

# Rating Agency Update

June 5-6 2018

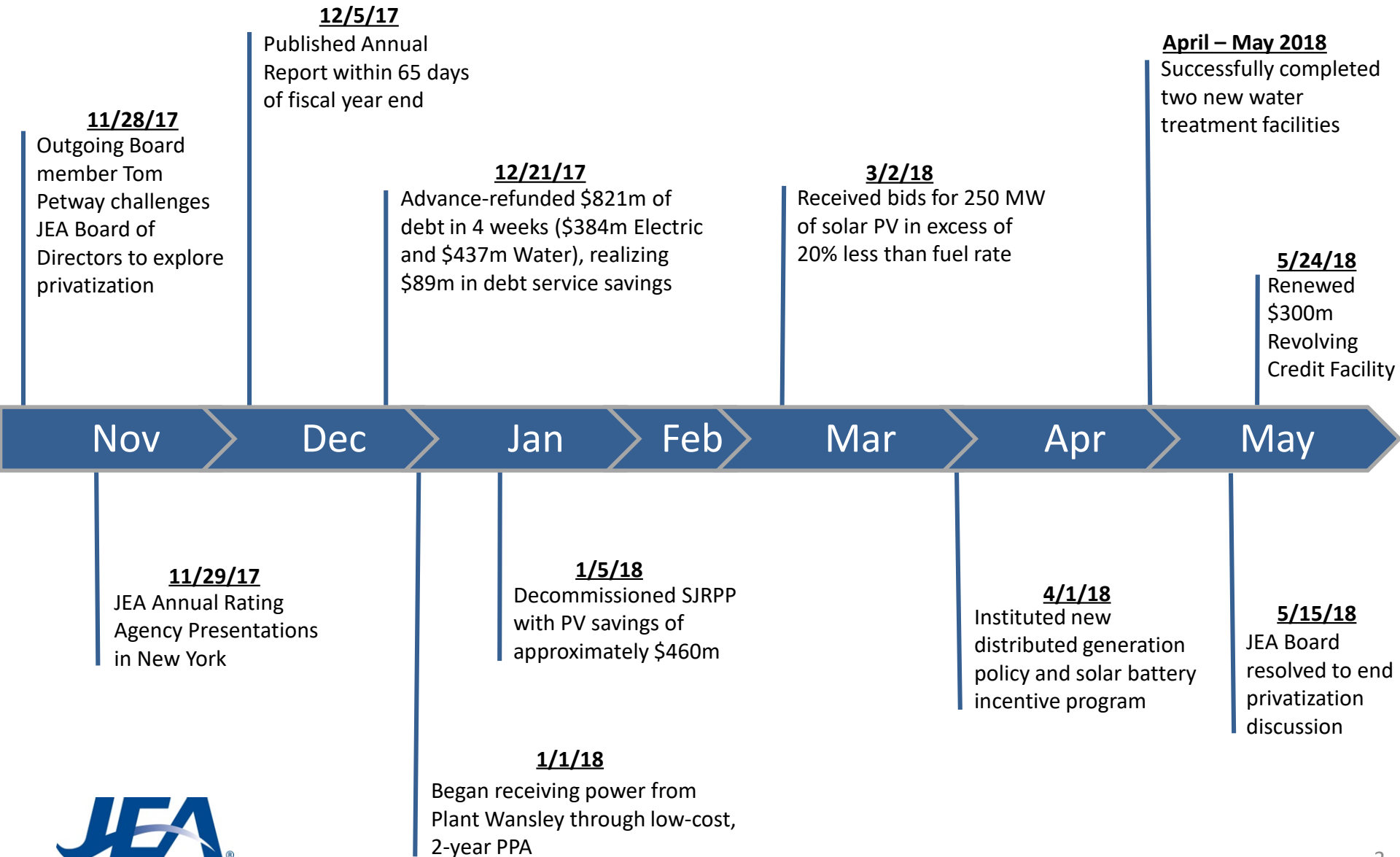


## Agenda

- I. Introduction
- II. Strategic Discussion
- III. SJRPP Decommissioning
- IV. Solar Energy
- V. Plant Vogtle
- VI. Water & Sewer System Update
- VII. Financing Update



# Since We Last Met



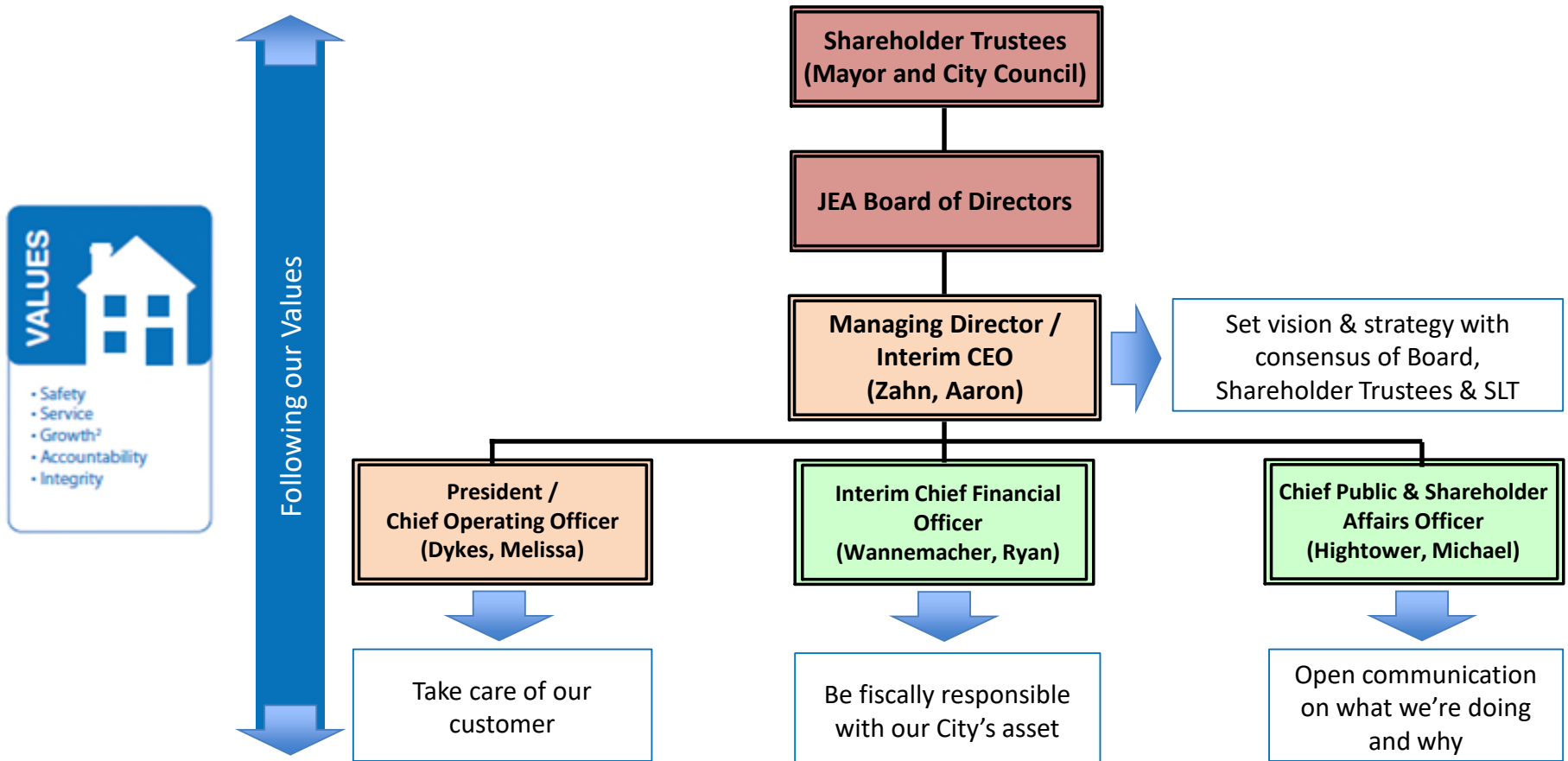


# Strategic Discussion





# Organized to Serve



# Transition Plan

## Understand the Leaders, Organization and Culture

- ✓ Identify key themes with Board and Policy Makers for JEA
- ✓ Conduct interviews with current leaders, including Board, to gain a deeper understanding of the organization as well as identifying any “red flags”
- ✓ Publicly announce a pause to large strategic shifts in the company’s business or capitalization
- ✓ Outline objectives and agree on a customized transition process
- ✓ Organize for stability and smooth transition (e.g. CEO, COO, CFO, etc.)

## Engage the Board and Policy Makers

- ✓ Gather input and questions from the Board, Policy Makers, Employees and Stakeholders on JEA
- ✓ Conduct interview with outgoing CEO to understand critical issues, initiatives and stakeholders that will need to be addressed
- ✓ Conduct interviews with each Board member and each Policy Maker to identify key concerns
- ✓ Conduct interviews with key employee groups to identify concerns
- ✓ Engage 3<sup>rd</sup> party to drive process of CEO transition

## Create Alignment Framework and a Detailed Transition Plan

- ✓ Create collective “framework” for alignment of City Council, Mayor, Board and leadership of JEA
- ✓ Iterative process, detail roles and responsibilities at various stages of the transition
- ✓ Develop a go forward plan and review the timetable against key business events and external considerations
- ✓ Communicate the transition plan to the organization to reduce potential confusion and set clear expectations
- ✓ Set 2018/2019 budget

## Execute Transition Plan and Consider Future JEA

- Define permanent CEO job description using “shareholder framework” (JEA Board only)
- Review division of Board related responsibilities and Board composition that may aid in transition and strategy
- Identify a Lead Director and/or Chairman to provide governance of the transition process
- Review progress with the Board and adjust as needed
- Facilitate knowledge transfer
- Manage transition plan and milestones

## Finalize Transition & Begin Strategic Planning and Execution

- Ensure the organization has clarity around roles and responsibilities
- Gap analysis of 2013 Plan with current marketplace
- Communicate the transition plan to critical external stakeholders and policy makers to reduce potential confusion and set clear expectations
- Continue cost and efficiency management
- Iteratively evaluate “core business” around growth areas, efficiencies and liability management

## Outcomes

- Hire permanent CEO (JEA Board only)
- “Bold JEA Plan”
- Roadmap of vision and strategic plan for JEA’s future
- Finalize senior leadership and organizational structure including permanent CEO & CSO
- Framework as basis for common working approach for Policy Makers, Board and senior team to evaluate and implement strategy

June 2018 – October 2018

October 2018 – December 2018

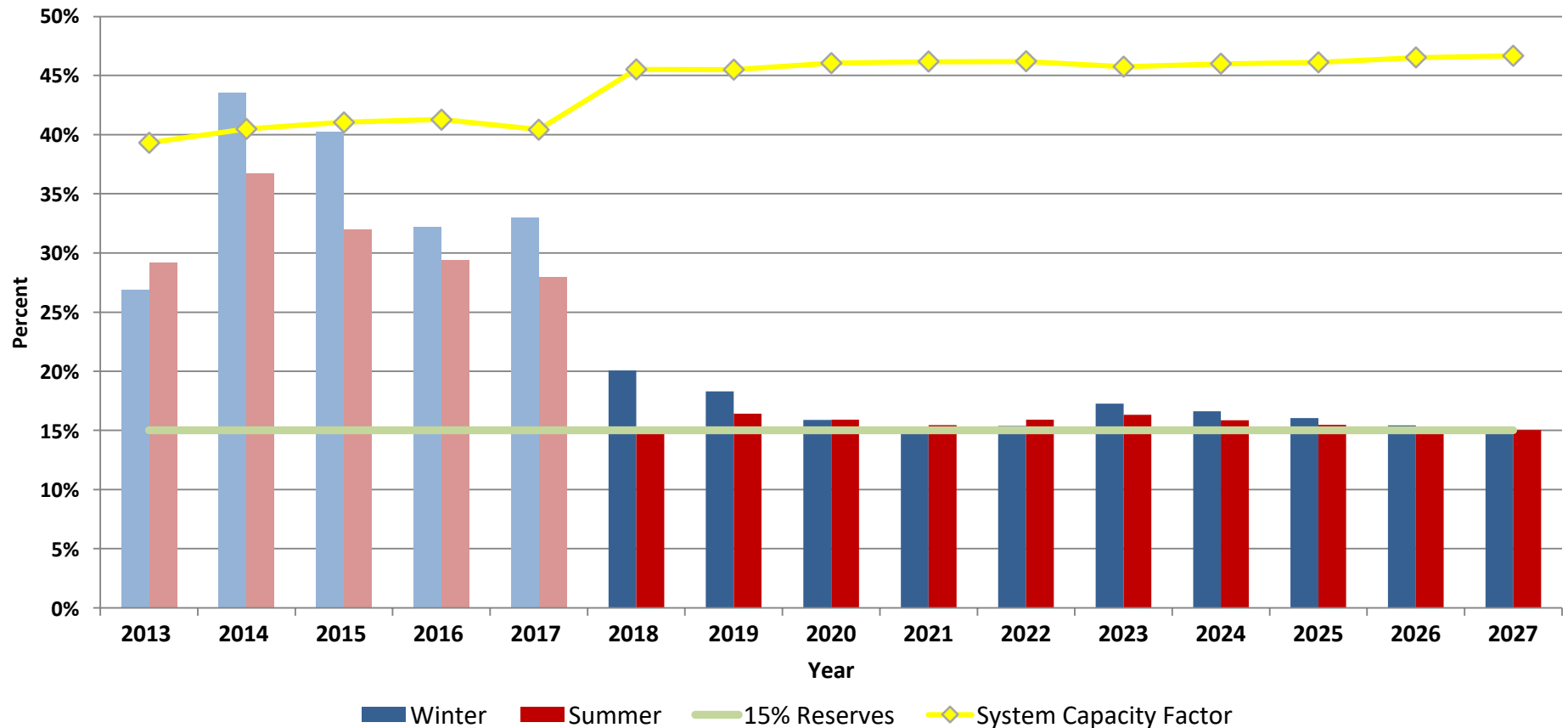
December 2018 – October 2019



An aerial photograph of the SJRPP nuclear power plant. The image shows two large, white, hourglass-shaped cooling towers on the left, with white steam rising from them. In the center, a tall, slender, light-colored smokestack stands prominently. To the right of the smokestack, there are several large, blue, cylindrical storage tanks. The plant's main building is a complex of steel structures and scaffolding. A long, white, elevated walkway or conveyor system extends from the central area towards the right side of the image. The surrounding landscape is a mix of green grass, trees, and some industrial infrastructure like roads and parking lots. The sky is filled with large, white, fluffy clouds.

# SJRPP Decommissioning

# Reserve Margin Following Shutdown



- Minimum 15 percent reserve margin maintained throughout 10 year planning horizon with annual and seasonal purchases
- Fleet utilization increases after SJRPP decommissioning

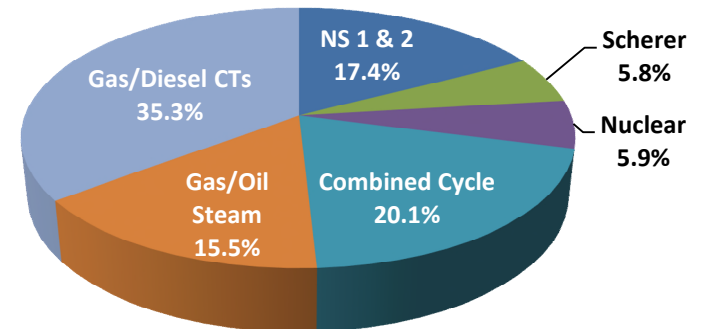
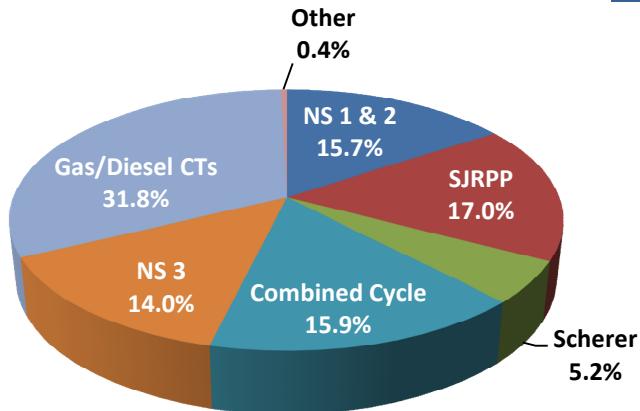


# Fuel Mix for Electricity Production

2017

Capacity

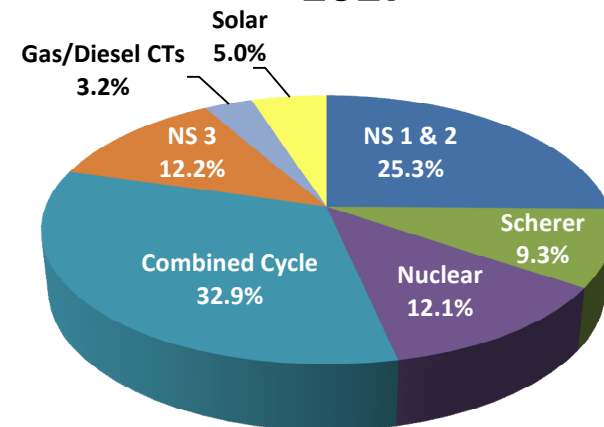
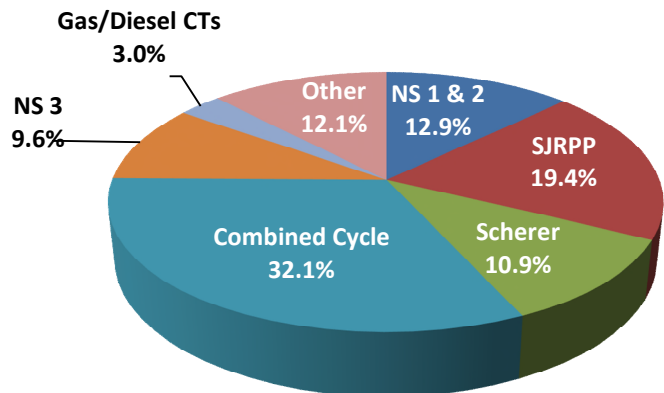
2027



2017

Energy

2027



# Plant Wansley

- 200 MW Combined-Cycle Natural Gas PPA
- Located in Carrollton, GA

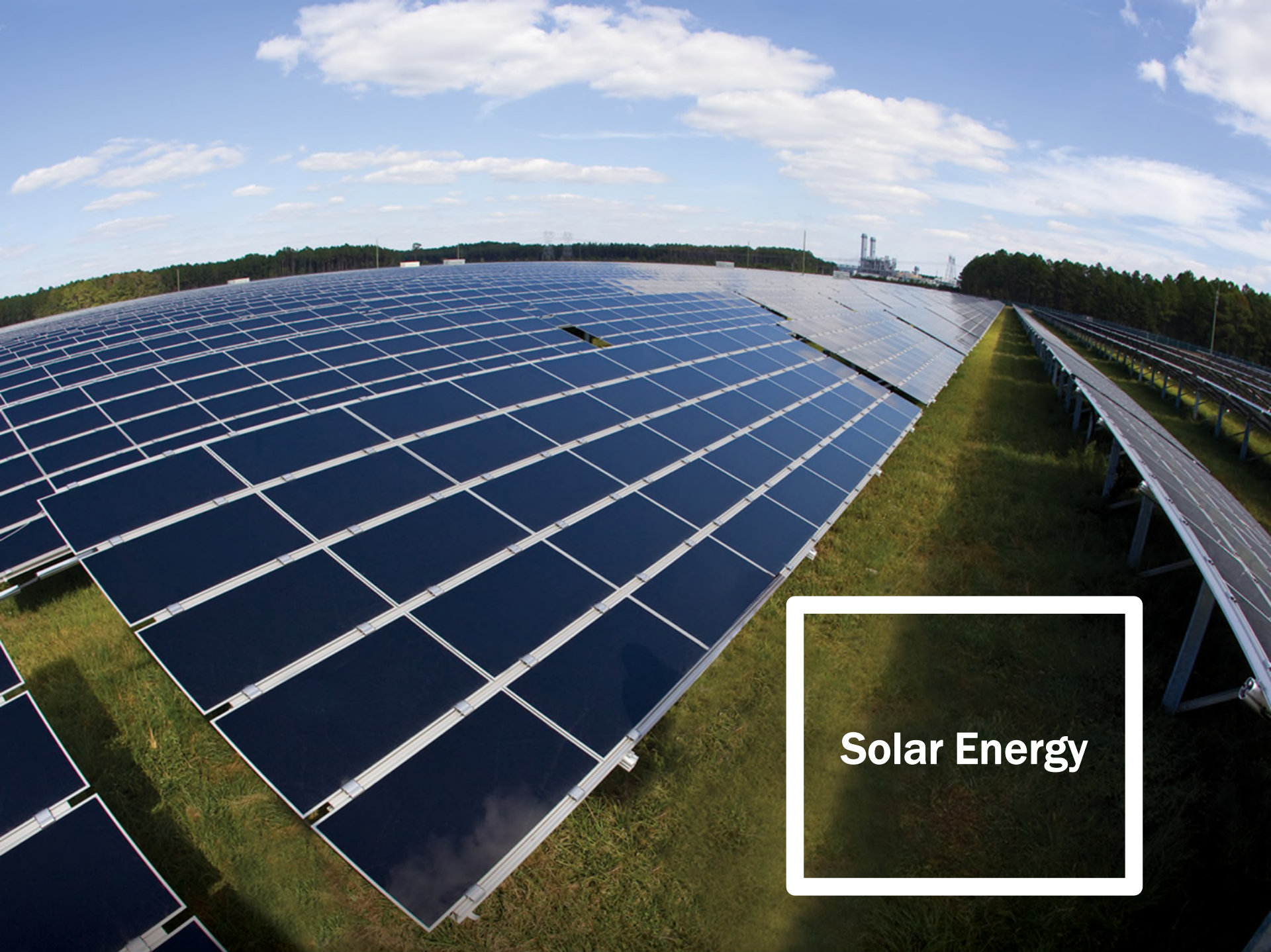
Contributes to fuel diversity

Fuel supply diversity – gas delivery location with historically lower basis to Henry Hub (Transco Zone 4)

Currently one of JEA's lowest cost units







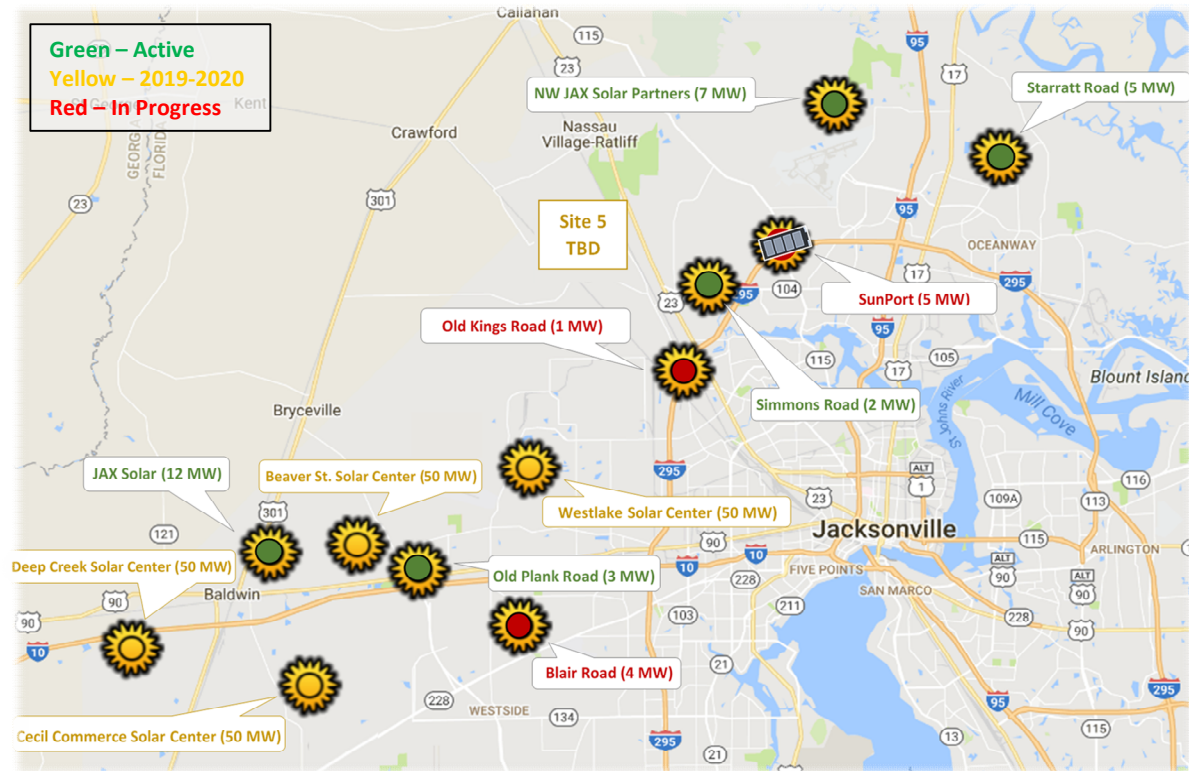
**Solar Energy**

# Universal Solar

## JEA is pursuing a substantial increase in solar generation

- Plan to add up to 250 MW of universal solar New sites owned by JEA
- Reduces exposure to fossil fuel volatility
- JEA received PPA bid prices in excess of 20 percent lower than fuel rate

## Current and Proposed Solar Sites



JEA's planned 300MW of solar would propel Jacksonville to the largest solar community in the United States

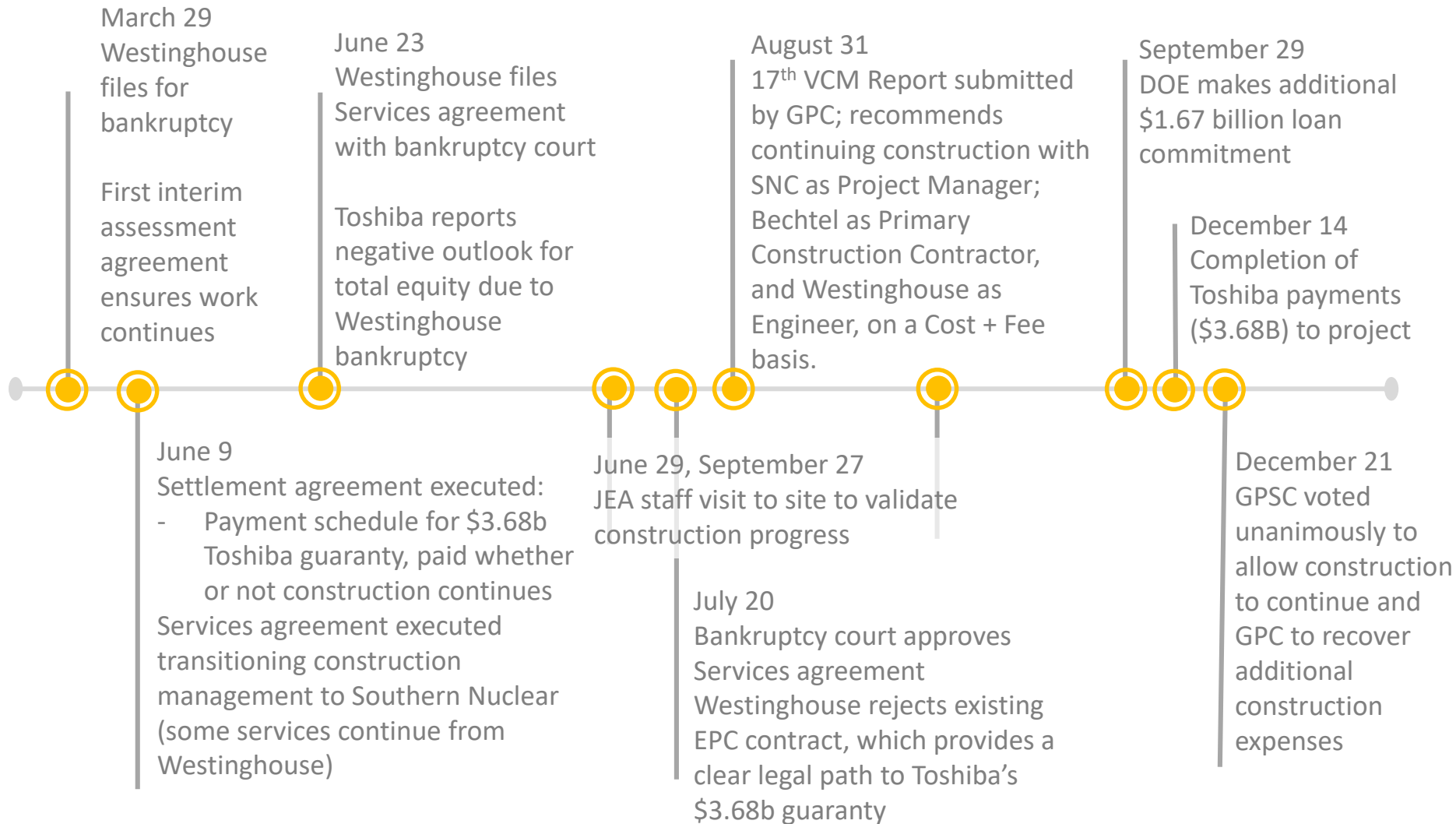




Plant Vogtle



# Developments in Vogtle Project



Expected completion: November 2021 (Unit 3) and November 2022 (Unit 4)



# Navigant Study

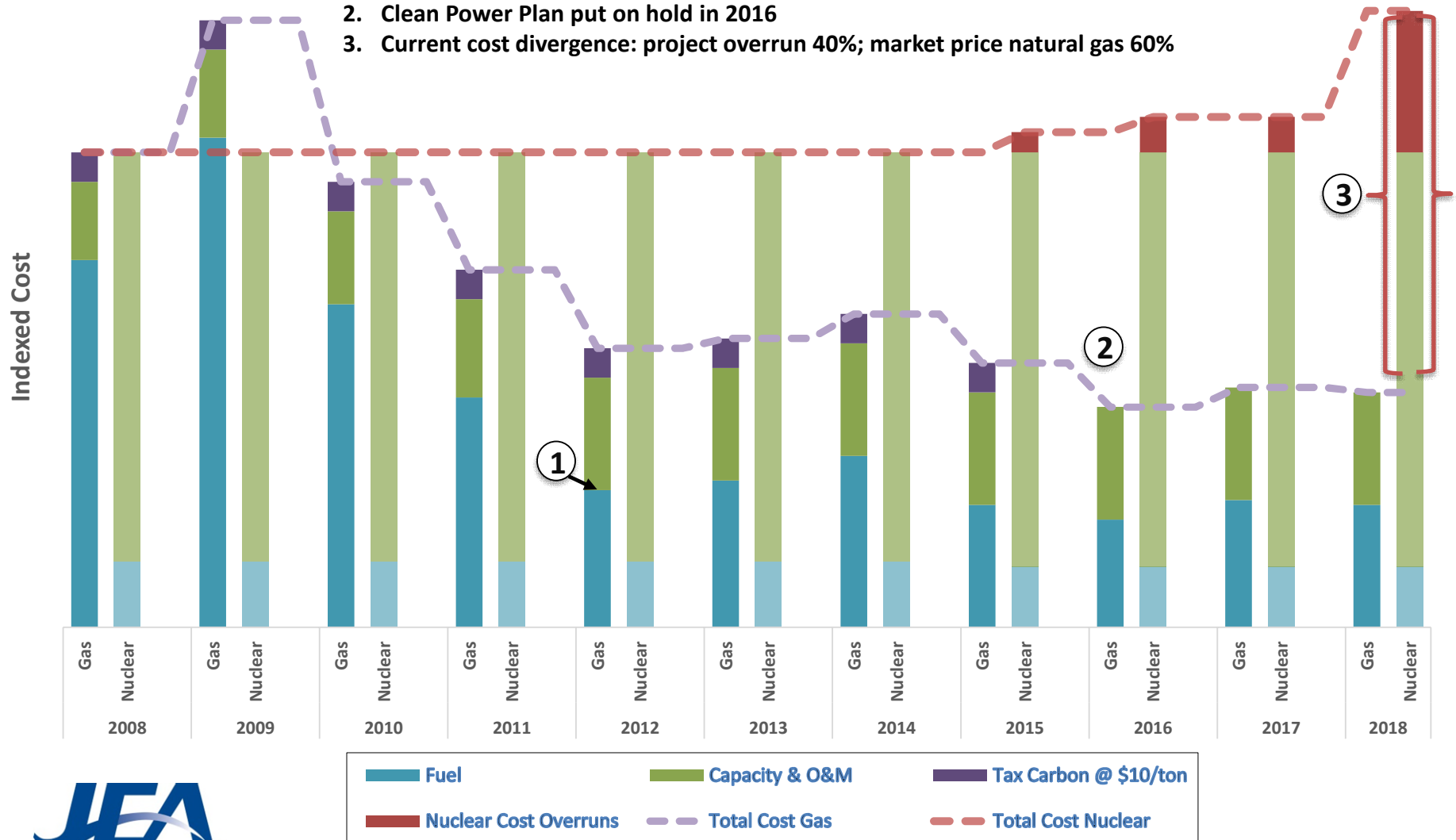
- Navigant evaluated the economics from JEA's perspective of construction activities at Vogtle Units 3 and 4 being terminated on January 1, 2018 relative to completion of the project using the latest cost-to-complete estimate
- Based on this evaluation, cancellation of the project is less costly to JEA than completing Units 3 and 4
- The no go scenario is 15% to 32% less expensive in terms of JEA's cost per MWh (based on levelized nominal costs over 20 years) according to Navigant's analysis

**Total Completion Level – 67%\***  
**Construction Completion – 51%\***



# Relative Costs of Gas and Nuclear

1. Market cost of natural gas decreased from \$8-\$9/mmbtu to \$3-\$4/mmbtu over 3 years and projected to stay low
2. Clean Power Plan put on hold in 2016
3. Current cost divergence: project overrun 40%; market price natural gas 60%





# Comprehensive Financial Plan Execution

## **2016:**

Proactively implemented base rate increases to accelerate debt reduction through FY19 and maintain target coverage metrics through FY21 as units 3 and 4 come online

## **2017:**

Increased reserve transfers to fully fund Vogtle principal payments required prior to operation by FY19

## **2018:**

Decommissioned St. Johns River Power Park which provides significant annual cost savings

## **2018 – 2019:**

Additional reserve transfers to fully fund Vogtle principal payments required before revised in-service date of FY22





Water & Sewer  
System Update



# Blacksford Water Reclamation Facility



- Located in NW St John's County
- Expands the existing plant's treatment capacity from 2.5 to 6 MGD (Average Annual Day) with the ability to treat 100% of the effluent to reclaimed water standards
- Substantial completion is scheduled to be June 26, 2018. The total project [i.e., buildings, painting, etc] will be completed at the end of the calendar year.
- Total project cost \$65 million
- Increases the wastewater treatment capacity in the rapidly growing Southern Duval and Northern St John's County areas, as well as the capacity and reliability of JEA's reclaimed water system

# Northwest Regional Water Treatment Facility



- Located in Duval County 1 mile east of the Jacksonville International Airport
- New 3 MGD (Annual Average Day) plant with two (2) 3.5 MGD wells, a 1.0 million gallon storage tank and (4 ) high service pumps capable of pumping 14.8 MGD at peak conditions
- Plant went on-line April 30th, after 18 months of construction
- Total project cost \$10 million
- Increases capacity and reliability of JEA's potable water supply by meeting the growing demand in Northern Duval County, and providing back-up water treatment capacity





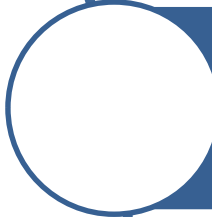
**Financing  
Update**



# Financing Update



Executed renewal of \$300 million, 3-year Revolving Credit Facility with JP Morgan Chase on May 24<sup>th</sup>



Temporarily renewed five Standby Bond Purchase Agreements totaling \$193 million with RBC effective June 1<sup>st</sup>

- Will convert \$156 million in four Electric System Senior SBPAs to 4-year Direct Purchase Agreements in August
- The 5<sup>th</sup> \$37 million, Electric System Sub SBPA will be concurrently renewed for 3 years



Will renew a \$51 million Standby Bond Purchase Agreement with U.S. Bank later this month [*Water & Sewer System Sub*] with the maturity matching the October 2020 expiration of three other Electric System SBPAs



In negotiation with Wells Fargo on the 3-year renewal of \$218 million of Electric System Senior Direct Purchase Agreements