
From: Crawford, Juli E. - Manager - Financial Planning & Rates <crawje@jea.com>
Sent: Friday, September 14, 2018 4:34 PM
To: Wannemacher, Ryan F. - Interim Chief Financial Officer
Cc: Steinbrecher, Paul K. - VP & Chief Environmental Svcs Officer; Marshall, Raynetta C. - Dir W/WW Planning & Development
Subject: Status Quo JEA Case DRAFT
Attachments: DRAFT JEA Status Quo Case.pptx

Ryan,

Attached is our first draft of the Status Quo JEA presentation. Notes are in red. I am copying Ray and Paul to see if they have any information to add regarding market forces and their impacts on water sales.

I will be happy to discuss at Monday's DBE meeting.

Our second draft will be provided on 9/21.

Thanks,
Juli

Juli Crawford

Interim Director of Financial Planning and Analysis

Direct: (904) 665-6151

Mobile: (352) 219-0534

A white LED light bulb is lying on a patch of green grass. The word "DRAFT" is written in large, bold, red capital letters across the middle of the bulb. On the right side of the image, there is a dark blue diagonal shape that looks like a stylized arrow or a corner piece.

DRAFT

JEA®



**JEA STATUS QUO
CASE**

JEA CURRENT FRAMEWORK



OCTOBER 2018



**JEA STATUS QUO
CASE**

Florida Public Service Commission

- Require electric power conservation and reliability within a coordinated grid
- Approve territorial agreements and settle territorial disputes
- Prescribes uniform systems of accounts & rate structures for all electric utilities
- This includes oversight that the total revenue requirements of utilities are collected fairly from all customer classes.

City of Jacksonville Charter

- Article 21.01: Established JEA for the express purpose of acquiring, constructing, operating, financing, and otherwise having plenary authority with respect to electric, water, sewer, natural gas, and such other utility systems as may be under its control now or in the future.
- Article 21.04: If JEA determines that it is...appropriate...to provide...any other utility system or function...JEA shall by resolution identify such additional utility system...to the council
- Article 21.07: There shall be assessed upon JEA...from revenues of the electric...and water and sewer system...after the payment of all costs and expenses incurred by JEA in connection with the operation...JEA shall pay the city combined assessment from the electric system and the water and sewer system.

JEA Pricing Policy

- Primary goal is to establish revenue requirements to fully recover the costs necessary to operate and maintain the utility, consistent with its mission, through fair and equitable pricing
- The total revenue requirement of each system must be sufficient to ensure the financial integrity of the utility, including recovery of debt service, sufficient revenue to meet renewal and replacement fund requirements, and maintenance of key financial metrics

ELECTRIC MARKET

Growth is forecasted using multiple regression analysis of history, population, median household income, housing starts, commercial square footage, commercial employment, gross product, and electric rates.

Energy Efficiency continues to meet JEA's Florida Energy Efficiency and Conservation Act (FEECA) goals. JEA's demand-side management programs focus on improving the efficiency of customer end uses as well as improving the system load factor. To encourage efficient customer usage, JEA offers customers both education and economic incentives on more efficient end use technologies.

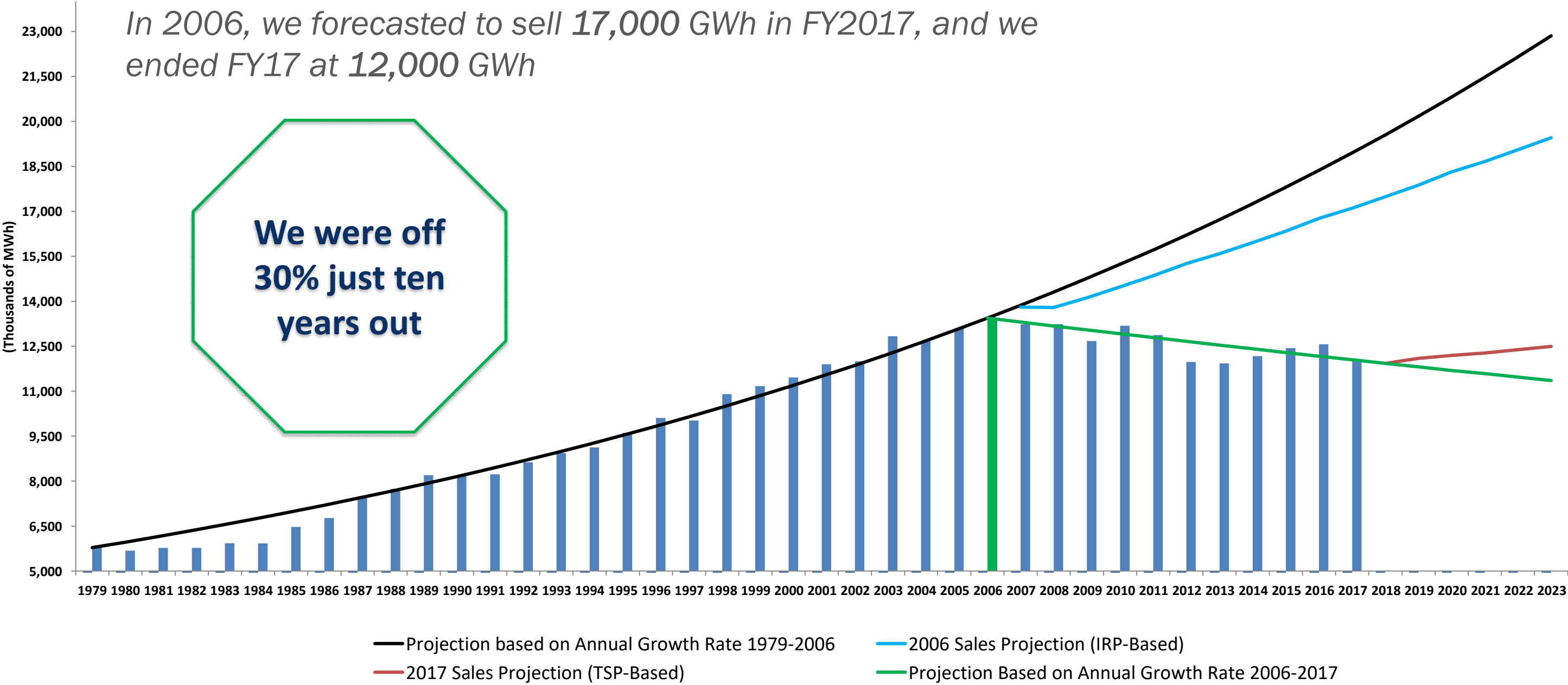
Rooftop Solar and Storage is anticipated to grow at a rapid pace achieving full saturation in the JEA territory by 2030. Projections indicate a 59% CAGR for residential and 64% CAGR for commercial and industrial.

Electric Vehicles Low adoption assumed for Jacksonville, achieving 9 times the 2018 energy in 2030, forecasted based on battery charge and miles driven per day

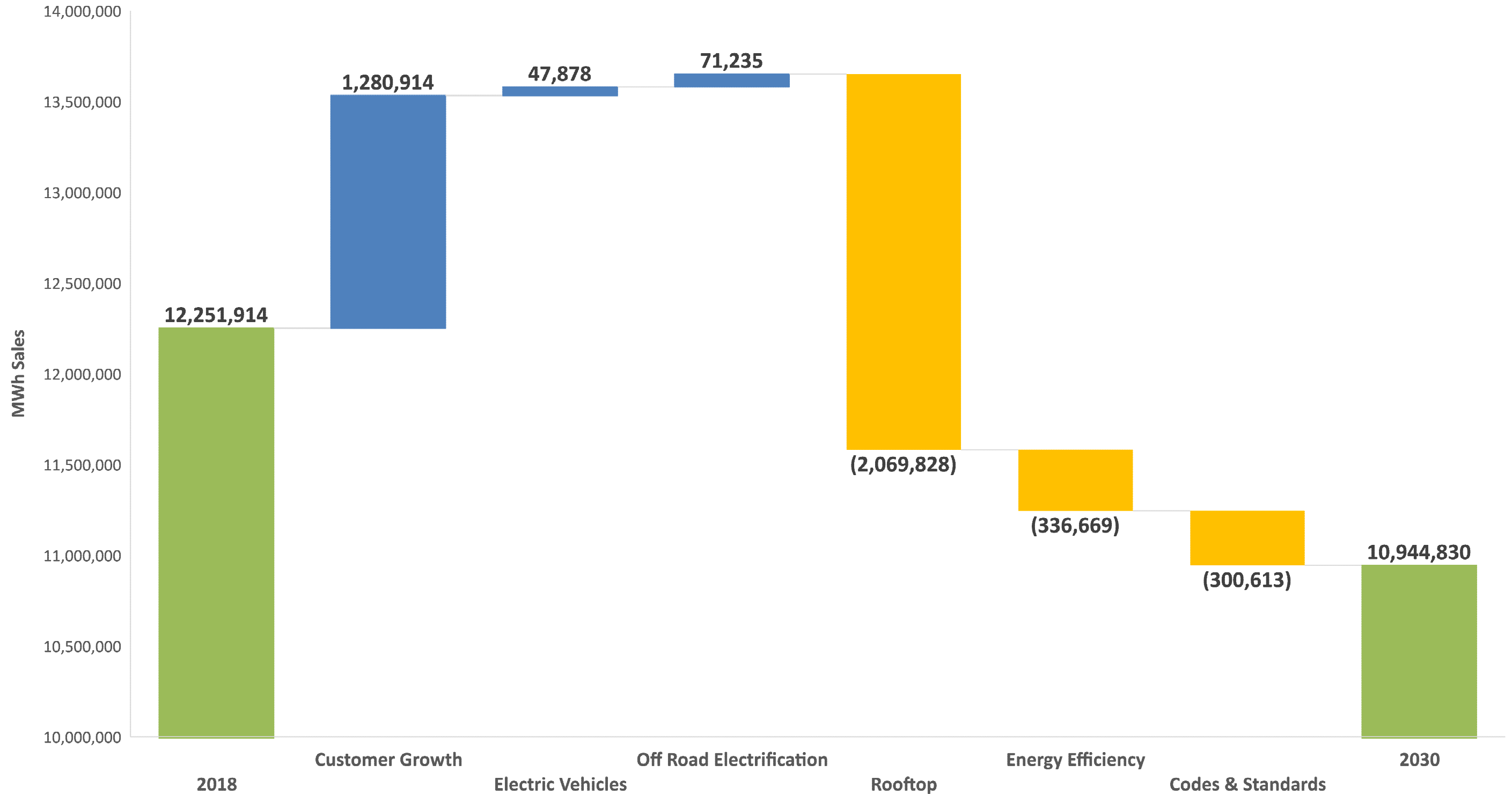
Non-Road Electrification Low forecast, achieving 3 times the 2018 energy in 2030 including the assumption to not renew/rebid the FY18-20 electrification contract

Natural Gas growth not currently projected

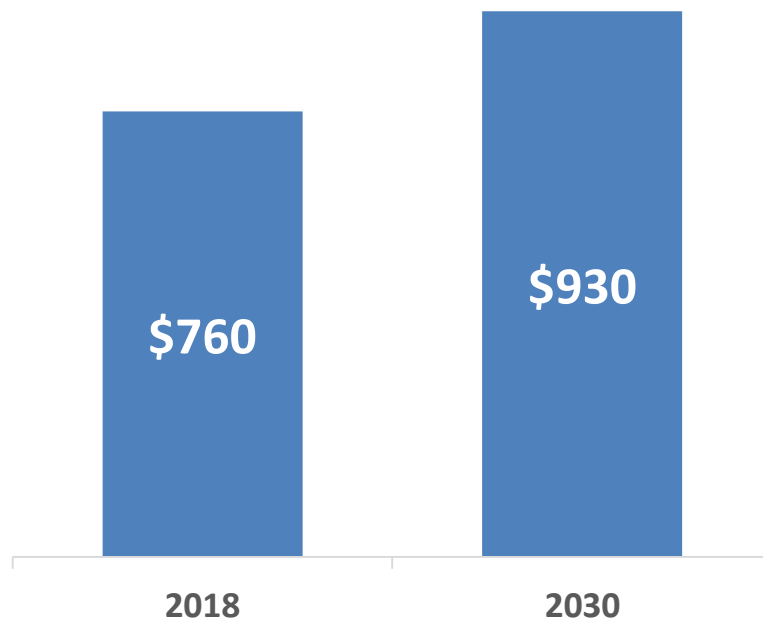
JEA ELECTRIC SALES AND PROJECTIONS



Potential Market Forces by 2030



*Declining electric sales
results in significant rate
increases to meet higher
revenue requirements*



OCTOBER 2018



**JEA STATUS QUO
CASE**

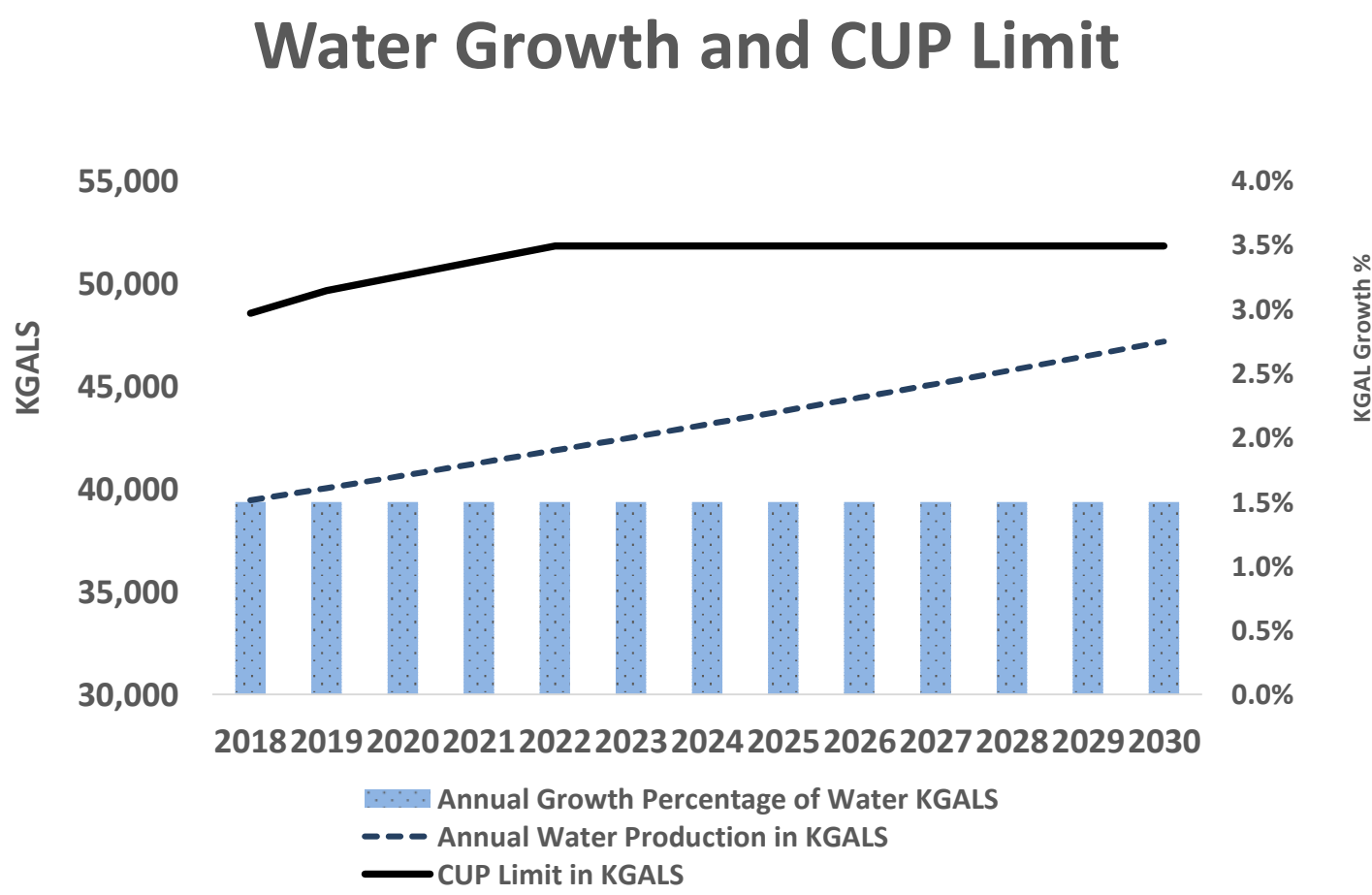
DOING NOTHING...

- no change in cost structure
- no change in capital structure
- no change in rate structure
- continue to comply with current Pricing Policy throughout proforma

...RESULTS IN

- Additional revenue required from customers from 2018 to 2030 = \$1 billion

Need more information from Water Planning and Environmental



An extreme scenario of a sharp decline in per capita consumption would result in additional revenue required from customers, however this scenario is unlikely

WATER MARKET

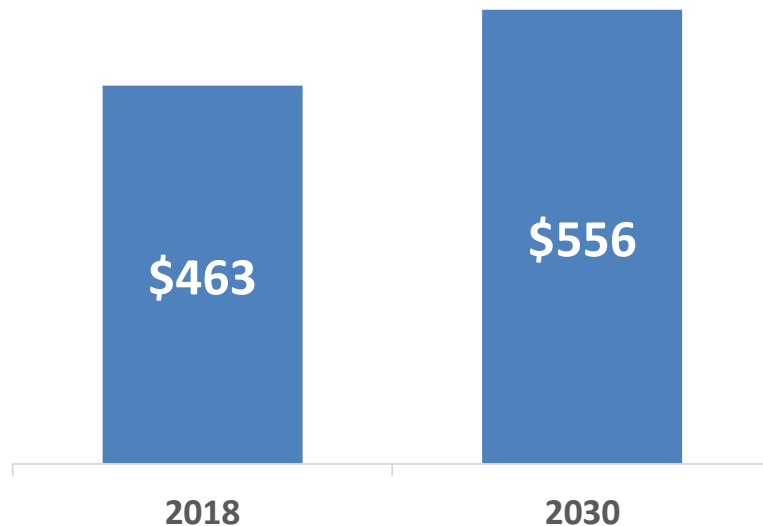
Customer growth

Water Efficiency/Conservation

Regulation

CUP limits

*Water customer growth
drives increased
revenue allowing for
new debt without rate
increases*



OCTOBER 2018



**JEA STATUS QUO
CASE**

DOING NOTHING...

- no change in cost structure
- no change in capital structure
- no change in rate structure
- continue to comply with current Pricing Policy throughout proforma

...RESULTS IN

- New debt for capital investments
- No additional revenue required from customers

Conclusion

TBD

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**JEA STATUS QUO
CASE**