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NOVEMBER 26, 2019

RESPONSE TO JEA REQUEST FOR REVISED  
REPLIES

ITN #127-19

SUBMITTED BY:  
EMERA INC. & BLACKSTONE INFRASTRUCTURE PARTNERS

### ***i. Identification of the Respondent***

Emera Inc. (“Emera”) is pleased to present its response to JEA’s Request for Revised Replies as part of Project Scampi’s Invitation to Negotiate for Strategic Alternatives (ITN # 127-19) (the “ITN”). Emera is working with Blackstone Infrastructure Partners (“BIP”) in its capacity as a minority partner in Emera’s proposed investment in the JEA Electric System.

Emera Inc. is an expert operator of regulated public utilities and has a strong track record of maximizing customer, community, environmental and financial value in all the markets the company serves. With its operational experience, investments and presence in Florida, financial strength and commitment to engaging community and stakeholders, Emera is well qualified and commits to deliver on JEA priorities articulated in ITN # 127-19.

#### **Emera**

Emera is a geographically diverse energy and services company headquartered in Halifax, Nova Scotia with approximately \$24 Billion in total assets and operating revenues of approximately \$4.9 Billion<sup>1</sup> in 2018 .The company primarily invests in regulated electricity generation, transmission and distribution and gas transmission and distribution serving customers in Florida, New Mexico, northeastern North America, and the Caribbean with a strategic focus on transformation from high carbon to low carbon energy sources. Emera is shareholder owned and its common and preferred shares are listed on the Toronto Stock Exchange. As of November 25, 2019, Emera’s market capitalization was approximately \$9.8 Billion. To Emera’s knowledge, no single shareholder directly or indirectly holds more than 5% of Emera’s equity. Emera was incorporated under the *Nova Scotia Companies Act* on July 23, 1998.

Emera maintains credit ratings with Fitch Ratings, S&P Global Ratings and Moody’s Investor Services. All three credit rating agencies have rated Emera as investment grade.

On June 27, 2019, Moody’s Investor Services affirmed Emera’s Baa3 issuer and senior unsecured ratings and Emera US Finance LP’s Baa3 guaranteed senior unsecured rating and changed its ratings outlook to stable from negative.

On June 13, 2019, Fitch Ratings assigned ratings and outlook for Emera for the first time. Emera was assigned a BBB issuer default and senior unsecured rating with stable outlook.

On December 5, 2018, S&P Global Ratings affirmed its BBB+ long term corporate credit rating on Emera and changed its ratings outlook to negative from stable.

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<sup>1</sup> All figures are in U.S. dollars unless indicated otherwise.

## **Emera's Presence in Jacksonville and Florida**

Emera acquired TECO Energy Inc. ("TECO") in 2016 and since then has been deeply engaged in the Florida energy market. We've built on the customer-centric philosophy and strengths of Tampa Electric Company ("Tampa Electric") and People's Gas System ("PGS"), and with our Florida-based operations now making up more than half of Emera's overall business, it is our ongoing strategic focus to ensure we continue to deliver value to our customers throughout the State.

Specifically, in Florida, Emera owns Tampa Electric, PGS and SeaCoast Gas Transmission LLC ("SeaCoast Gas"). Tampa Electric, in operation since 1899, serves approximately 764,000 customers in a service territory covering approximately 2,000 square miles, including all of Hillsborough County and parts of Polk, Pasco and Pinellas Counties. Tampa Electric has electric generating stations in service, with a December 2018 net winter generating capability of 5,238 MW. Tampa Electric assets include the Big Bend Power Station (842 MW capacity from two coal units, 665 MW from two natural gas units and 61 MW from a CT), the Bayside Power Station (1,839 MW capacity from two natural gas combined cycle units and 244 MW from four CTs) and the Polk Power Station (220 MW capacity from the IGCC unit and 1,200 MW from a natural gas combined cycle unit). Also included in Tampa Electric's assets at December 31, 2018 are five solar arrays (167 MW). In addition, solar arrays totaling 173 MW were placed in service in early 2019.

Tampa Electric owns 182 substations having an aggregate transformer capacity of 22,900 mega volts amps. The transmission system consists of approximately 1,340 total circuit miles of high voltage transmission lines, including underground and double-circuit lines. The distribution system consists of approximately 6,250 circuit miles of overhead lines and approximately 5,400 circuit miles of underground lines. As of December 31, 2018, there were 778,400 meters in service. All of this property is located in Florida.

Tampa Electric's property, plant and equipment are owned, except that titles to some of the properties are subject to easements, leases, contracts, covenants and similar encumbrances common to properties of the size and character of those of Tampa Electric.

Tampa Electric has easements or other property rights for rights-of-way adequate for the maintenance and operation of its electrical transmission and distribution lines that are not constructed upon public highways, roads and streets. Transmission and distribution lines located in public ways are maintained under franchises or permits.

Tampa Electric has a long-term lease for the office building in downtown Tampa, which serves as headquarters for Tampa Electric and PGS. A copy of Tampa Electric's 2018 year-end annual report filed

on Form No. 1 with the Federal Energy Regulatory Commission (“FERC”) which includes a detailed description of Tampa Electric’s assets and operations in Florida is enclosed as **Schedule i) Attachment 1**

PGS serves approximately 392,000 customers across the state, operating approximately 13,000 miles of natural gas mains and approximately 7,400 miles of service lines. Mains and service lines are maintained under rights-of-way, franchises or permits. PGS’ operations are located in 14 operating divisions throughout Florida. Most of the operations and administrative facilities are owned. PGS has provided Florida residents and businesses with reliable, clean burning, economical natural gas products and service since 1895. A copy of PGS’ 2018 year-end annual report filed on Form No. 2 with FERC and which includes a detailed description of PGS’ assets and operations in Florida is enclosed as **Schedule i) Attachment 2**.

SeaCoast Gas operates a 25-mile pipeline system that currently serves JEA and ensures reliable delivery of natural gas to northeast Florida. SeaCoast Gas is also constructing a 21-inch pipeline to serve a new gas fired generating facility being built by Seminole Electric in Putnam County. The estimated Emera investment is \$100-120 Million. A copy of SeaCoast Gas’ 2018 year-end annual report filed with the Florida Public Services Commission (the “FPSC”) is enclosed as **Schedule i) Attachment 3**.

PGS has provided natural gas distribution service to customers in Jacksonville since 1979 and today serves over 27,000 residential, over 3,700 commercial and 25 industrial customers in Jacksonville with 1,400 miles of natural gas mains. PGS and SeaCoast Gas, which serves JEA, have together invested almost \$300 Million in Jacksonville over the past 10 years. These strong relationships with customers, and understanding of Jacksonville’s potential, will inform Emera’s growth strategy for the business.

## **BIP**

BIP is a private investment fund formed by The Blackstone Group in 2017 that is dedicated to investing in large scale infrastructure assets and businesses across the transportation, energy infrastructure, water and waste, and communications sectors with a primary focus in North America. BIP currently has \$14 Billion in assets under management. To date BIP has completed two investments, deploying nearly \$3 Billion including acquiring a substantial minority interest in Carrix Inc., the largest marine terminal operator in the Americas, and an approximately 44% economic interest and 100% controlling interest in Tallgrass Energy, a leading midstream oil & gas logistics company. BIP maintains a Responsible Contractor Policy that includes an agreement to cooperate with the North America’s Building Trades Unions (“NABTU”) to include “responsible contractors” in the bidding and selection process for its investments. Through this policy, BIP promotes fair benefits, wages, working conditions, and training opportunities for construction workers on projects for BIP dedicated infrastructure business.

## **The Blackstone Group**<sup>2</sup>

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<sup>2</sup> Data and Information as of September 30, 2019.



Founded in 1985, The Blackstone Group, (“Blackstone”), is a leading global investment firm that manages assets through a variety of investment funds and accounts covering multiple asset classes including traditional private equity, infrastructure, real estate, energy, and credit. Today, Blackstone has over \$554 Billion in assets under management and strong institutional relationships with a wide spectrum of capital providers globally. Over the last 15 years, Blackstone has directly or indirectly created 100,000 net new jobs as a leader in economic development, and since 2013 has hired over 75,000 veterans (and veterans’ spouses) across its various business units and portfolio companies. As a leader in alternative asset management, Blackstone is a trusted partner to many of the world’s top institutional investors, including retirement systems which represent more than 31 Million pensioners in the United States and Millions more internationally. As careful stewards of capital, Blackstone strives to provide solutions that create lasting value for their investors, the companies in which Blackstone invests and society at large. By making companies stronger and better positioned for long-term growth, Blackstone can help create good jobs, support local communities and, ultimately, secure the future of Millions of people around the world. Blackstone is committed to the communities in which it works, lives and invests. The Blackstone Charitable Foundation leverages the firm’s entrepreneurial heritage to support entrepreneurs around the world, as well as offering opportunities for employees to give back to local organizations. Since 2010, Blackstone has committed \$45 Million to the Charitable Foundation, supporting nearly 10,000 companies and creating 29,000 jobs in targeted regions around the world. Across Blackstone’s investment strategies, infrastructure has been among its most successful and active areas. Blackstone and its affiliates have invested over \$15 Billion of equity in infrastructure businesses globally over the last 15 years.

### **Blackstone’s Presence in Jacksonville and Florida**

Blackstone appreciates the valuable investment opportunities that have been presented in Jacksonville and the state of Florida overall for its funds and maintains strong involvement in the region. For example, in March 2019, Carrix and the Jacksonville Port Authority reached a partnership agreement for Carrix to operate the Jacksonville Blount Island Container Terminal under a 25-year concession (with two 5-year renewal options). The total project CapEx is \$239 Million (\$130 Million at Carrix’s share and \$109 Million at the Jacksonville Port Authority’s share). Blackstone Real Estate Partners (“BREP”), has invested in \$1 Billion worth of assets in Jacksonville, nearly half of which has been through BREP’s investments in Invitation Homes Inc. Outside of Jacksonville, BREP has invested in \$12.1 Billion worth of assets, nearly half of which is also through BREP’s investment in Invitation Homes Inc. A detailed list of BREP’s and other funds’ investment holdings<sup>3</sup> in Jacksonville and the rest of Florida are below:

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<sup>3</sup> Data and information as of September 30, 2019. Florida companies reported here include those of Blackstone’s real estate, private equity, infrastructure and tactical opportunities businesses where such company is headquartered or has significant operations in the state. Investments associated with Florida through Blackstone’s credit, strategic partners and hedge fund solutions businesses are not reflected as they are credit investments or investments held indirectly (e.g., through the underlying funds in which strategic partners invests).

- **Blackstone Real Estate Partners**
  - *Jacksonville Real Estate*
    - Industrial: 11 assets / 2.9 million SF
    - Multifamily: 5 assets / 1,604 units
    - Single family rentals: 1,890 homes
    - Hospitality: 2 assets / 247 keys
    - Senior Housing: 1 asset / 103 units
  - *Rest of Florida Real Estate*
    - Industrial: 79 assets / 15.5 million SF
    - Multifamily: 23 assets / 8,929 units
    - Single family rentals: 23,118 homes
    - Office: 1 asset / 116k SF
    - Hospitality: 57 assets / 7,109 keys
    - Senior Housing: 14 assets / 1,511 units
    - Retail: 19 assets / 2.8 million SF
- **Blackstone Capital Partners**
  - *Companies headquartered in Florida*
    - Ultimate Software
  - *Companies with significant operations in Florida*
    - Team Health
- **Blackstone Tactical Opportunities Fund**
  - *Companies headquartered in Florida*
    - Draken
    - DRB Financial
    - Phoenix Towers International

## *ii. Gross Proceeds*

Subject to the terms and conditions contemplated in this Revised Reply, the Gross Proceeds to acquire JEA's electric system is \$5.5 Billion ("Electric System Gross Proceeds"), assuming a valuation date as of September 30, 2020. The Electric System Gross Proceeds assume JEA's electric system is acquired on a debt-free, cash-free basis. The Electric System Gross Proceeds also assume there is a tax step-up and zero working capital.

In order to be responsive to the instructions in the process letter dated October 29, 2019 issued by JEA in connection with the ITN (the "Process Letter"), Emera has determined, using the information

provided in the confidential data room made available by JEA in connection with the ITN (the “Data Room”) that under the Current Pro Forma Scenario, the theoretical gross proceeds payable for the electric system are \$5.5 Billion. This is the hypothetical value Emera would be willing to pay in the Current Pro Forma Scenario assuming the costs associated with the Vogtle PPA<sup>4</sup> do not exceed the Projected PPA Costs in the Respondent Financial Model, and that recovery of these costs is approved by the FPSC and that all of these costs are recovered from customers. However, for clarity, Emera has determined it is not willing to assume any of the risks, including the regulatory and litigation risks, associated with the Vogtle PPA.

Emera’s preference is Scenario A. Under Scenario A, Emera’s proposed purchase price remains \$5.5 Billion. Based on the information available to Emera, gross proceeds would not change in any of the Scenarios – it would remain consistent at \$5.5 Billion across Scenarios A, B & C.

### *iii. Material Conditions, Terms or Assumptions*

#### *a) Valuation Methodology*

A discounted cash flow valuation approach has been used in preparing the Revised Reply.

#### *b) Key Changes*

No material changes have been made relative to the confidential information presentation contained in the Data Room (the “CIP”) and the Financial Information contained in the Respondent Financial model provided in the Data Room. Emera has utilized JEA’s assumptions as provided.

#### *c) Key Future Operational Changes*

Emera has accepted the operational improvements that have been reflected in the Financial Information, specifically in the Management Case Scenario A and has not assumed any additional operational changes at this time. Although not reflected in the model, Emera would institute a world class asset management plan like programs currently in place at Emera’s electric utilities. Through disciplined, risk-based decision making and detailed performance management these programs have a track record of delivering higher performing assets, often with an extended useful life, at reduced costs despite the aging and changing utilization of Emera’s assets. This model underpins our ability to deliver safe and reliable power, while at the same time balancing costs to ensure that capital invested in JEA over time will deliver optimal benefits to Jacksonville customers.

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<sup>4</sup> The Vogtle PPA is defined as the 20-year power purchase agreement with the Municipal Electric Authority of Georgia (“MEAG Power”) for 206 megawatts of capacity and related energy from MEAG Power’s interest in nuclear Units 3 and 4 under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia

#### *d) Key Community Engagement Factors*

##### *i) community engagement*

As the new operator of JEA's electrical system, Emera will be an enthusiastic partner in creating new economic opportunities and supporting Jacksonville's strategy as "open for business and being a great place to live, work and play". **Emera will engage community leaders and key stakeholders to develop a clear plan that will support the company's long-term commitment to the utility's role in Jacksonville's future prosperity.**

Central to Emera's operating philosophy is that of governance. **We strongly believe that a public utility operates best when it is deeply rooted in the communities it serves** and that begins with governance – specifically, how the utility is run, and who it is run by. Across all our utility operating jurisdictions, we have established local boards who are instrumental in providing oversight and direction to the operations. Also, local boards play a key role in guiding targeted community investment/engagement that makes a difference, especially in alignment with Emera's corporate focus areas of innovation and youth.

A local board is typically comprised of a majority of local leaders and a combination of company representatives. **We propose to model this approach in Jacksonville** and would welcome the input and support of the City to determine possible Board members who can fulfil this important contribution.

By way of example, the Tampa Electric board is comprised of 10 members - six external members whose business and community leadership experience ensure the company's business and operations are connected to its customers and its community, as well as the chief executive officer and three other senior executives from Emera to bring the company's perspective and industry expertise to the governance table.

To illustrate the depth and breadth of the board Emera is committing to establish for JEA following successful close of this transaction, Tampa Electric's current external board members are:

- Ana-Marie Codina Barlick, CEO of Codina Partners, an investment and development firm in Coral Gables;
- Pat Geraghty, CEO of Jacksonville-based Florida Blue (Florida's Blue Cross/Blue Shield plan) and its parent company, GuideWell Mutual Holding Corp.;
- Pam Iorio, president and CEO of Big Brothers Big Sisters of America and former Mayor of City of Tampa;

- Rhea Law, former chair of the Florida offices of the law firm Buchanan Ingersoll and Rooney PC, and former chair of the Florida Council of 100;
- Rasesh “Sesh” Thakkar, senior managing director at Tavistock Group, an international private investment organization in Windermere; and
- Will Weatherford, managing partner of Weatherford Capital, a private equity investment and strategic business advisory firm based in Tampa and former Speaker of the House for the state of Florida.

Beyond governance, the success of Emera and its locally-based utilities depends on the prosperity and vibrancy of the communities we have the privilege of serving. Strategic investments in community organizations, community initiatives that enable growth and attract investment, and providing support and encouragement for employee volunteerism are deeply engrained in Emera’s corporate culture, in the belief that the company’s long-term sustainability depends on it.

Corporately, Emera’s community support is focused on target areas that promote and support vibrancy – including Economic Development, Health & Wellness, Civic Interests and Education & Youth. Emera also believes community engagement is deeply rooted in the culture of a community, and the company is actively engaged, informing where and how its support can be most impactful.

To this end, **Emera will maintain JEA’s community Impact Initiatives as described in the CIP. These include the Volunteer Program, the Ambassador Program, Educational Programs and JEA Employee Giving Campaigns.** In addition, Emera commits to creation and delivery of a formal community investment plan in Jacksonville, built on engagement with key stakeholders, as well as a relationship plan that supports JEA objectives.

Emera supports economic development initiatives in Jacksonville through PGS involvement in the Greater Jacksonville Chamber of Commerce and the Jacksonville USA Partnership. Local company representatives also hold leadership positions in the Jacksonville Alliance, the advocacy arm of the Chamber which works to advance pro-business policy to foster economic growth in Northeast Florida.

As reference, Emera’s Florida operations invested approximately \$2.7 Million in 2018 in economic development, youth programs and education, wellness, growth and innovation, cultural vitality and environmental programs. These included Junior Achievement, Early Learning Coalitions (Hillsborough, Duval), Boys & Girls Clubs, Big Brothers/Big Sisters, Metropolitan Ministries, American Red Cross, United Way, Feeding Tampa Bay, Meals on Wheels, Crisis Center Tampa Bay, American Heart Association, Ronald McDonald House, Tampa Audubon Society, MacDill Air Force Base, Community Foundation Tampa Bay, Orlando Economic Partnership, Tampa Hillsborough Economic Development Corp., Tampa Downtown

Partnership, and Tampa Chamber Minority Business Accelerator. Tampa Electric officers serve on local boards in support of the arts, education and economic development.

Emera understands that JEA has over 40 innovation initiatives underway in its Innovation Lab and the Bay Street Innovation Corridor. As part of the next round in the ITN process, Emera looks forward to learning more about the nature of these initiatives and determining how to carry them forward into the future. In addition to creation and adoption of utility innovation at JEA, and integrating best practices from other Emera utilities regarding new technology adoption and grid modernization initiatives, Emera commits to support of the broader innovation ecosystem in Jacksonville, similar to strategic multi-million-dollar investments in Atlantic Canadian innovation hubs that are fostering entrepreneurship, innovation, collaboration, research and growth. There is significant alignment between Emera's focus areas and the current focus for Bay Street Innovation Corridor initiatives.

Emera already directly funds research, development and industry partnerships in smart grid advancements through a \$6.2 Million investment in the Research Center for Smart Grid Technologies at the University of New Brunswick. Among other initiatives, this investment supports a chair in smart grid technologies at UNB, which will provide a new platform for collaboration to benefit innovation at JEA.

*ii) interagency coordination on emergency operations (e.g., storm events, etc.)*

Planning for adverse weather events, or potential interruptions of service, is a core competence for all Emera companies. Emera's expectation is that a robust emergency preparedness plan is in place at JEA and maintained through regular scenario planning and exercises – including collaboration with agencies and partners outside the utility.

Emera commits to supporting the structure, planning and execution of response to adverse events coordinated by the City of Jacksonville's Emergency Preparedness Division – as well as supporting state level agencies involved in response activity, coordinated by the FPSC and the Division of Emergency Management.

Through Tampa Electric, Emera is already a member of the Southeastern Electric Exchange, which coordinates mutual aid between utilities in the event of large-scale service disruptions, and we expect JEA will become part of that network to help ensure it has access to external resources as needed. Emera utilities also support each other in times of need. To the extent that events have not adversely affected Tampa Electric, resources from that utility will be available to JEA. For larger events, JEA will be able to call on physical and logistical support from other Emera-owned utilities.

Emera will also ensure that JEA has sufficient resources to implement best practices regarding the provision of storm response information for customers, including online tools for reporting outages or issues, and in providing customers with information about restoration efforts.

### *iii) environmental stewardship*

Emera's strategic priorities include carbon emission reductions (investing in renewable and cleaner generation to reduce the carbon intensity of our operations) and sustainability (executing with discipline to deliver for our customers, employees, shareholders, communities and the environment). Environmental stewardship is a priority for Emera and will be a focus area for corporate and community governance at JEA. **Emera commits to deliver specific initiatives regarding renewable generation, safe and responsible operations that mitigate environmental risk, and efficient use of electricity through energy efficiency initiatives and innovative application of technology** – each built on JEA's strong existing foundation, and active dialogue with the community upon close of the transaction. This includes Emera's commitment to develop and provide the City of Jacksonville and the Duval County Public School System with 100% renewable electricity by 2030.

### *iv) other relevant community programs that will be undertaken by the Respondent for the betterment of northeast Florida*

Emera commits to engage with the City of Jacksonville to partner in areas where we can support local economic development and innovation.

**Regarding development of a new JEA headquarters in downtown Jacksonville, Emera is fully committed to its development and will ensure the building is a catalyst for other downtown developments** and exemplifies environmental stewardship, collaborative space, urban open space, accommodation of pedestrians and non-motor vehicle transportation.

As with community investments, the structure and substance of utility initiatives that enable growth and innovation in Jacksonville will be built upon a foundation of expertise and community connection from the new JEA board of directors. Emera's approach to strong local governance is unique, in that the majority of the board is comprised of independent directors who reflect the local community's history and makeup, and effectively represent community interests.

### *e) Rates*

No changes have been made to the assumptions/key inputs originally provided in the Respondent Financial Model for the Committed Rate Stability Period. Please see **Schedule iii) e** for a summary of the key assumptions regarding the rate path beyond the Committed Rate Stability Period for the Current Pro Forma Scenario.

### *iv) Minimum Requirements*

Emera proposes to acquire JEA's electric system for \$5.5B in gross proceeds. Emera is pleased to provide a compelling value range relative to the JEA electric system. While Emera, with Blackstone as a



minority participant, is interested in acquiring the electric system only, should the city direct a partnership with a buyer interested in JEA's water system, Emera is open to that concept. Emera's co-investor, BIP, is also willing to invest significant equity in such a partnership, including one that would see one combined offer for both the electric and water systems and allow JEA to retain a single holding company with a different mix of ownership as between the electric and water and waste water divisions.

Emera's initial review of the materials provided in the Data Room has supported the belief that JEA's electric utility is a well run, robust business. Emera understands the critical role JEA plays in the City of Jacksonville and the company is keen to work with the City in this next phase of JEA's evolution. Emera is excited about the prospect of investing in JEA and becoming part of the local community and serving the customers of Jacksonville - as we have been doing in Tampa. It is a pivotal time in the energy industry and Emera would welcome the opportunity to help position the City and JEA for the new energy future.

Our focus during due diligence will center around the risks associated with the Vogtle PPA, the process to regulate the rates at the state level and the net income during the rate stability period. Along with the customary areas of inquiry as part of the next phase, Emera will seek to understand these issues. One condition of the proposal that we foresee currently is that all risk associated with the Vogtle PPA will remain with Legacy JEA.

Emera's commitment with respect to the electric system's proportionate share of the minimum requirements as set out in JEA's ITN are as follows:

#### Financial

As indicated in Addendum 4, Attachment 14, Emera understands that JEA intends to use the gross proceeds to fund defeasance costs, other liabilities not assignable and transaction costs as well as employee retention payments and employee pension protection.

<b>Estimated Net Proceeds to the City (USD Millions)</b>	
<b>Gross Proceeds</b>	\$5,500
<b>Defeasance costs/other liabilities not assignable</b>	\$2,400
<b>Customer rebates</b>	\$150
<b>Employee retention payments</b>	\$100
<b>Employee pension payments</b>	<u>\$100</u>
<b>Net proceeds to the City</b>	\$2,750

All items in the above table (other than gross proceeds) represent Emera's estimates of the electric system's share of the consolidated JEA figures noted in the table below. Estimates are illustrative and based on Emera's interpretation of the information available at this time.



Consolidated JEA Figures (USD Millions)	
Defeasance costs/other liabilities not assignable	\$3,500 - \$4,000
Customer rebates	\$400
Employee retention payments	\$165
Employee pension payments	\$132

### Customer

Emera has assumed that the electric system's proportionate share of customer payments described in the ITN are paid to customers from Gross Proceeds. **Emera is committed to providing three years of rate stability for JEA customers.** As part of the subsequent discussions with management, Emera will look to understand in more detail the current revenue projection during the rate freeze period. Beyond the rate stability period, Emera is focused on maintaining affordable rates and delivering value for customers. Emera is open to exploring the use of rate smoothing techniques that the company has successfully applied in its other utilities. It is Emera's core belief that the challenges and opportunities of the energy future must clearly balance the need to address safety, reliability and affordability for its customers.

### Environmental

Emera is committed to developing and providing the City of Jacksonville and the Duval County Public School system with 100% renewable electricity by the year 2030. Consistent with the Respondent Financial Model we have assumed the replacement of Northside Units 1 and 2 with solar and battery storage.

### Community Impact

Employee pension protections and employee retention payments are reflected in gross proceeds consistent with Addendum 4, Attachment 14. **Emera commits to maintaining substantially comparable employee compensation and benefits for three years.** To that end, Emera has made no changes to Operations and Maintenance expense in the Respondent Financial Model.

## v. Feasibility

Emera has assumed that there will not be material differences in accounting recognition and measurement moving from municipal Government Accounting Standards Board (GASB) USGAAP to Financial Accounting Standards Board (FASB) US GAAP. As the ITN process unfolds, Emera will engage a major US accounting firm to ensure that there are no material differences between the accounting

standards. With the benefit of that information we will identify any specific recommendations at the time.

Emera will fully engage with JEA, the city and advisors to manage the interest rate risk associated with the announcement and closing of the transaction described herein (the “Proposed Transaction”). Emera understands how to plan for the timing of approvals that are within its influence. Emera considers the timing of city council review and a subsequent referendum will be items outside of Emera’s influence and could potentially impact the typical time to close a transaction of this magnitude. For this reason, Emera will seek guidance from JEA and its advisors on how best to mitigate this risk as the ITN process unfolds.

Emera has not identified any additional contingencies at this time, other than the approvals described in Section viii of the Reply.

#### *vi. Financing Sources*

The Proposed Transaction would not be subject to any financing contingency as a condition to closing.

Emera is pleased to be working with BIP on our proposal to JEA. Blackstone will invest as a minority partner. The equity contribution to JEA from Blackstone would be fully funded through a drawdown of the \$14 Billion of fully committed capital to Blackstone and its affiliated fund vehicles by its investors (of which over \$11 Billion remains undrawn as of September 30, 2019). Blackstone’s remaining undrawn capital can be invested at Blackstone’s sole discretion. Any final binding proposal would not be subject to a financing contingency. BIP is an open-ended, permanent capital vehicle that has no fund life constraints and has the ability to be a long-duration joint venture partner (i.e., there is no pressure to sell). Blackstone and its affiliates have invested over \$45 Billion of equity in infrastructure-related projects<sup>5</sup> globally over the last 15 years, while BIP has completed 2 transactions and has deployed nearly \$3 Billion since the start of 2019.

Emera will finance the transaction consistent with the regulated capital structure of JEA and Emera’s targeted capital structure. Emera is working with its financial advisor, Scotia Capital Inc., on the financing strategy for this acquisition, including the provision of an acquisition bridge facility to enable the closing of the transaction and to provide flexibility on the timing of the final capital raise. The foregoing would be dependent upon further due diligence to be conducted by Emera and its advisors.

With an enterprise value of over US\$20 Billion, Emera has a proven track record in accessing capital markets in both the United States and Canada. Over the past five years, Emera has raised over \$7.5

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<sup>5</sup> Blackstone’s “infrastructure-related” investments have been selected from multiple Blackstone funds where “infrastructure” was defined to include companies and assets in the power generation, energy midstream, renewable energy, telecom infrastructure and logistics and transport industries; and does not include upstream energy, general commercial or residential real estate or industrials companies. A full list of investments included and is available upon request.

Billion of equity and debt to fund capital investment and corporate acquisitions, including the US\$10.4 Billion acquisition of TECO Energy in 2016.

#### *vii. Internal Approvals Process*

Emera's Board of Directors and executive office are fully apprised of Emera's participation in the ITN process. Emera will require approval from its executive office and Board of Directors prior to making a binding offer and executing final definitive agreements. Emera will keep its executive office and Board of Directors updated as necessary throughout the due diligence process, and we anticipate being able to obtain internal decisions in a timely fashion concurrent with the negotiation of final definitive agreements. The transaction would not trigger the need for approvals from Emera shareholders.

BIP's Investment Committee has been fully apprised of BIP's participation in the ITN process and is supportive of this proposal. We are confident that upon completion of satisfactory due diligence, we will be able to move expeditiously toward executing a definitive agreement. Commitments of capital by BIP will not require approval from our investors, our Board of Directors or our shareholders and are contingent only upon approval from our Investment Committee.

Consummation of the Proposed Transaction will be subject to the regulatory approvals discussed in Section viii of this Reply, third party consents and approvals to be set out in the definitive purchase agreement, and the satisfaction of other closing conditions customary for an arm's length third-party purchase and sale transaction of this nature. We would use the due diligence period to confirm such required approvals, and work to expeditiously obtain any regulatory and other approvals required to close the transaction.

CONFIDENTIAL/PROPRIETARY/TRADE SECRET: The information on this page is confidential and exempt from Florida's Public Records Law as proprietary/trade secret information which is exempt from disclosure pursuant to Sections 812.081 and 815.045, Florida Statutes.

**viii. *Regulatory / External Approvals and Conditions***

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

#### ***ix. Prior Acquisitions / Investments***

Emera has deep experience with acquisitions and capital markets transactions. On July 1, 2016, Emera acquired all the outstanding common shares of TECO for \$27.55 per common share. The net cash purchase price totaled \$6.5 Billion, with an aggregate purchase price of \$10.7 Billion, including the assumption of \$4.2 Billion in US debt on closing. The TECO transaction closed in approximately nine months and is evidence of Emera's ability to close the Proposed Transaction in a timely fashion.

Between 2006 and 2013, Emera acquired interest stakes in Caribbean utilities, including The Barbados Light & Power Company Limited ("BLPC"), Dominica Electricity Services Ltd., St. Lucia Electricity Services Ltd., and Grand Bahama Power Company Ltd. ("GBPC"). In 2016, Emera privatized Emera (Caribbean) Inc., the parent company of BLPC, and in 2018, it privatized ICD Utilities Limited, the parent company of GBPC.

#### ***x. Advisors / Contact List***

Please see **Schedule x)** for requested names and contact information.

#### ***xi. Due Diligence***

Our Revised Reply is subject to due diligence which would include, without limitation, the following activities and associated documents and information:



- On-site inspection of select facilities and assets;
- Confirmation of no material liabilities, contingent or otherwise, including any related to environmental proceedings;
- Meeting with senior management, operations personnel and advisors;
- Review of commercial status and all material records and contracts;
- Review of the development plans, permits, regulatory approvals and related documentation;
- Review of facility operations and maintenance, including facility performance, maintenance records, description of forced outages, root cause failure analysis, OEM reports and operations and maintenance agreements with third parties;
- Review of key/critical component replacements and upgrades including system upgrade efforts;
- Review of facility life-cycle studies;
- Review of safety records and programs;
- Review of operating permits and environmental compliance;
- Review of accounting and financial information, including operating, maintenance and capital assumptions and plans;
- Review of management audit letters and findings reports;
- Review of any debt financing, hedging arrangements, guarantees, collateral agreements, including existing credit agreements;
- Review of insurance policies;
- Review of property leases and option agreements (if any);
- Review of legal and regulatory agreements, pending regulatory filings, permits, franchises, licenses and related documents (to the extent not included above);
- Review of stakeholder management, safety and environmental plans;
- Review of prior mergers, acquisitions, divestitures, joint ventures;
- Review of employment arrangements, pension and benefit plans and collective bargaining agreements;
- Review of any pending or threatened litigation, claims, investigations and proceedings; and
- Review of enterprise information, records and minute books.

Emera confirms that it is prepared to complete the necessary due diligence in a timely manner. The team can commence due diligence immediately after being granted access to key management personnel and a fully populated data room and will proceed as expeditiously as is practicable.

## ***xii. Other Information***

Except for this Section, this Revised Reply does not constitute a legally binding agreement or obligation of Emera or BIP to consummate any transaction, including without limitation, the Proposed Transaction and is not an offer capable of being accepted, but is instead a statement of Emera's and BIP's interest and based on Emera's and BIP's current understanding of JEA's electrical system and the Proposed Transaction. Emera and/or BIP shall have no obligation to consummate the Proposed

Transaction contemplated under this Revised Reply unless and until a definitive purchase agreement and related documentation are negotiated, authorized, executed and delivered by the parties thereto, and all conditions precedent have been satisfied or otherwise waived in accordance with the terms of such definitive agreement. Any actions taken by JEA in reliance on the non-binding terms expressed in this Revised Reply or on statements made during negotiations pursuant to this Revised Reply shall be at JEA's own risk, and this Revised Reply shall not be the basis for a contract by estoppel, implied contract or any other legal theory.