and Coordination Efforts**

JEA customers, as well as businesses and industries across the surrounding service area, will benefit from American Water's resources and leadership on storm and disaster resiliency, preparedness and response. These plans are a critical foundation of American Water's stewardship of the surrounding community because they incorporate business continuity on behalf of customers with regulator and key stakeholder management. As part of JEA's vision for the water utility of the future, American Water's weather hardening and preparedness plans will bring JEA's excellent operations into the fold.

### **Physical and Cyber Security**

As providers of essential water and wastewater services, both JEA and American Water place top priority and focus on the protection of critical infrastructure. This includes facilities that provide water and wastewater service to our customers, the protection of our facilities, technology systems, and customer and employee information. We share goals and focus of our program to:

- Ensure the cybersecurity of our operational technology systems;
- Safeguard the physical security of our employees, facilities and assets; and



- Provide support and leadership to our operations teams in emergency response and business continuity activities.

[REDACTED]

[REDACTED] Our security team conducts regular internal security reviews and partners with the Department of Homeland Security on external security assessments, using the results to develop improvement initiatives and further enhance security controls of company assets and systems. We are also very active in the state Fusion and emergency operations centers in each of the states within which we operate, bringing an array of key federal, state and local security stakeholders together for better coordination of efforts.

### **Risk and Resilience Assessments**

As required under the America's Water Infrastructure Act of 2018, we complete detailed risk assessments and mitigation plans for all our public water systems that serve a population of at least 3,300. We use an "all-hazards" approach to risk assessment based on the methodology outlined in the AWWA J100 standard, which incorporates various risk scenarios such as extreme weather, source water contamination and malevolent threats. These assessments help us identify potential solutions to manage identified risks. We involve local officials in these assessments and look forward to doing the same with key personnel of the City of Jacksonville.

### **Training and Exercises**

We have security awareness employee trainings for physical and cybersecurity risks, incident response and emergency preparedness. This training reinforces the shared responsibility for security with all employees, contractors and visitors, and supports a safe and secure work environment. We host dozens of preparedness exercises across our business annually (over 30 such exercises were conducted in 2018), while also participating in regional and national-level exercises with state and federal partners. In addition to our state-level operations, our Executive Leadership Team and Board of Directors also engage in these exercises. Not only do these activities enhance readiness, they often identify opportunities for increased operational efficiency.

We have established a business continuity framework across the company, bringing functional and operational teams together for the purpose of reducing risk and enhancing resiliency. In 2018, we conducted over 30 business continuity exercises in our regulated states. As part of the framework, we adopted the nationally recognized National Incident Management System, which enables unified emergency response and effective coordination with emergency management in the communities we serve. We also participate in the Water/Wastewater Agency Response Networks by responding to emergencies by delivering water, loaning equipment and receiving aid from other water purveyors in case of emergencies.

### **Partnerships and Leadership**

Demonstrating external leadership and fostering effective partnerships is key to our internal success and to making improvements to security across the water and wastewater sector. [REDACTED]

[REDACTED] We also take a leadership role in advancing security and resiliency of the water and wastewater sector through participation in key working groups, such as the national [Water Sector Coordinating Council \(WSCC\)](#). Together with other utilities and the EPA, we collaborate in a public-private partnership to plan and implement programs aimed at achieving the common goal of clean and safe water, land and air for all Americans. [REDACTED]

Lastly, as it does in most locations across the U.S., American Water would open its facilities in Jacksonville free of charge to community partners including first responders, emergency management coordinators and a wide range of organizations for planning sessions and as a base for operations in times of need.

### **Engaging Military Communities**

American Water considers it an honor and privilege to work with men and women who have served our country and continue to find a calling by providing critical water and wastewater services in their community. American Water's military services expertise is entrusted by the U.S. government to provide water and wastewater services on 16 military installations under long-term contracts, the most of any water and wastewater utility.

The company is a top-ranked employer of former service members and has been recognized for its efforts to support military spouses and families, without whom our service men and women would not be able to perform at peak levels. In addition, we recently were recognized by the 2020 Military Friendly Gold Employer designation by VIQTORY as well as being recognized as a "Military Spouse Friendly Employer" honor and "Top 100 Best for Vets Employer" by Military Times magazine.

American Water will offer members of Jacksonville's large military community opportunities to transfer highly desirable military leadership skills into civilian careers through an annual military and veterans-focused networking and hiring event. We have invested in onboarding processes, resources and transition activities that best support the change from military service to civilian careers.

## Financial Stability

What's good for our environment, our customers, our employees and our communities has also proven to be good for financial sustainability as a company. American Water is:

- The largest publicly traded water and wastewater utility, with total enterprise value of \$30.79 billion
- The only water company in the S&P 500, Dow Jones Utility Index and the Philadelphia Utilities Index (UTY)
- Able to access low-cost financing through both state and federal water and wastewater infrastructure programs, such as state revolving funds and the Water Infrastructure Finance and Innovation Act (WIFIA)

### Strong Access to Capital

American Water has the ability to access capital in large scale through various public and private debt and equity markets. In conjunction with the signing of a Purchase and Sale Agreement (PSA), American Water has the ability to secure a committed financing package that may include bridge and long-term financings of the size needed to fund this Proposed Transaction.

We have favorable investment-grade credit ratings from S&P (A) and Moody's (Baa1), reflective of stable cash flows from lower-risk, rate-regulated water utility operations. We have access to our \$2.25 billion credit facility (expandable to \$2.75 billion) and \$2.1 billion commercial paper program for short-term capital as needs arise.

### Experience Managing Large Capital Investment Programs

American Water recognizes that JEA has a \$1.04 billion projected water and wastewater capital investment program for the five-year period ending September 30, 2023. We understand that the majority of this capital program is planned to be funded from water and wastewater system revenues (including capacity charges) and no new JEA debt.

American Water commits to continue with these planned investments determined to be necessary as a result of JEA's resource planning process. As we become more familiar with the JEA water and wastewater systems, we plan to identify and make incremental maintenance and growth investments to improve the system for the benefit of all customers.

We invest significant amounts of capital across the company to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. We focus on both capital efficiency and O&M efficiency in order to spend every capital dollar most cost-effectively and save O&M costs, in order to do more capital investment with minimal impact on customer bills. American Water is projected to invest more than \$1.8 billion in net company-funded capital improvements per year for the next five years. The addition of JEA's water and wastewater business will increase American Water's total annual capital investment program to no less than \$2.0 billion per year, or at least \$200 million for Jacksonville-area projects.

American Water continues to be on a steady path making capital investments to ensure clean, safe and reliable water service, while we continue to improve our operating efficiencies to benefit our customers.

[REDACTED]

[REDACTED]

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## AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

[illegible]

## AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

[illegible]

## AMERICAN WATER REVISED REPLY - JEA INVITATION TO NEGOTIATE (127-19)

Country	Year	Population (millions)	Population (millions)	Population (millions)
Algeria	2000	25.0	25.0	25.0
Algeria	2001	25.2	25.2	25.2
Algeria	2002	25.4	25.4	25.4
Algeria	2003	25.6	25.6	25.6
Algeria	2004	25.8	25.8	25.8
Algeria	2005	26.0	26.0	26.0
Algeria	2006	26.2	26.2	26.2
Algeria	2007	26.4	26.4	26.4
Algeria	2008	26.6	26.6	26.6
Algeria	2009	26.8	26.8	26.8
Algeria	2010	27.0	27.0	27.0
Algeria	2011	27.2	27.2	27.2
Algeria	2012	27.4	27.4	27.4
Algeria	2013	27.6	27.6	27.6
Algeria	2014	27.8	27.8	27.8
Algeria	2015	28.0	28.0	28.0
Algeria	2016	28.2	28.2	28.2
Algeria	2017	28.4	28.4	28.4
Algeria	2018	28.6	28.6	28.6
Algeria	2019	28.8	28.8	28.8
Algeria	2020	29.0	29.0	29.0
Algeria	2021	29.2	29.2	29.2
Algeria	2022	29.4	29.4	29.4
Algeria	2023	29.6	29.6	29.6
Algeria	2024	29.8	29.8	29.8
Algeria	2025	30.0	30.0	30.0
Algeria	2026	30.2	30.2	30.2
Algeria	2027	30.4	30.4	30.4
Algeria	2028	30.6	30.6	30.6
Algeria	2029	30.8	30.8	30.8
Algeria	2030	31.0	31.0	31.0
Algeria	2031	31.2	31.2	31.2
Algeria	2032	31.4	31.4	31.4
Algeria	2033	31.6	31.6	31.6
Algeria	2034	31.8	31.8	31.8
Algeria	2035	32.0	32.0	32.0
Algeria	2036	32.2	32.2	32.2
Algeria	2037	32.4	32.4	32.4
Algeria	2038	32.6	32.6	32.6
Algeria	2039	32.8	32.8	32.8
Algeria	2040	33.0	33.0	33.0
Algeria	2041	33.2	33.2	33.2
Algeria	2042	33.4	33.4	33.4
Algeria	2043	33.6	33.6	33.6
Algeria	2044	33.8	33.8	33.8
Algeria	2045	34.0	34.0	34.0
Algeria	2046	34.2	34.2	34.2
Algeria	2047	34.4	34.4	34.4
Algeria	2048	34.6	34.6	34.6
Algeria	2049	34.8	34.8	34.8
Algeria	2050	35.0	35.0	35.0
Algeria	2051	35.2	35.2	35.2
Algeria	2052	35.4	35.4	35.4
Algeria	2053	35.6	35.6	35.6
Algeria	2054	35.8	35.8	35.8
Algeria	2055	36.0	36.0	36.0
Algeria	2056	36.2	36.2	36.2
Algeria	2057	36.4	36.4	36.4
Algeria	2058	36.6	36.6	36.6
Algeria	2059	36.8	36.8	36.8
Algeria	2060	37.0	37.0	37.0
Algeria	2061	37.2	37.2	37.2
Algeria	2062	37.4	37.4	37.4
Algeria	2063	37.6	37.6	37.6
Algeria	2064	37.8	37.8	37.8
Algeria	2065	38.0	38.0	38.0
Algeria	2066	38.2	38.2	38.2
Algeria	2067	38.4	38.4	38.4
Algeria	2068	38.6	38.6	38.6
Algeria	2069	38.8	38.8	38.8
Algeria	2070	39.0	39.0	39.0
Algeria	2071	39.2	39.2	39.2
Algeria	2072	39.4	39.4	39.4
Algeria	2073	39.6	39.6	39.6
Algeria	2074	39.8	39.8	39.8
Algeria	2075	40.0	40.0	40.0
Algeria	2076	40.2	40.2	40.2
Algeria	2077	40.4	40.4	40.4
Algeria	2078	40.6	40.6	40.6
Algeria	2079	40.8	40.8	40.8
Algeria	2080	41.0	41.0	41.0
Algeria	2081	41.2	41.2	41.2
Algeria	2082	41.4	41.4	41.4
Algeria	2083	41.6	41.6	41.6
Algeria	2084	41.8	41.8	41.8
Algeria	2085	42.0	42.0	42.0
Algeria	2086	42.2	42.2	42.2
Algeria	2087	42.4	42.4	42.4
Algeria	2088	42.6	42.6	42.6
Algeria	2089	42.8	42.8	42.8
Algeria	2090	43.0	43.0	43.0
Algeria	2091	43.2	43.2	43.2
Algeria	2092	43.4	43.4	43.4
Algeria	2093	43.6	43.6	43.6
Algeria	2094	43.8	43.8	43.8
Algeria	2095	44.0	44.0	44.0
Algeria	2096	44.2	44.2	44.2
Algeria	2097	44.4	44.4	44.4
Algeria	2098	44.6	44.6	44.6
Algeria	2099	44.8	44.8	44.8
Algeria	2100	45.0	45.0	45.0



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