
From: Wannemacher, Ryan F. - Chief Financial Officer <wannrf@jea.com>
Sent: Friday, November 16, 2018 11:53 AM
To: Gredell, Jason
Subject: FW: JEA Financial Strength December Board Revised

Jason,

You can use this presentation for slide templates.

Thanks
Ryan

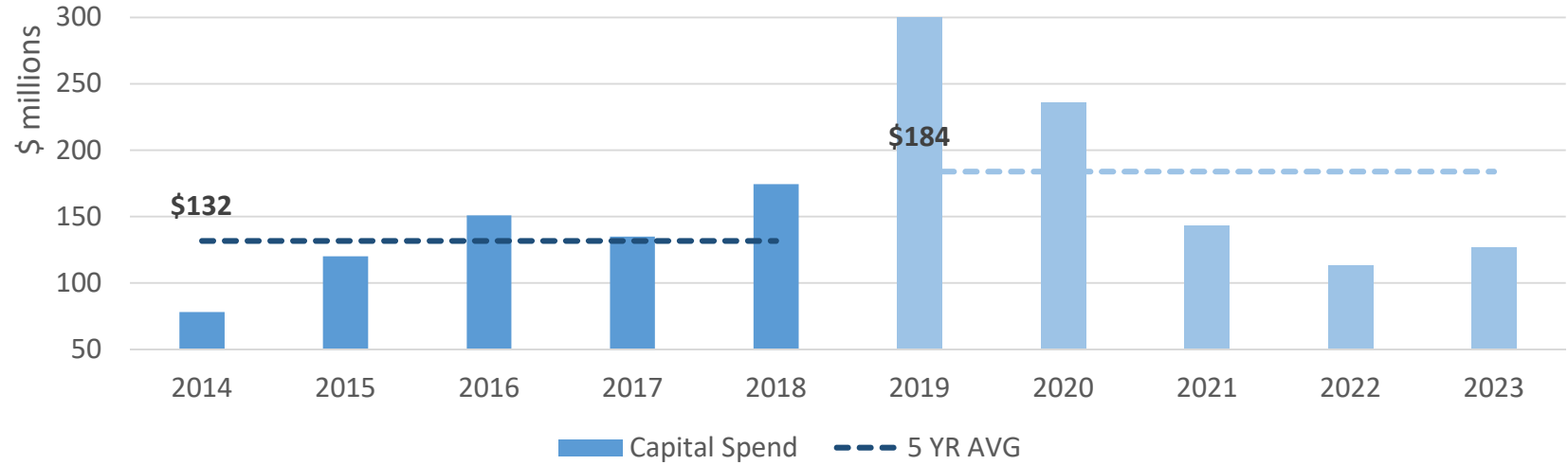
JEA'S FINANCIAL STRENGTH REVISED

Proposed “Plan” that increases operating efficiency and reduces corporate risk includes:

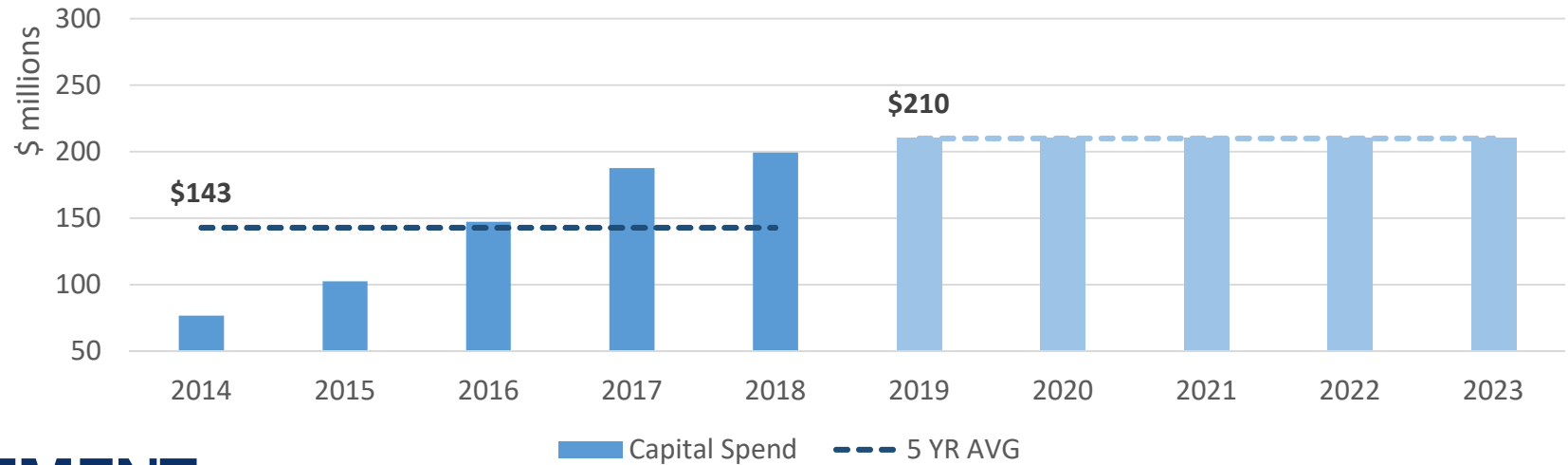
- Increased revolver by \$200 million at same pricing / terms and conditions ✓
- Negotiated a contribution agreement extension providing stability through 2023 ✓
- Maintaining solid AA financial credit metrics ✓
- Increase cash flow by an average of ~\$80 million annually through 2023
- Pay off ~\$1 billion of debt by 2023 – all debt maturing before 2028
- Cash funding ~\$1.6 billion in CAPEX for next 4 years
- Increase CAPEX by over 40% over the next 5 years vs. the last 5 years
- No projected base rate increases necessary to execute on plan

43% increase in 5 year average CapEx plan in next 5 years verse last 5 year period

ELECTRIC SYSTEM



WATER SYSTEM



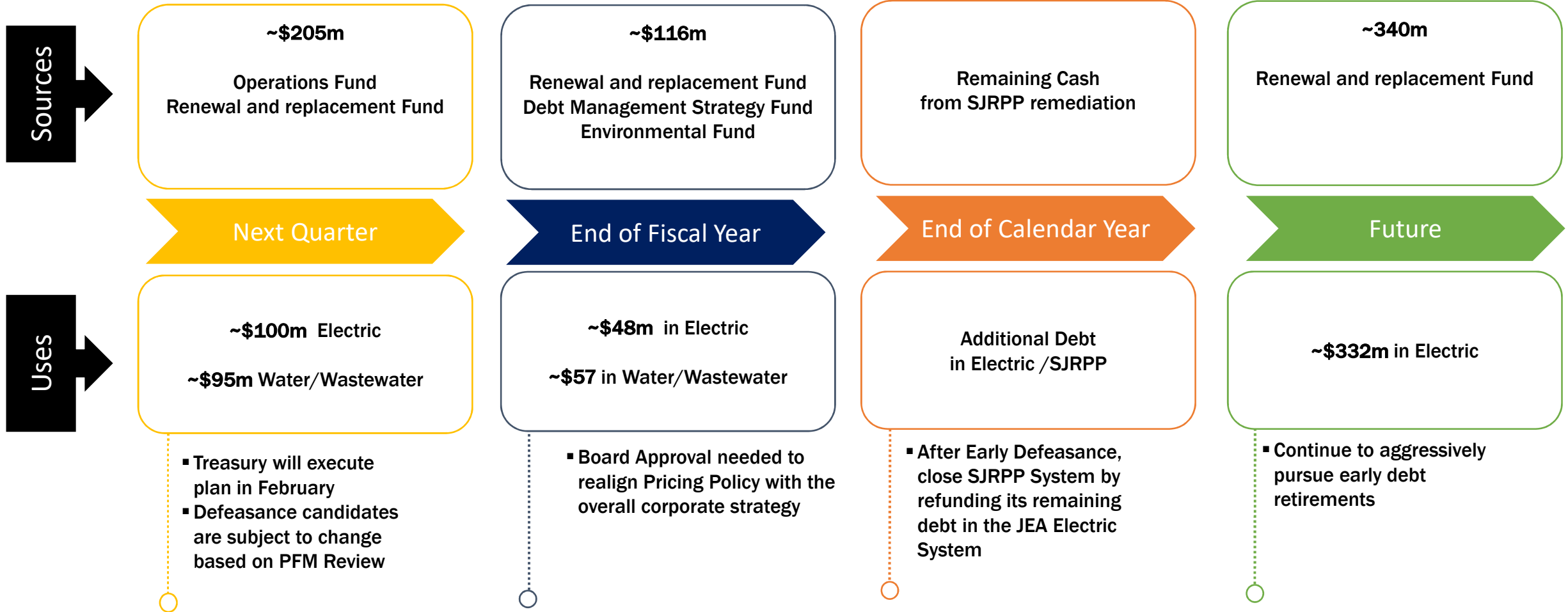
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CAPITAL IMPROVEMENT PLAN

Strategic & Timely Asset Realignment Plan

Early Debt Retirement Phases

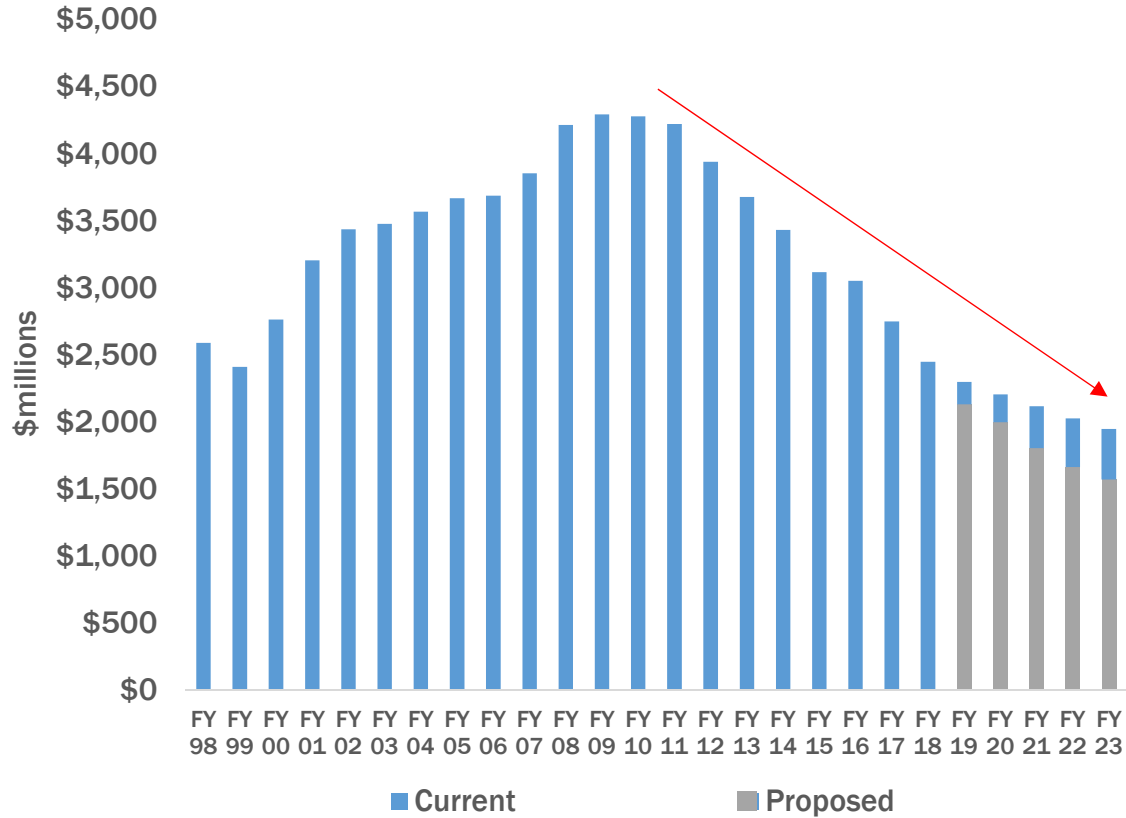


**Strategic &
Timely Asset
Realignment
Plan Details**

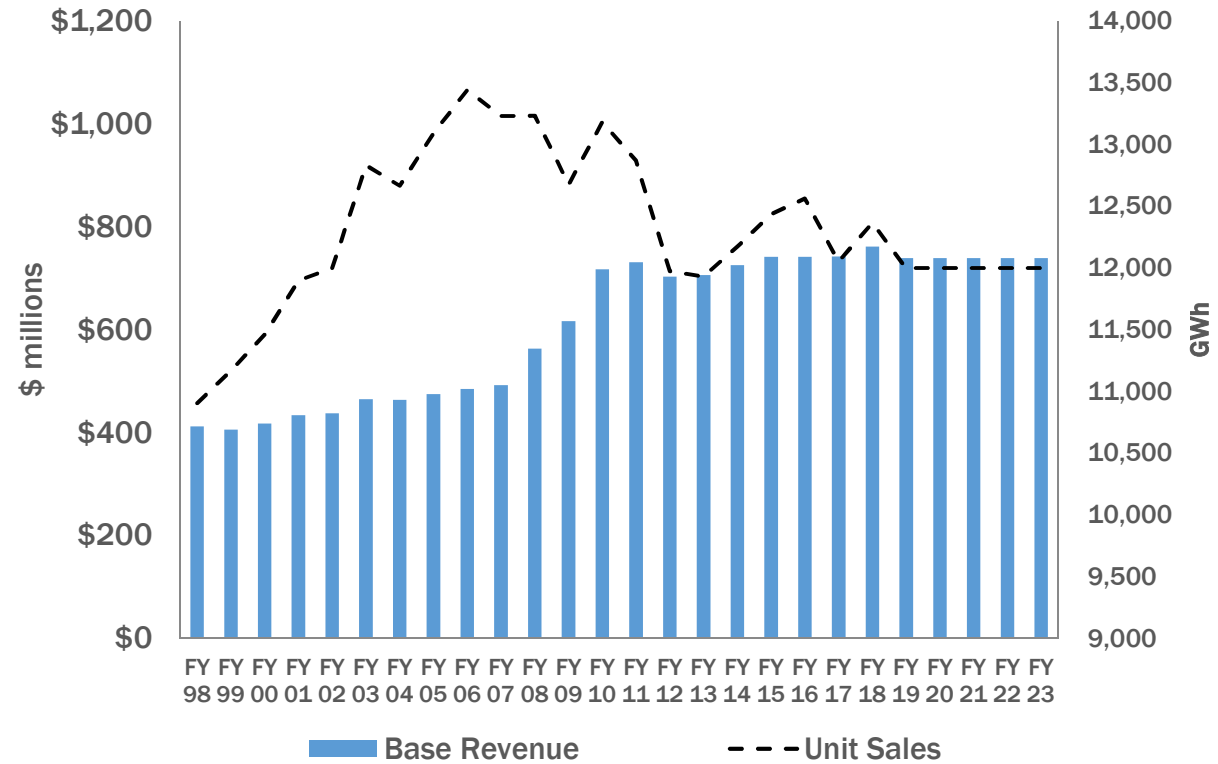


ELECTRIC SYSTEM – DECEMBER 2018

Long Term Debt



Revenue and Sales

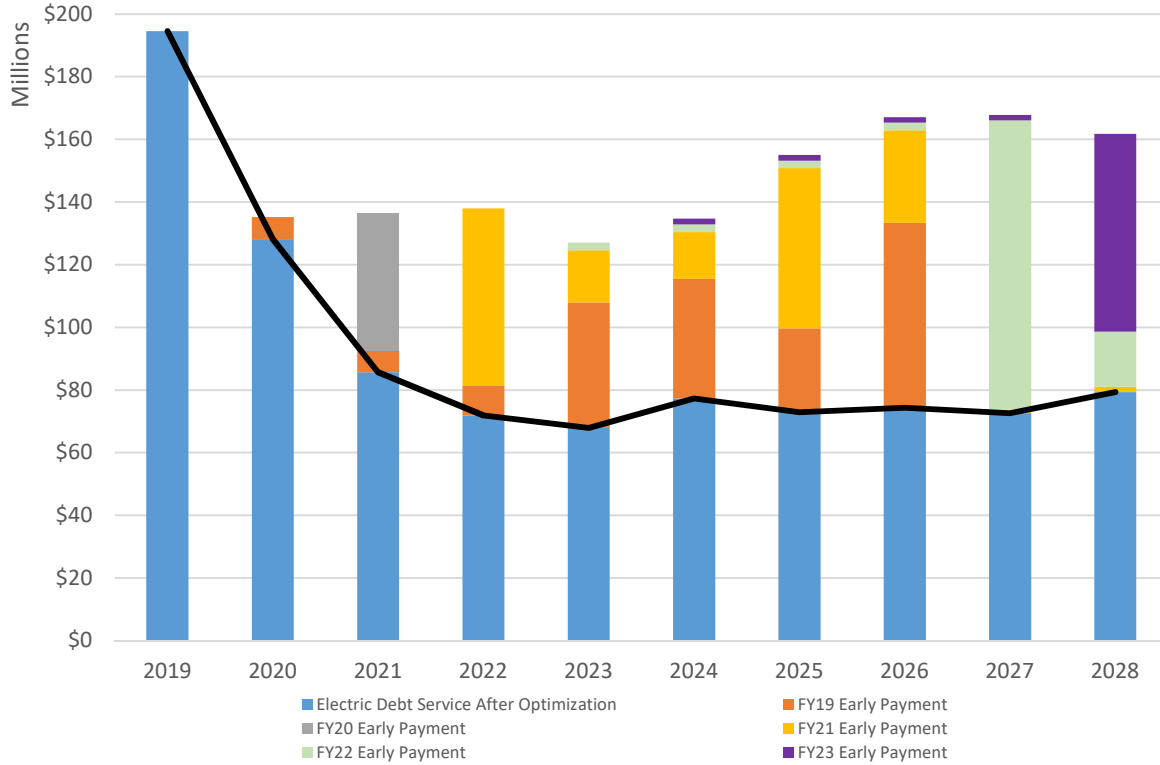


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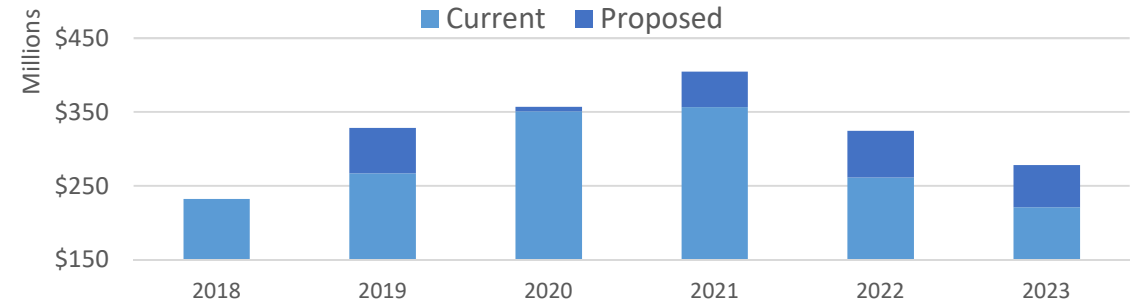
In 4 years, total debt of JEA will be lowest in almost quarter century

ELECTRIC DEBT AND REVENUE HISTORY AND PROPOSAL

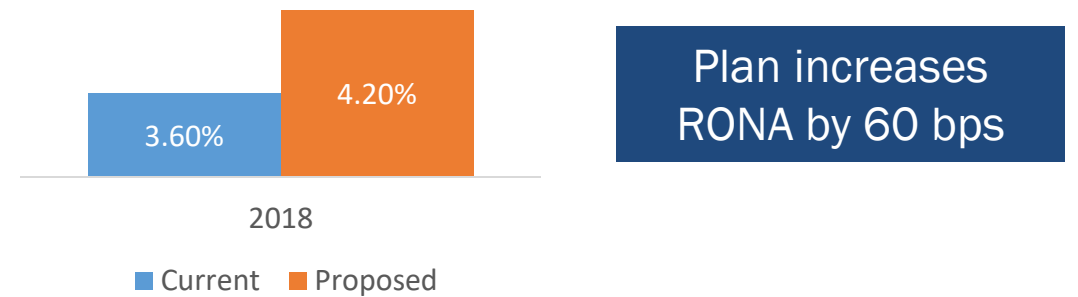
Debt Payment Schedule



Operating Cash Flow



Return on Net Assets



Increases Operating Free Cash Flow by almost ~\$240m over the next 5 years (~\$50 million per year)

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**ELECTRIC
RESTRUCTURING
IMPACTS**

Strategic & Timely Asset Realignment

Electric Financial Metrics

Metrics	FY18	Qtr 2	Chg.	End of FY19	Chg.	End of FY23	Chg.
Debt Service Coverage	2.3x	2.8x	+0.5x	2.8x	+0.5x	5.8x	3.5x
Fixed Charge Coverage	1.7x	2.1x	+0.4x	2.1x	+0.4x	1.9x	0.2x
Days of Cash	218	133	-85	110	-108	95	-123
Days of Liquidity	315	324	+9	301	-14	267	-48
Debt to Capitalization	65%	59%	-6%	58%	-7%	49%	-16%
Return on Equity	15.2%	19.4%	+4.2%	19.0%	+3.8%	2.1%	-13.1%
Return on Net Assets	5.2%	7.5%	+2.3%	7.4%	+2.2%	1.0%	-4.2%

Balance Sheet (\$millions)	FY18	Qtr 2	Chg.	End of FY19	Chg.	End of FY23	Chg.
Total Assets	\$4,233	\$4,029	(\$204)	\$3,975	(\$258)	\$3,429	(\$804)
Total Liabilities	\$3,181	\$2,839	(\$342)	\$2,773	(\$408)	\$2,144	(\$1037)
Total Net Position	\$1,052	\$1,190	\$138	\$1,202	\$150	\$1,285	\$233

Strategic & Timely Asset Realignment

Electric Sources and Uses of Funds

SOURCES	Qtr 2	End of FY19
Operation Fund	\$35	\$0
Renewal & Replacement Fund	\$70	\$0
Debt Management Fund	\$0	\$30
Environmental Fund	\$0	\$23
Total Funds	\$105	\$53

USES	Qtr 2	End of FY19
Principal Defeased	\$100	\$48
Escrow Cost*	\$5	\$5
Total Escrow	\$105	\$53

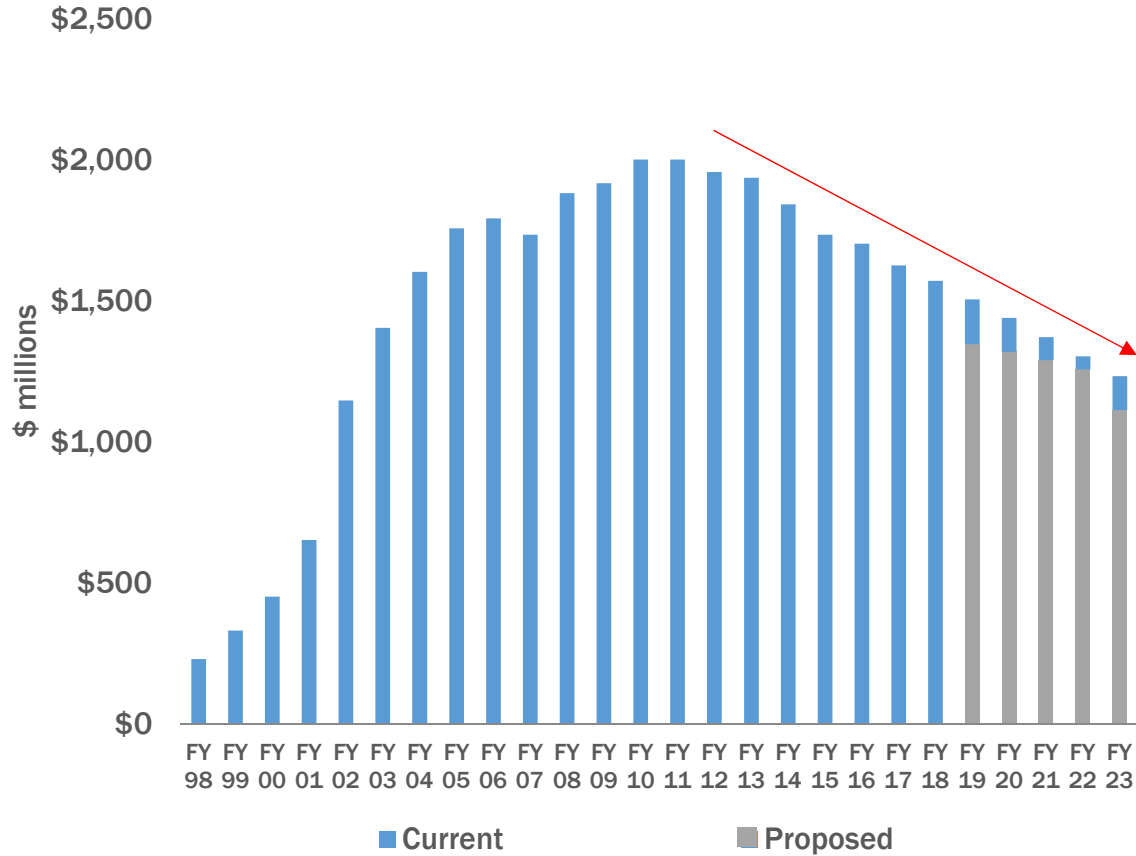
*Costs are subject to change due to fluctuations in future market conditions

**Strategic &
Timely Asset
Realignment
Plan Details**

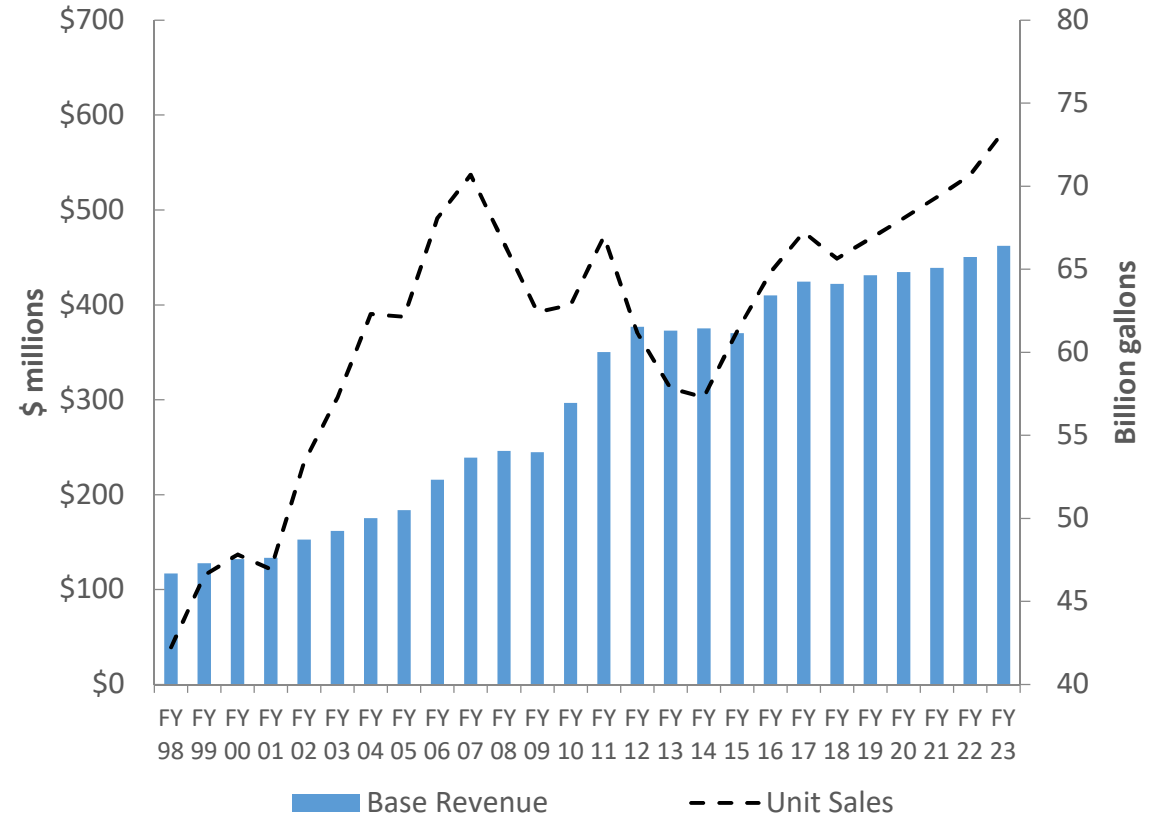


WATER SYSTEM - DECEMBER 2018

Long Term Debt



Revenue and Sales

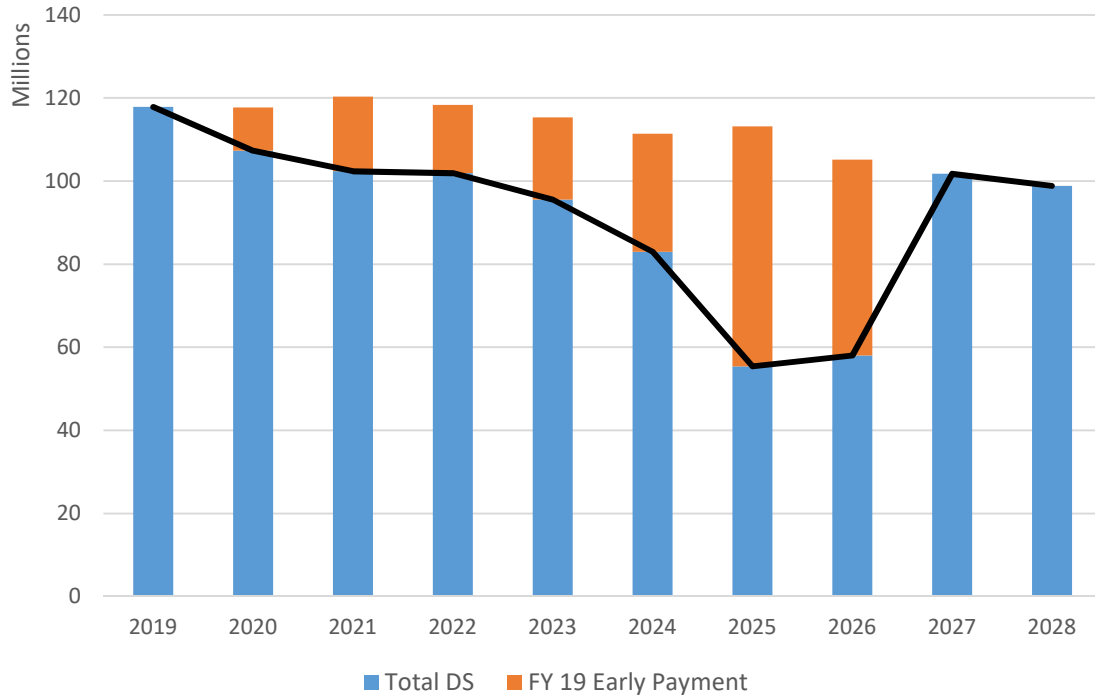


DECEMBER 2018

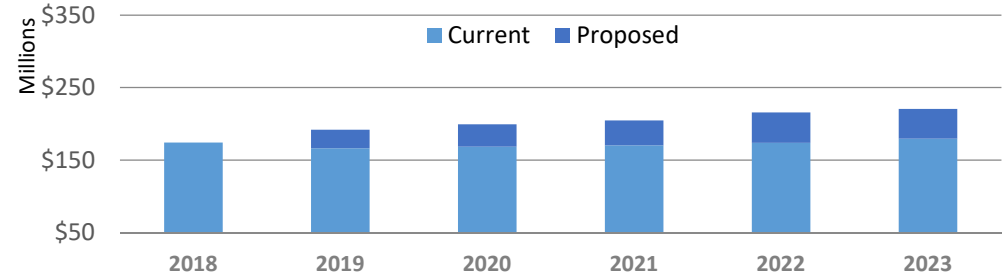
In four years the total debt will be the lowest in 35 years

WATER DEBT AND REVENUE HISTORY AND PROPOSAL

Debt Payment Schedule



Operating Cash Flow



Return on Net Assets



Increases Operating Free Cash Flow by over \$157m over the next 5 years (~\$31 million per year)

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**WATER
RESTRUCTURING
IMPACTS**

Strategic & Timely Asset Realignment

Water/Wastewater Financial Metrics

Metrics	FY18	Qtr 2	Chg.	End of FY19	Chg.	End of FY23	Chg.
Debt Service Coverage	2.8x	3.1x	+0.3	3.1x	+0.3	3.7x	+0.9
Fixed Charge Coverage	2.6x	2.7x	+0.1	2.7x	+0.1	3.4x	+0.8
Days of Cash	434	216	-218	99	-335	161	-273
Days of Liquidity	527	300	-227	183	-344	244	-283
Debt to Capitalization	44%	41%	-3%	40%	-4%	31%	-13%
Return on Equity	5.1%	5.8%	+0.7%	5.4%	+0.3%	5.2%	+0.1%
Return on Net Assets	2.9%	3.4%	+0.5%	3.2%	+0.3%	3.6%	+0.7%

Balance Sheet (\$millions)	FY18	Qtr 2	Chg.	End of FY19	Chg.	End of FY23	Chg.
Total Assets	\$3,580	\$3,483	(\$97)	\$3,415	(\$165)	\$3,568	(\$12)
Total Liabilities	\$1,994	\$1,815	(\$179)	\$1,754	(\$240)	\$1,498	(\$496)
Total Net Position	\$1,586	\$1,668	\$82	\$1,661	\$75	\$2,070	\$484

Strategic & Timely Asset Realignment

Water/Wastewater Sources and Uses of Funds

SOURCES (\$Millions)	Qtr 2	End of FY19
Operation Fund	\$0	\$0
Renewal & Replacement Fund	\$100	\$36
Debt Management Fund	\$0	\$14
Environmental Fund	\$0	\$13
Total Funds	\$100	\$63

USES (\$Millions)	Qtr 2	End of FY19
Principal Defeased	\$95	\$57
Escrow Cost*	\$5	\$6
Total Escrow	\$100	\$63

*Costs are subject to change due to fluctuations in future market conditions

Strategic & Timely Asset Realignment Projections

Repay over \$480 million in debt in 2019 and over \$1 billion over the next 5 years between both systems

Continue to invest \$1.6 billion in the system over the next 4 years with no new debt and no base rate increases

Electric debt to capitalization drops to 49% and water debt to capitalization drops to 33%

Increase operating efficiency of the company

Demonstrate ability and willingness to pay

Maintain solid AA financial credit metrics

(\$ millions)	2018	2019	2020	2021	2022	2023
Electric Debt Acceleration	\$0	\$148	\$41	\$163	\$107	\$61
Water Debt Acceleration	\$0	\$157	\$0	\$0	\$0	\$0
Cumulative Debt Acceleration	\$0	\$305	\$346	\$509	\$616	\$676
Levered FCF before CAPEX	\$402	\$522	\$556	\$609	\$540	\$498
CAPEX	\$373	\$511	\$446	\$353	\$323	\$337
Electric Debt Remaining	\$1,954	\$1,672	\$1,566	\$1,402	\$1,285	\$1,216
Water Debt Remaining	\$1,378	\$1,198	\$1,144	\$1,096	\$1,045	\$996
Total Debt	\$3,332	\$2,870	\$2,710	\$2,498	\$2,330	\$2,212
Debt to Capitalization (E/WWW)	65%/44%	58%/40%	55%/38%	51%/36%	49%/33%	49%/31%
Days Liquidity (E/WWW)	315/527	301/183	302/183	288/203	274/216	267/244
Base Rate Changes	0%	0%	0%	0%	0%	0%

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**REVISED PLAN
AND RESULTS**

Recommendation

*For
Internal
Purposes
Only*

- In conjunction with the 2nd phase of the proposed financial plan, there is an opportunity to restructure our rates to be more agile with the use of cash & correct financial accounting items
 - Fold Environmental Rates into the Base Rates illustrating that environmental costs are a part of JEA's core values
 - Eliminate specific Stabilization Funds (Environmental & Customer Benefit/DSM)
 - Fold SJRPP debt into the Electric System to eliminate separate reporting while paying down debt with excess power park funds
 - Reallocate City Contribution Expense
 - Reclassify Inventory (From Water to Electric Assets)
 - Reclassify Land (From Water to Electric Assets)
 - Capacity Fees / Water Rates



Fix “Everything”