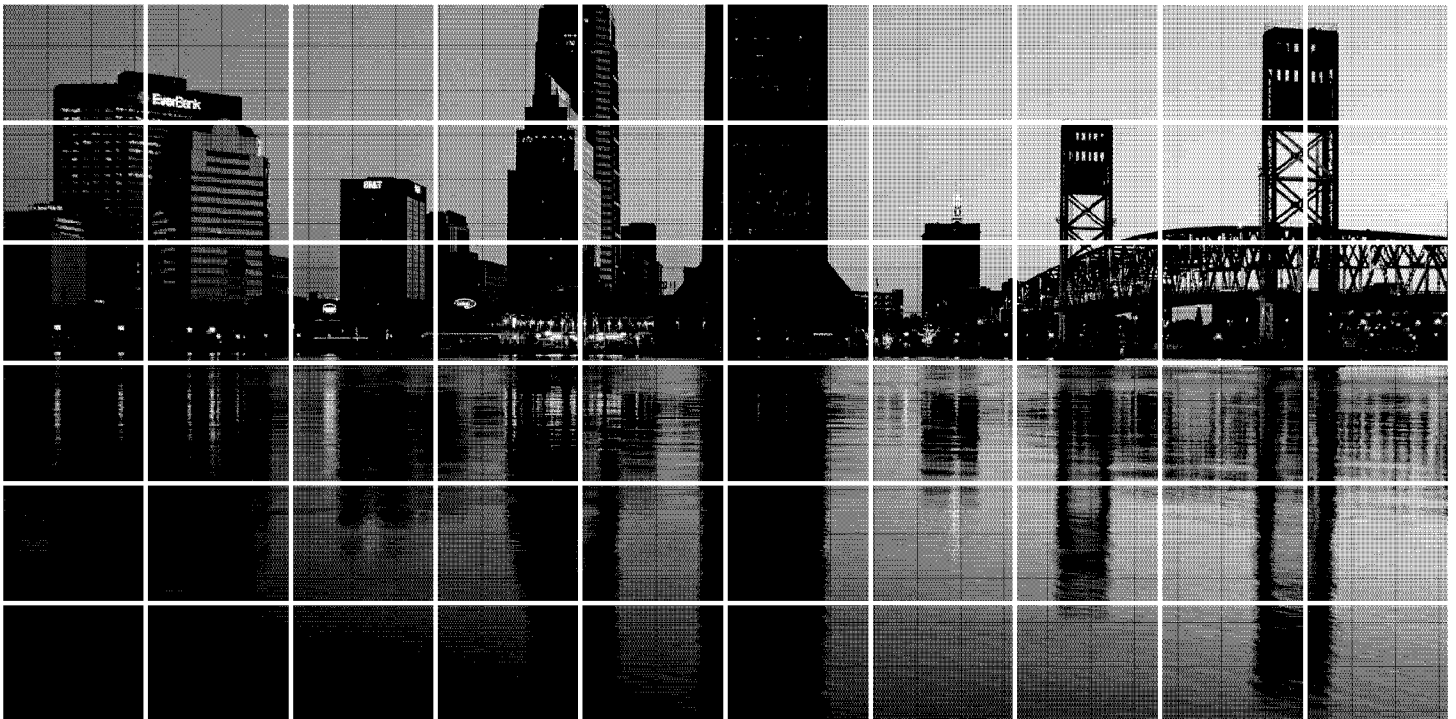


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JEA Discussion Materials

June 2019

J.P.Morgan

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



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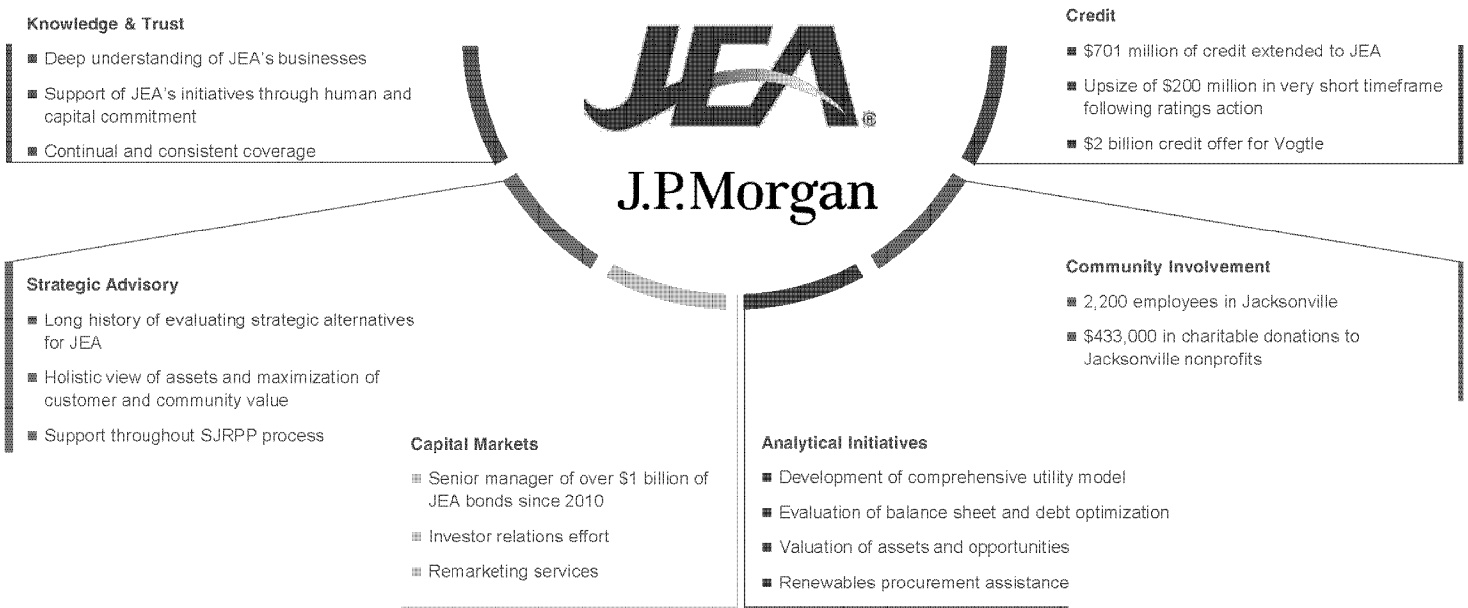
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Deep institutional knowledge of JEA will be critical to the successful execution of any privatization process

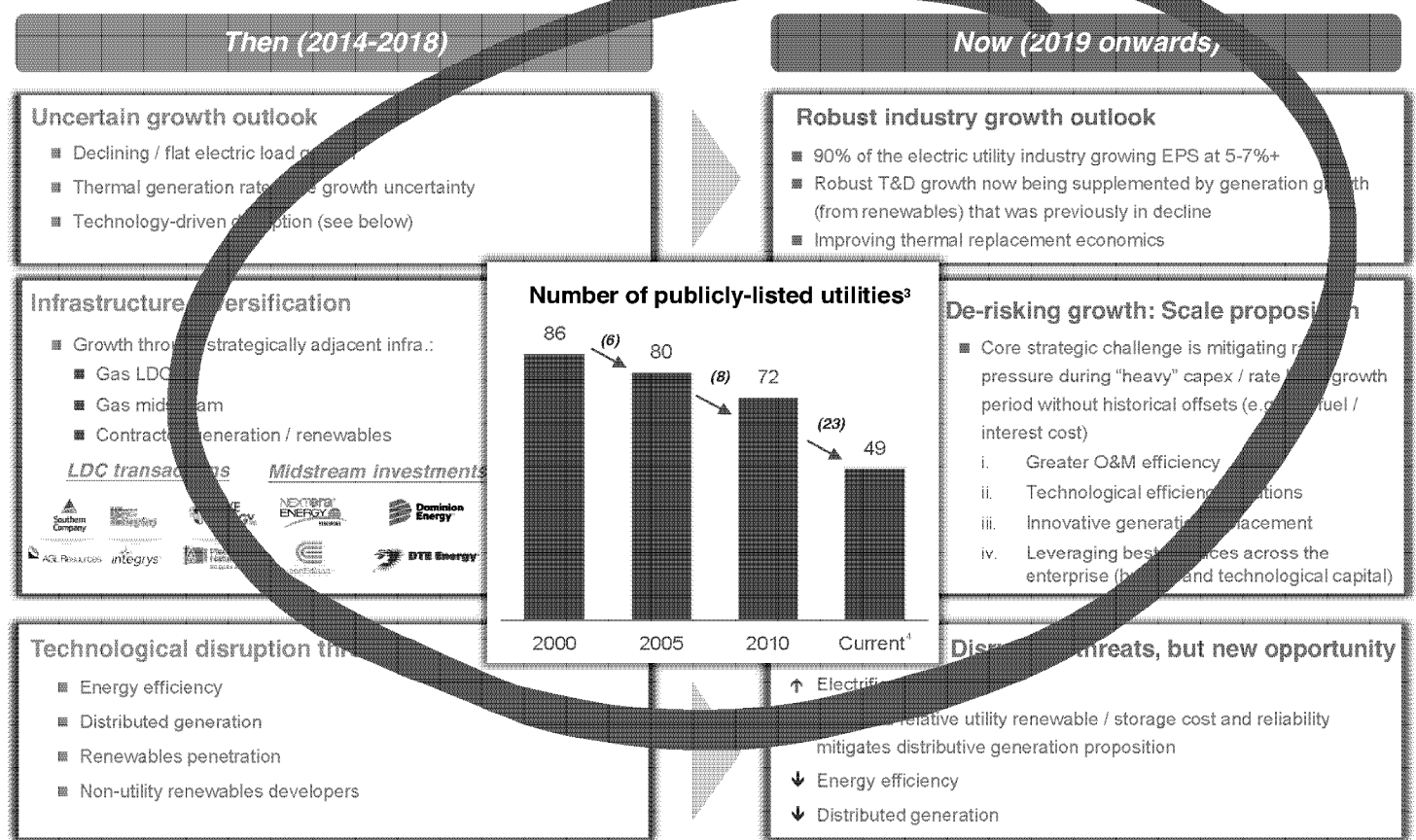


J.P. Morgan greatly values its relationship with JEA and has routinely committed our firm resources to meet your needs

Why are we here?

- The next 10 years in the utility sector will be defined by unprecedented change
 - New technology will continue to displace traditional energy sources and reshape the way utilities operate their business
 - Customers will demand more from utilities as they become accustomed to on-demand service in other sectors
 - Public policy will move from an "RPS" approach to decarbonization - a more holistic approach than one-off targets and goals
- These changes will attract a massive influx of capital towards R&D and more broadly, deployment to consumers
- In this context, JEA is working to innovate while contending with statutory constraints that are not a factor for the private sector
- Meanwhile Jacksonville will work to manage governmental costs, redevelop its core, care for an aging workforce, and address education funding needs
- With the prospect of declining load and increased costs, JEA may look to monetize its utility assets
 - Centralize the evolution of the utility with a partner on the leading edge of addressing these challenges vis a vis O&M and technological efficiencies
- Free-up capital to fully realize the vision for Jacksonville while providing state-of-the-art service to its constituents

Utility industry consolidation trends: strategic drivers



Utility industry consolidation trends: financial drivers

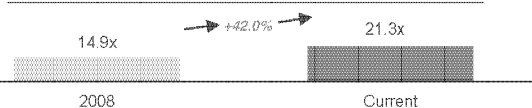
Then (2014-2018)

Enhanced balance sheet and credit capacity

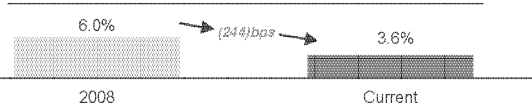
- Ratings agencies "re-rated" the industry – lowering the risk profile
- Improved credit metrics due to both enhanced regulatory constructs and operational performance

Historically low cost-of-capital

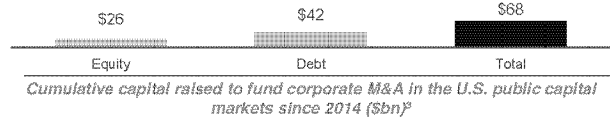
Equity cost-of-capital: NTM P/E¹



Debt cost-of-capital: Utility bond yield (%)²



Supportive capital markets access



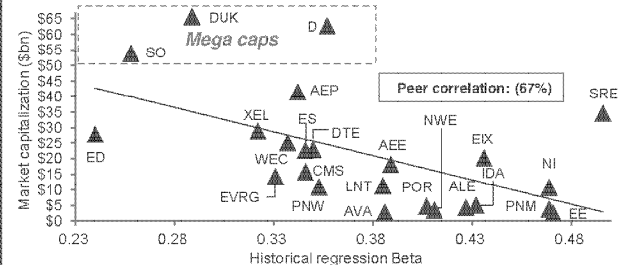
Now (2019 onwards)

Diminished balance sheet and credit capacity

- Median industry FFO/debt has decreased post tax reform
- While credit agency downgrade thresholds have increased, with further scrutiny of environmental impacts (wildfires, hurricanes etc.)

Preserving cost-of-capital benefits through scale

- Higher credit ratings at lower FFO/D metrics
- Lower equity betas and reduced earnings volatility



Continued supportive capital markets access

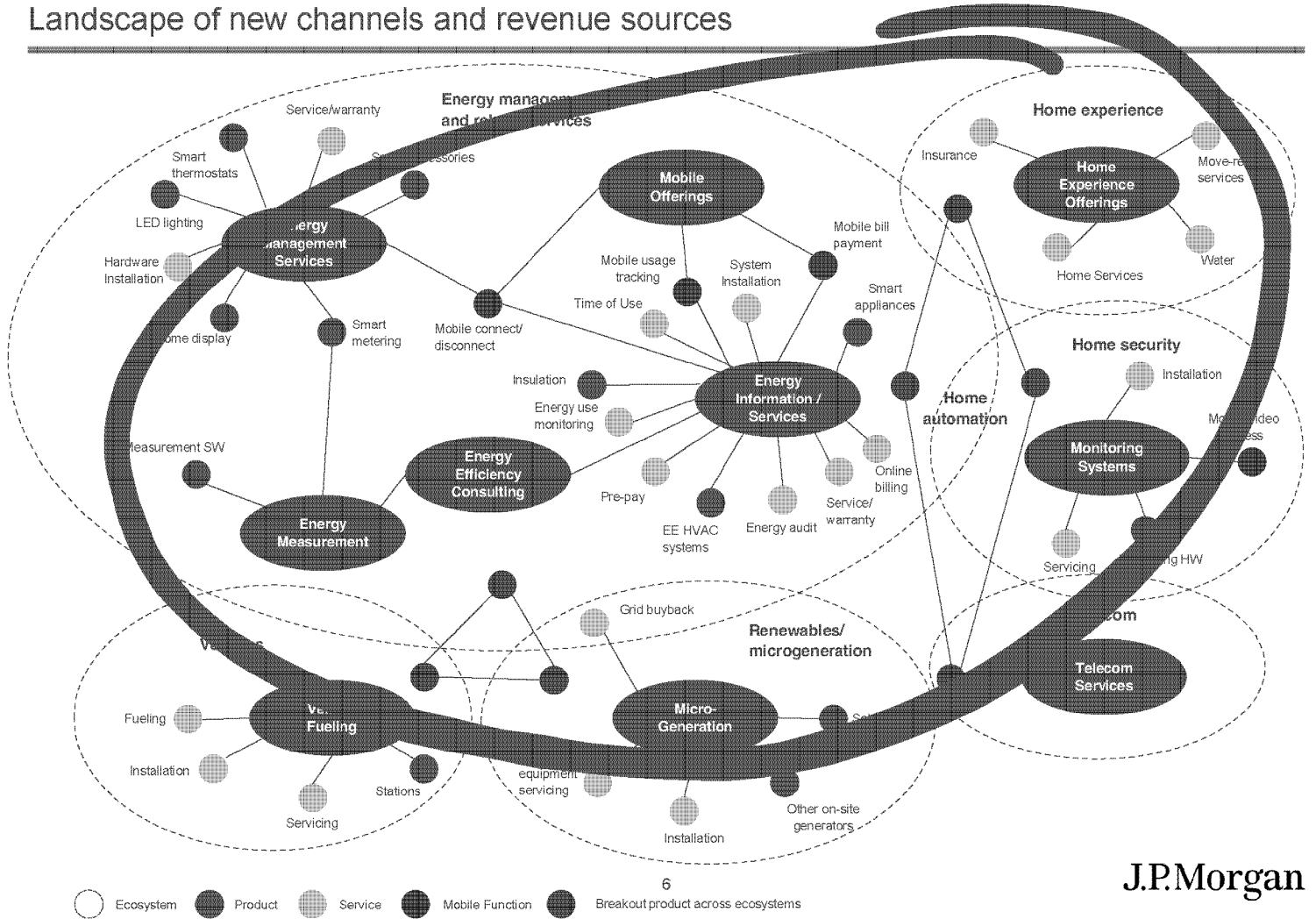
- Investors remain supportive of accretive M&A transactions
- While industry consolidation has slowed down following tax reform, a number of public and private deals have been completed since then with strong support from the capital markets

Source: Factset as of 06/14/2019, Bloomberg

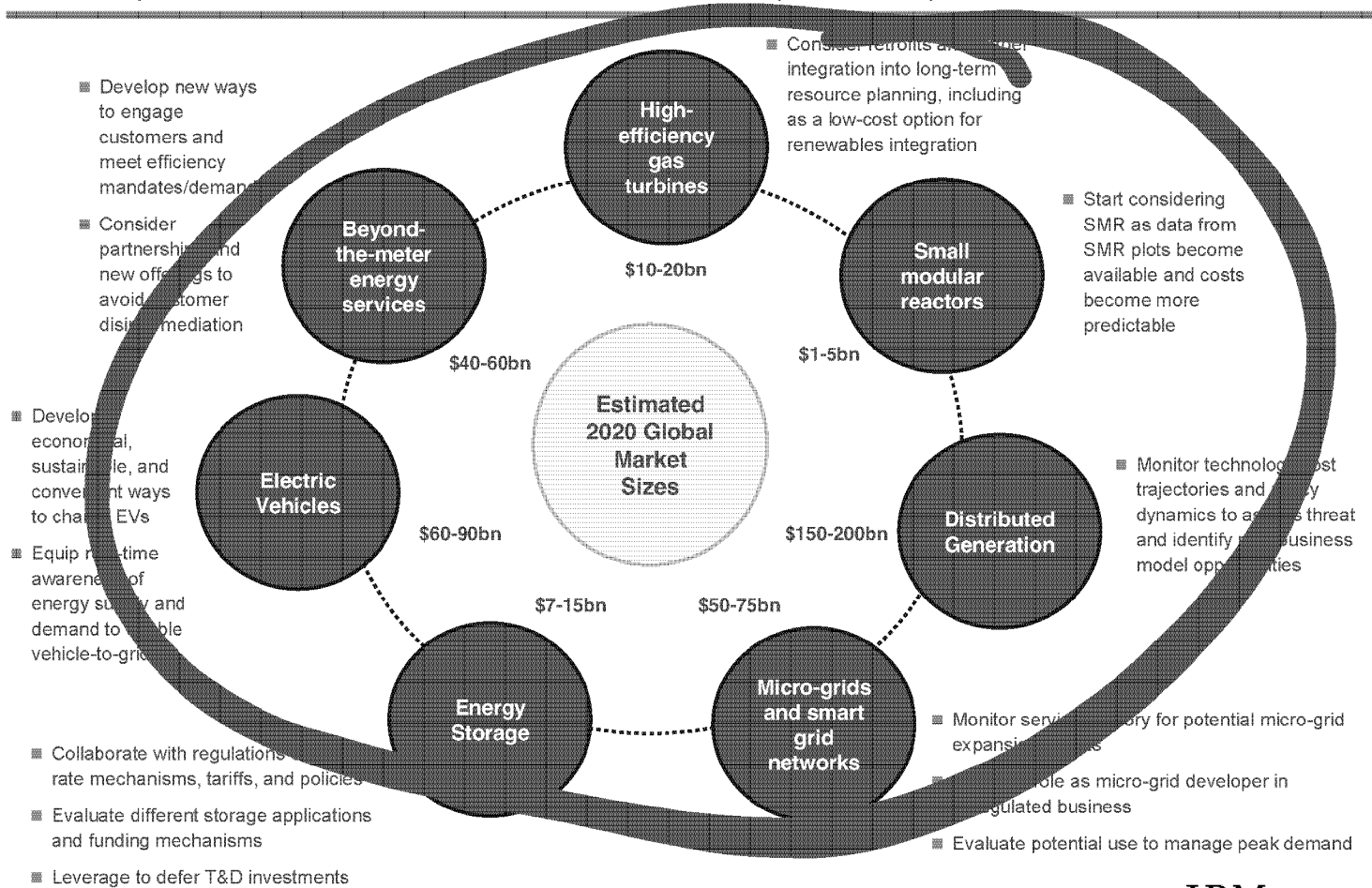
¹ Based on JPMUI; ² Based on 10-year treasury rate at respective time period and JULI Utilities bond spread to 10-year treasury rate; ³ Does not include financings of pending transactions that have yet to be executed;

⁴ Based on an increase in a generic utilities 10-year pre-tax cost of debt from 3.3% to 3.7% and decrease in U.S. federal income tax rate from 35% to 21%

Landscape of new channels and revenue sources



Landscape of new channels and revenue sources (continued)

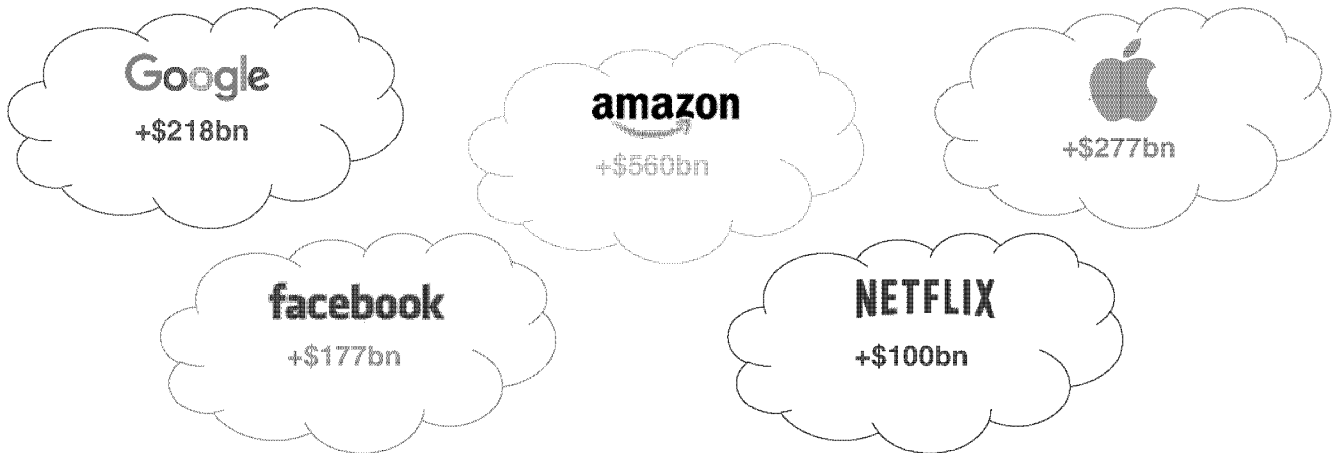


FAANGs are well positioned to disrupt the utility sector

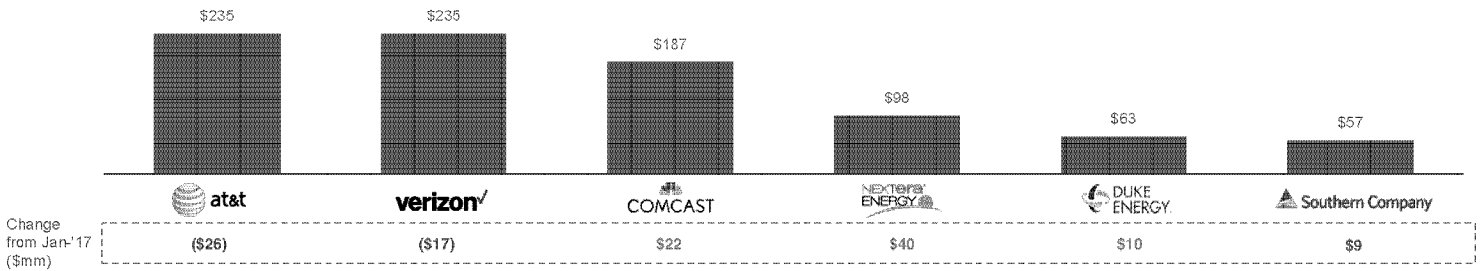
FAANG value creation since 01/01/17 exceeds total market cap of "traditional" TMT and utility

Jan 2017 – 2019YTD equity market cap growth

\$1.33tn of value creation



Total market capitalization as of 06/11/2019 (\$bn) ... \$876bn

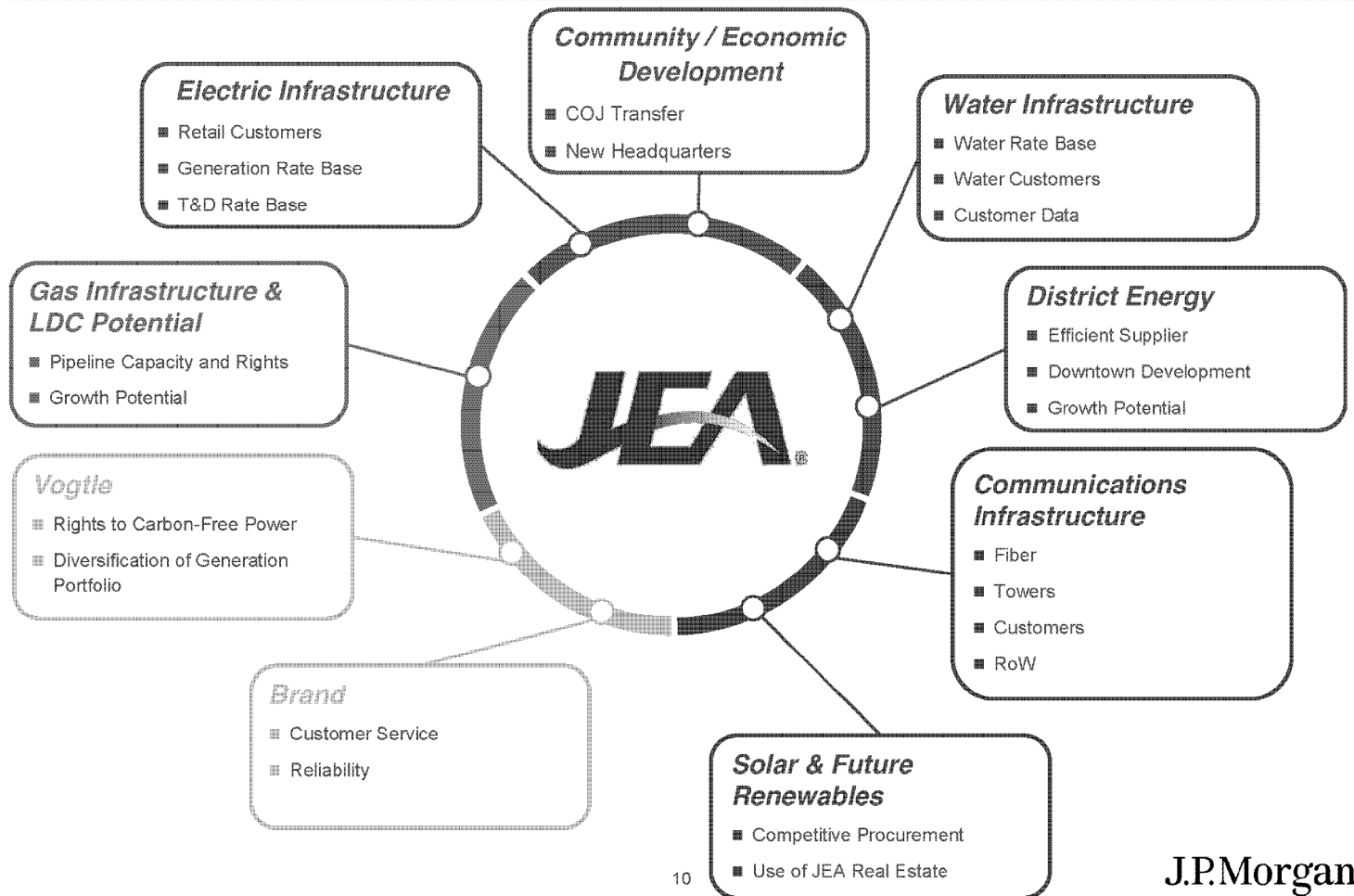


Comparison of select FAANG valuation drivers 2020E based on street consensus

	Operating metrics (2020E)			Trading metrics (2020E)				Net cash % mkt cap
	Revenue growth	EBITDA margin	uFCF margin	FV/ EBITDA	FV/ EBITDA/ growth ¹	P/E	P/E/G ²	
Alphabet	17%	36%	22%	9.3x	0.6x	20.5x	1.4x	6%
Apple	4%	29%	23%	15.2x	4.4x	15.4x	1.5x	9%
Microsoft	11%	44%	30%	11.9x	1.0x	25.9x	2.3x	4%
amazon	18%	17%	12%	14.2x	0.5x	48.5x	1.2x	3%
Facebook	21%	51%	25%	8.0x	0.4x	19.1x	0.7x	6%
Median	17%	36%	23%	11.9x	0.6x	20.5x	1.4x	6%
S&P 500	5%	17%	6%	11.0x	1.3x	15.5x	1.4x	na

Note: Sorted by Market cap; figures are calendarized to 12/31 year end and are non-GAAP metrics;
Source: FactSet as of 06/13/2019
¹ CY20E FV/EBITDA divided by CY20E EBITDA growth
² P/E divided by LT EPS growth rate

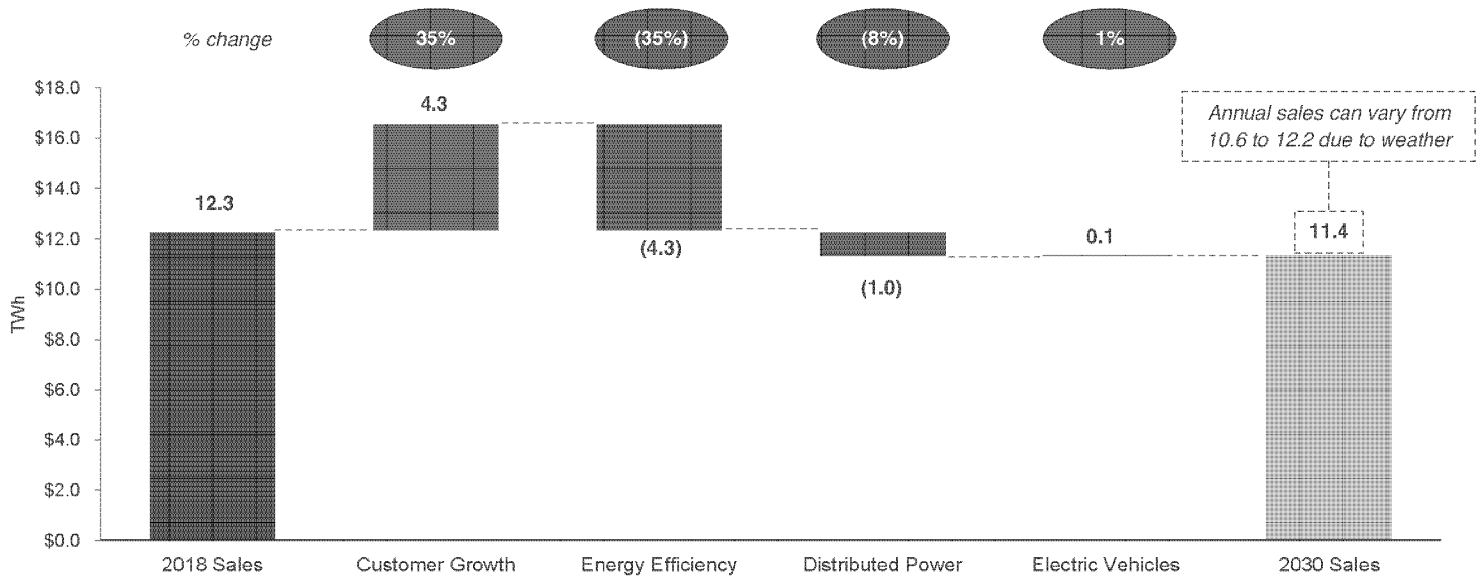
Components of JEA value



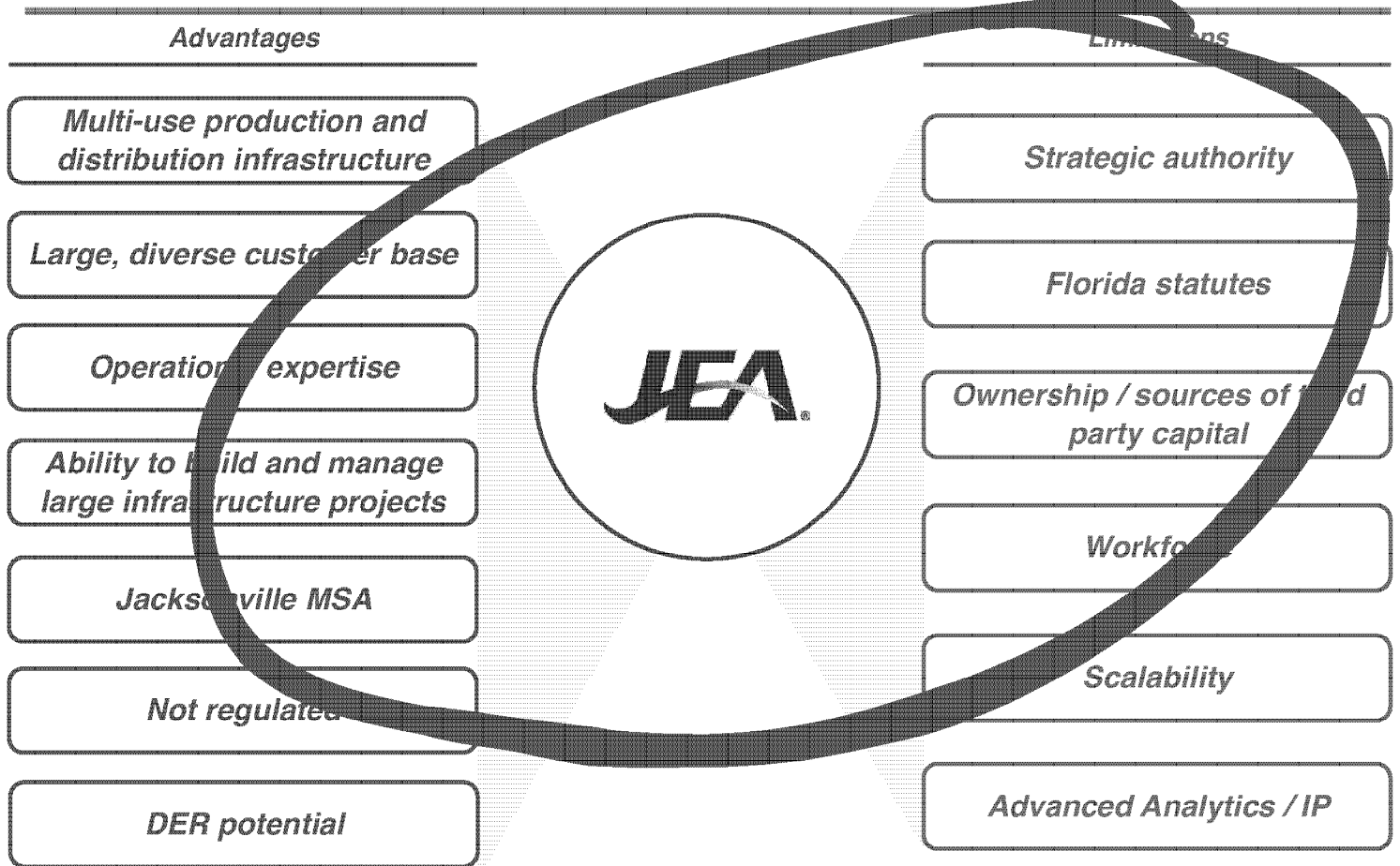
JEA's dilemma

- Frog-in-the-pan hypothesis: *"a series of frequent gradual changes attracts less attention than infrequent dramatic changes. Investors therefore underreact to continuous information."*
- The conclusions are clear: a more sophisticated momentum strategy that focuses on the path-dependency of momentum **generates a much stronger momentum effect**

2030 JEA Projected Energy Sales

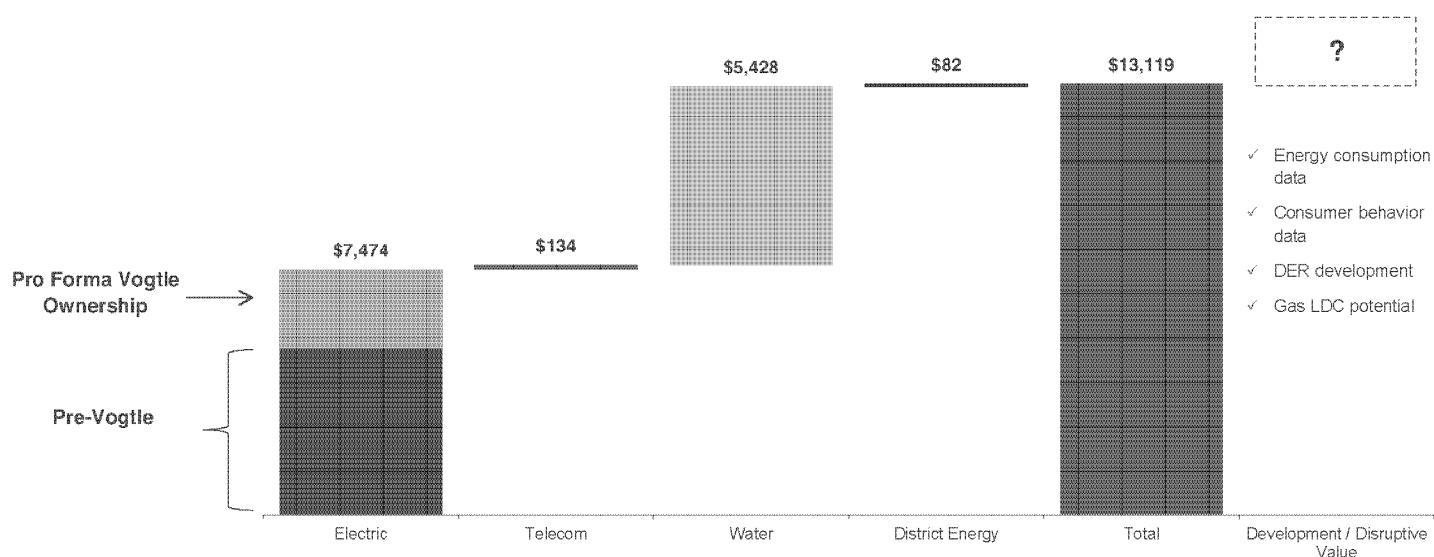


What are JEA's current strategic advantages and limitations?



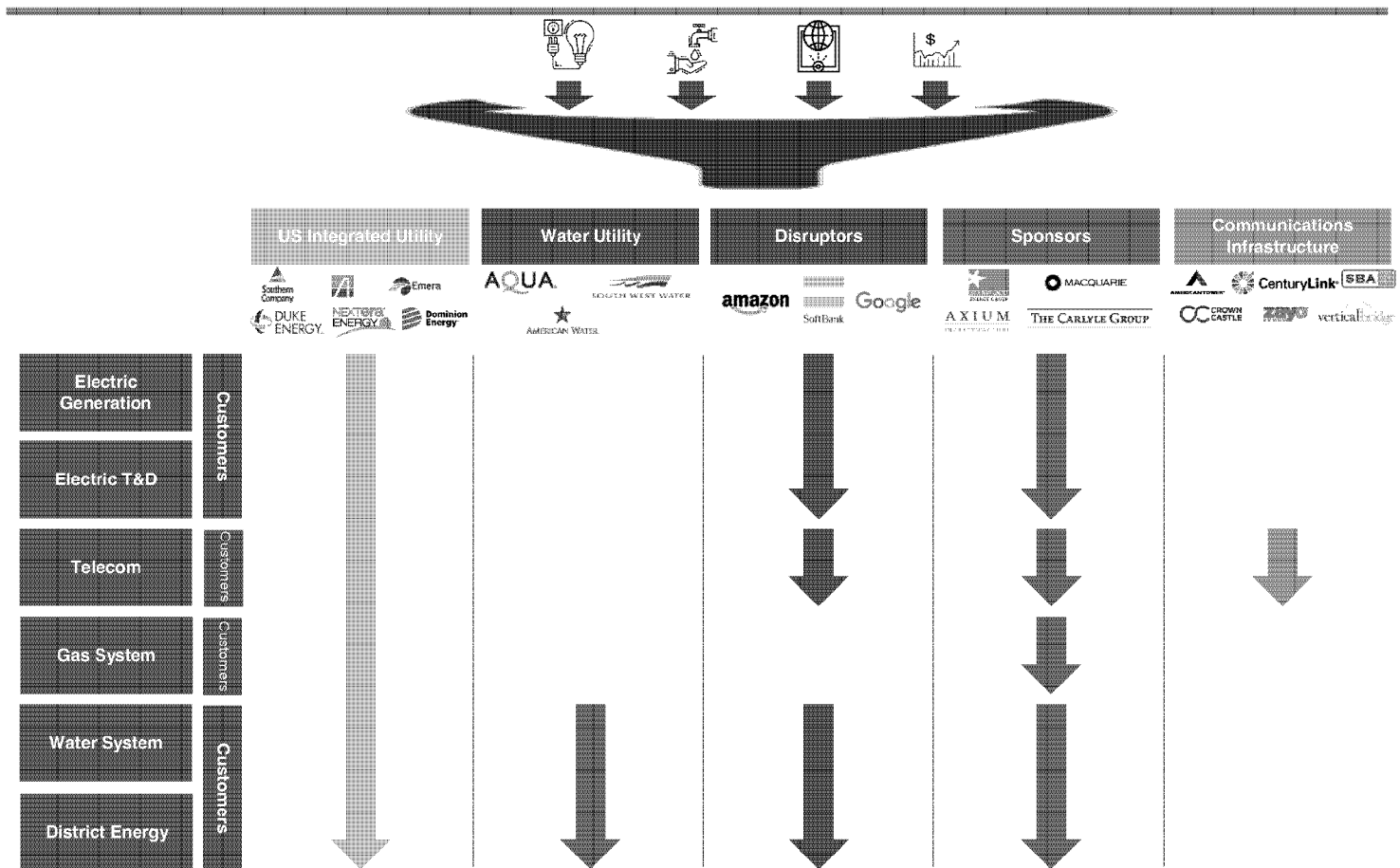
Providing a channel to allow JEA ratepayers to enjoy the sum-of-the-parts rather than the whole

Implied value (\$ millions)



2019E				
EBITDA	\$614	\$9	\$356	\$4
Net Income	\$235	N/A	\$143	N/A
Rate Base	\$4,195	N/A	\$2,830	N/A
<hr/>				
FV / EBITDA	12.0x – 14.0x	13.4x – 17.4x	14.6x – 16.6x	15.0x – 20.5x
P/E	27.0x – 30.0x	N/A	25.1x – 28.1x	N/A
FV / Rate Base	1.7x – 2.0x	N/A	N/A	N/A

JEA buyer landscape



Note: buyer universe is illustrative and not meant to be an exhaustive list of potential process participants

Ensuring the best possible outcome for JEA, its customers, and the City of Jacksonville

- Development and execution of any strategic process will be critical to leveraging the attractive values in core utility sector and monetization of the potential value from disruptive elements
- Process will need to balance:
 - Ensuring that any initiative enhances value for the ratepayer and City's existing position
 - Move approval threshold from "does no harm" to "creates tangible, demonstrable long term value" to JEA customers and the City
 - Maximizes both the core regulated utility opportunity but also the disruptive value that is difficult for JEA to access
 - Creates a comprehensive, accurate market assessment of the both the traditional alternatives available to JEA as well as value for innovative approaches
- Accomplished through a pre-sale RFQ followed by a disciplined sale process
 - Critical to attracting a buyer base that will extract value from disruptive technology
 - Facilitate market feedback from core and disruptive bidders
 - Transfer responsibility of optimizing the value of JEA to buyers
 - Informs the actual sale process on the range of potential options and critical operating and social issues
 - Helps to frame the public policy messaging ahead of a vote and/or process
 - Provides a logical off-ramp if the options presented do not address the stated objectives
- Move ultimate protection of the ratepayer and City from the regulator to the RFQ and sale process
 - Recent examples include Ohio State University utility concession and Santee Cooper privatization process

Ensuring the best possible outcome for JEA: Key issues to address

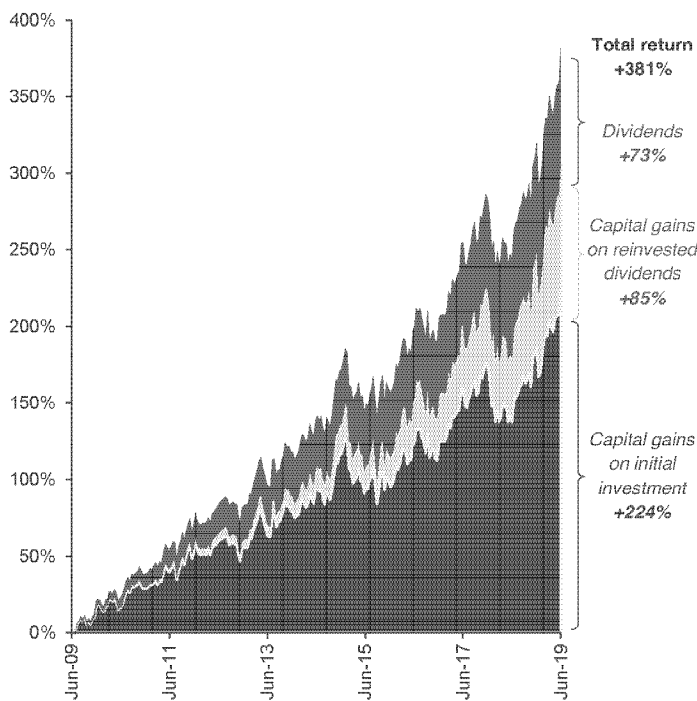
- Sale of the Electric System, Water System or all of JEA (including District Energy)
- Addressing the Vogtle contract is the critical path for any process
- Introduction of RFQ period into broader process
- Potential need to accommodate bids from surrounding municipalities as part of the process
 - NHPUC / Eversource sale required a separate process to address the needs of municipalities that had a right to acquire certain assets
- Approach to securing voter approvals
 - NHPUC and Anchorage ML&P received approval before launching sale process
 - Lessons learned from Santee Cooper
- Regulatory approvals for both Vogtle as well as asset sales
 - Implications of potentially having multiple NRC, FERC and FPSC filings
 - FPSC, FERC, NRC, FCC, DEQ
 - Potential for CFIUS approvals given the expected international buyer interest
- Monitoring Santee Cooper privatization process

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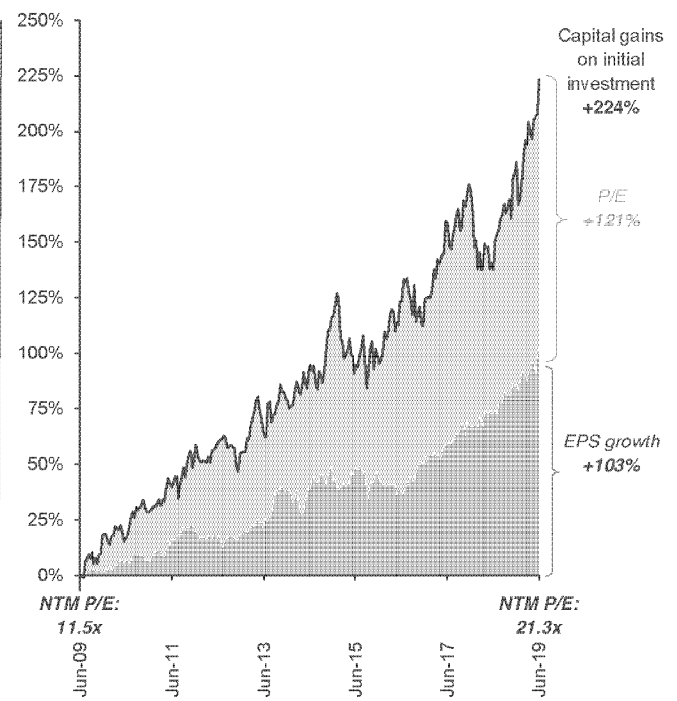
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The industry's exceptional performance has been driven by a combination of fundamental growth and "technical" factors (e.g. interest rates), with concerns as to the latter's sustainability

JPMUI compounded total shareholder return¹ (%)



JPMUI share price performance (%)



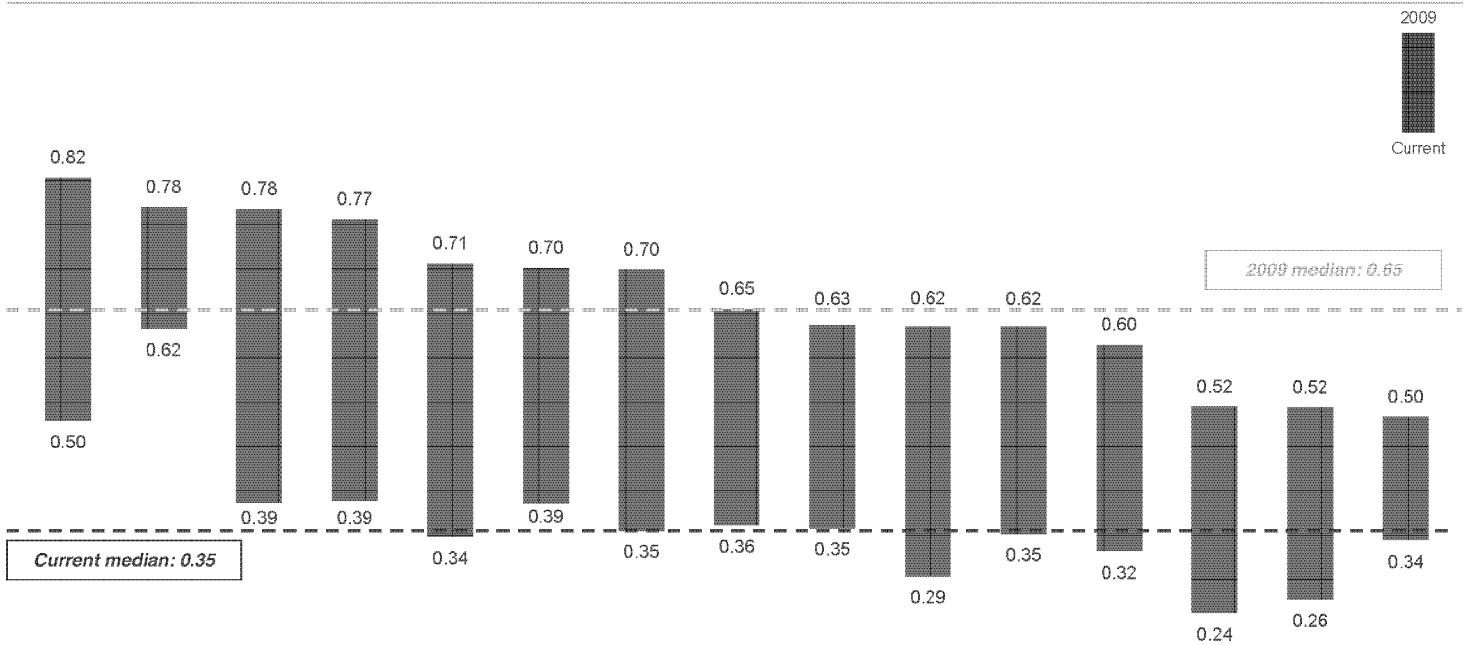
Source: FactSet as of 06/14/2019

Note: JPM Regulated Utility Index ("JPMUI") consists of 15 representative utilities including AEE, AEP, CNP, D, DTE, DUK, ED, ES, LNT, NEE, PNW, SO, SRE, WEC and XEL

¹ Reflects compounded total return; assumes dividends received are reinvested in security

Utility betas have declined by ~50% over the last decade as businesses have become increasingly regulated and their regulatory compacts have become more constructive

Historical regression beta evolution over time: 2009 vs. Current



% Delta	SRE	CNP	NEE	AEE	AEP	LNT	DTE	D	PNW	DUK	ES	XEL	ED	SO	WEC
	(40%)	(21%)	(50%)	(49%)	(52%)	(45%)	(50%)	(45%)	(44%)	(54%)	(45%)	(46%)	(54%)	(50%)	(33%)

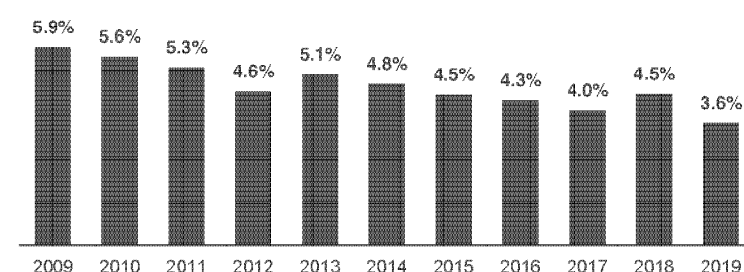
Source: FactSet as of 06/14/2019
Note: Betas calculated based on 5-year historical regression against S&P 500

The decline in utility betas and interest rates have pushed utility cost of capital to historic lows

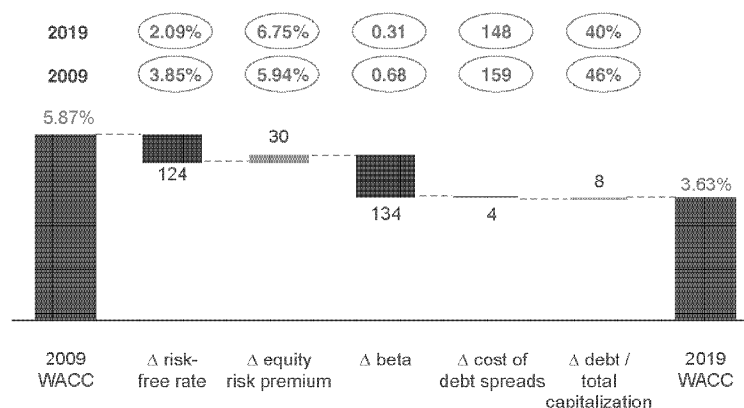
Detailed WACC build

Assumptions		
Risk free rate (r_f)	2.09%	10 year U.S. treasury
Equity risk premium (ERP)	6.75%	J.P. Morgan calculation
Levered beta (β)	0.31	Median of JPMUI Barra Betas
Cost of equity (k_e) = $r_f + \beta$ (ERP)		
	4.18%	
Pre-tax cost of debt (k_d)	3.57%	Risk free rate + utility cost of debt spread ¹
Corporate tax rate (t_c)	21%	U.S. federal tax rate
Post-tax cost of debt (k_{dt}) = $k_d \times (1 - t_c)$		
	2.82%	
Debt/total cap target (g)	40%	Sector capitalization
WACC (k) = $k_{dt} \times g + k_e \times (1 - g)$		
	3.63%	

Utility WACC evolution over last 10 years



Bridging the change in WACC (Δ in bps)



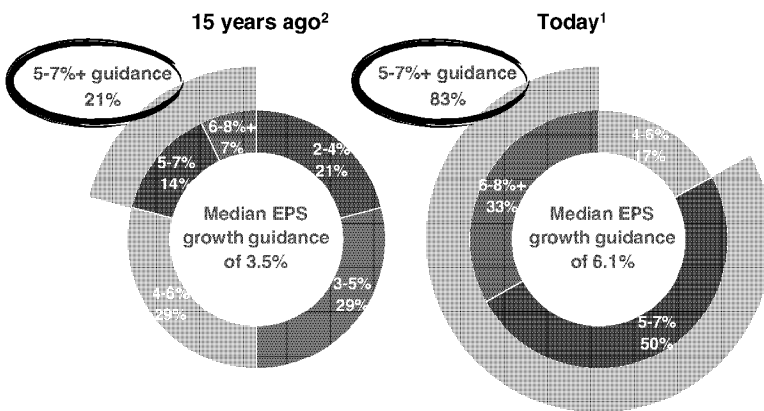
Source: Barra beta, FactSet as of 06/14/2019

Note: Assumes 35% tax rate for 2009

¹ JULI Utilities spread over 10 year UST

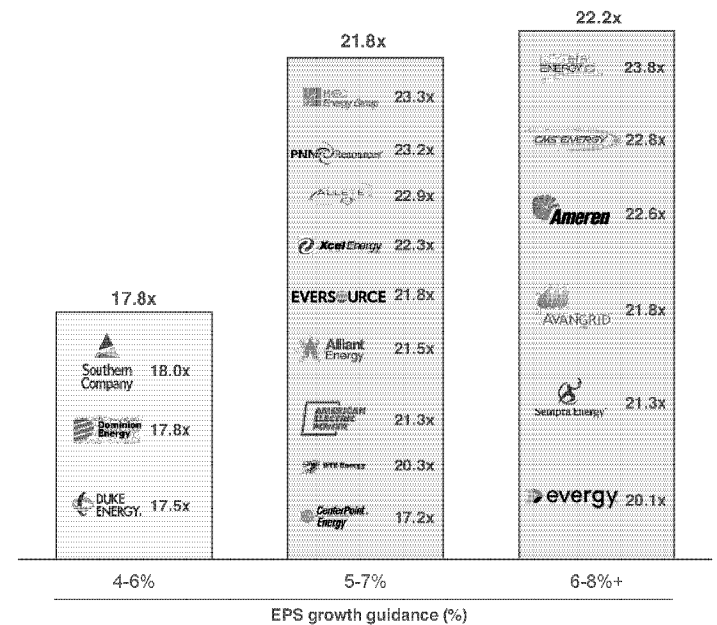
While relative risk (beta) has materially declined, the utility sector's recent and projected growth has materially increased

EPS growth guidance over time (%)

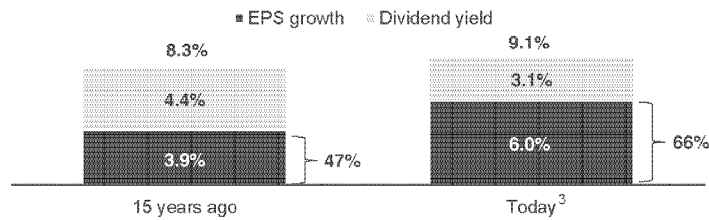


Current management EPS growth guidance¹ (%)

Median NTM P/E by growth guidance



Average annual utility total return (%)



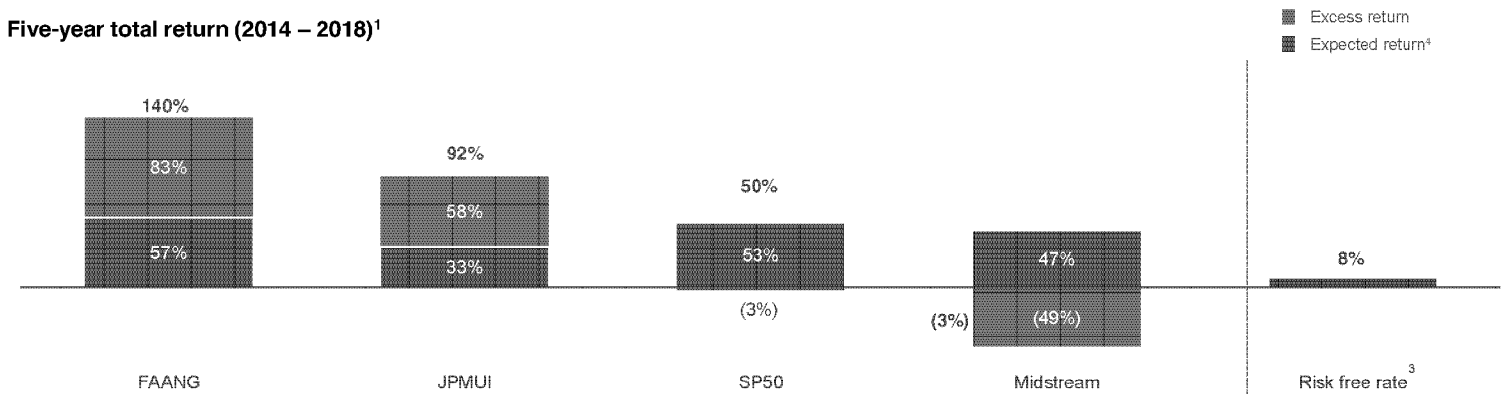
Source: FactSet as of 06/14/2019

Note: JPM Regulated Utility Index ("JPMUI") consists of 15 representative utilities including AEE, AEP, CNP, D, DTE, DUK, ED, ES, LNT, NEE, PNW, SO, SRE, WEC and XEL

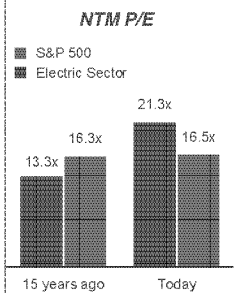
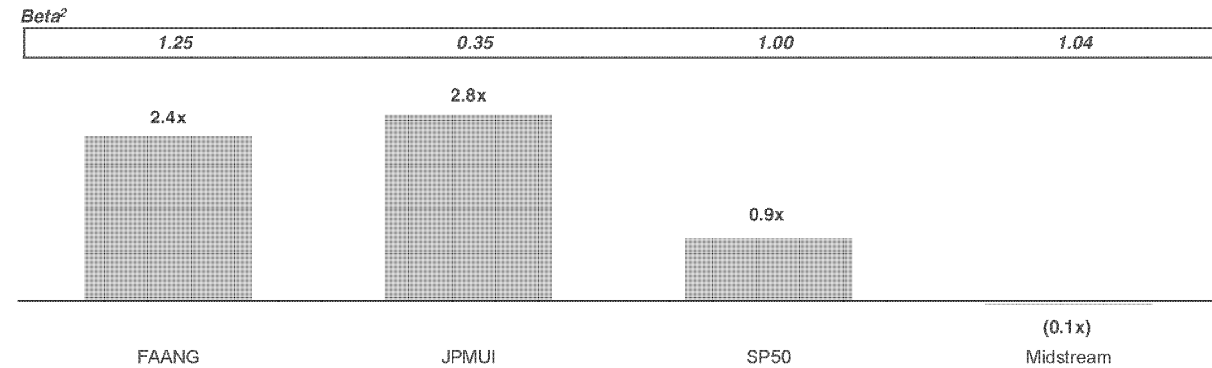
¹ Reflects companies with disclosed growth guidance EPS; ² Based on available historical information for companies in current analysis; ³ Based on current dividend yield and median broker long-term EPS growth rate of JPMUI

This recalibration of the industry's risk-return profile is reflected in its material risk-adjusted outperformance of the broader industry, the S&P 500 and high-profile technology stocks

Five-year total return (2014 – 2018)¹



Total return / Expected return⁴



Source: FactSet as of 06/14/2019

Note: **FAANG** includes FB, AMZN, AAPL, NFLX, and GOOGL; **Electric Utilities** consists of 15 representative utilities including AEE, AEP, CNP, D, DTE, DUK, ED, ES, LNT, NEE, PNW, SO, SRE, WEC and XEL; **Midstream** includes ENB, TRP, and EPD, as well as ETP, OKS, and WPZ prior to respective parent buyouts; **Peers** include ALE, AVA, BKH, HE, NWE, OTTR, PNM and POR

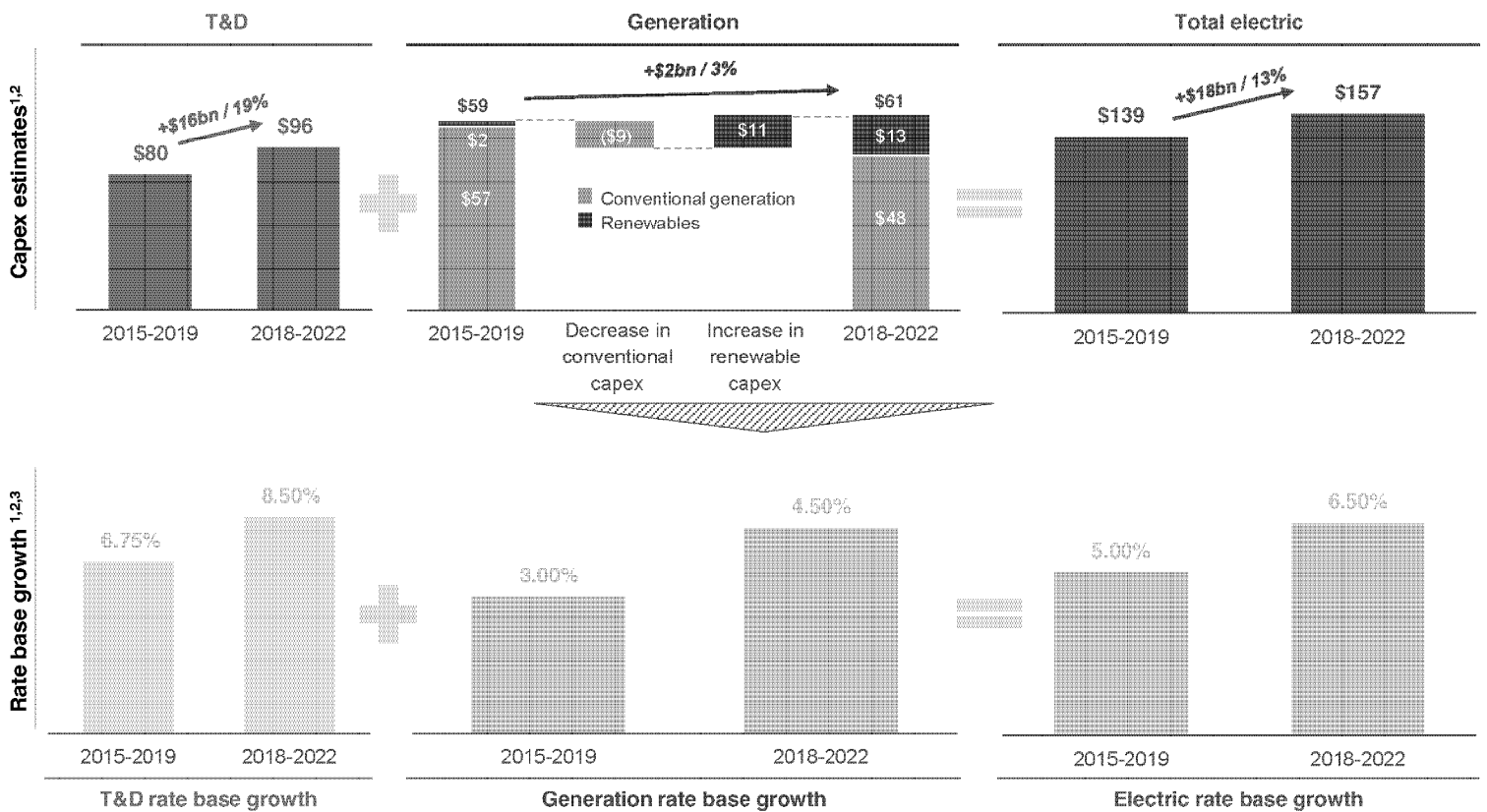
¹ Assumes dividends received are reinvested in underlying security; ² Based on 5-year historical regression against S&P 500 as of 12/31/2018; ³ Based on 5-year total return of S&P U.S. Treasury bond index; ⁴ Expected return is calculated based on the compounded CAPM-derived average annual return over the five-year period (risk-free rate + equity risk premium x beta)

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Strategic drivers: For electric utilities, increased sector-wide rate base growth is expected to be driven by T&D and increasing renewables capex



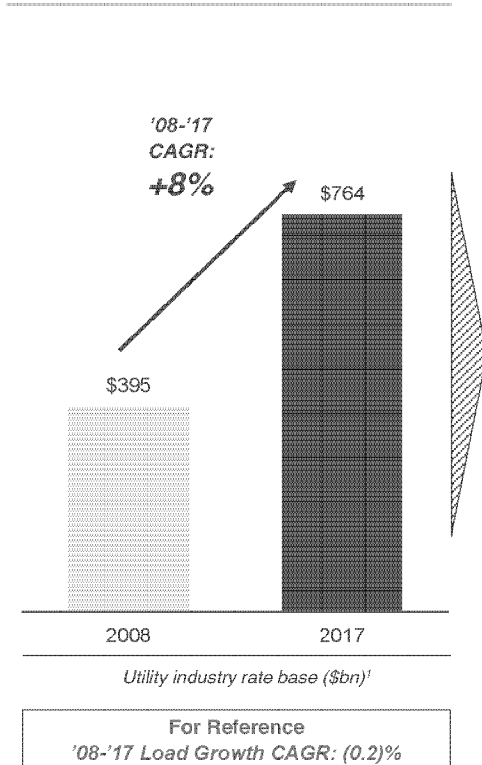
Source: Company filings, SNL, BNEF, E&I; Note: Analysis excludes non-regulated utility capex

¹ Electric utility capital forecasts based on those utilities that have a detailed disclosure of their capex categories and held consistent over the projection period. Includes: AEP, CMS, DTE, DUK, LNT, NEE, PNM, PNW, SO, WEC (including TEG), and XEL; ² Excludes corporate/other and gas segments; ³ Rounded to nearest 25 bps

The new strategic challenge – Not growth, but rate sustainability: Historical perspective

■ The rates impact of robust rate base growth over the last 10 years has been largely offset by four principal factors: (i) lower fuel costs; (ii) lower cost-of-capital; (iii) tax reform; and (iv) lower allowed returns – these will largely not be rate mitigants going forward

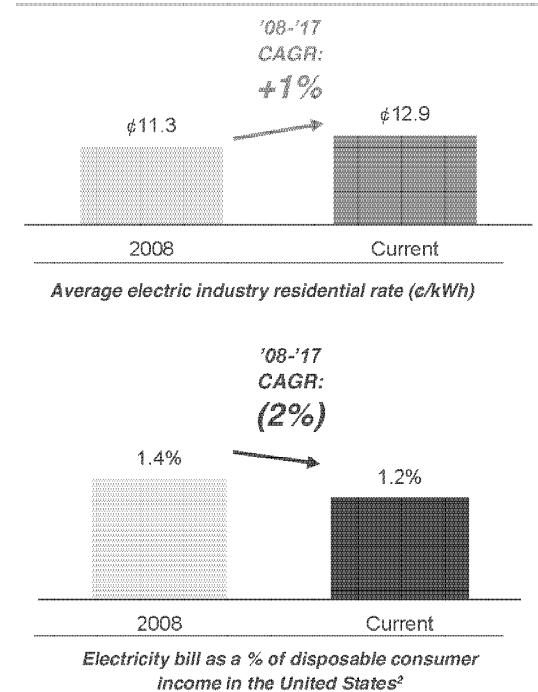
Material rate base growth...



...offset by...

- 1 Decreased fuel costs
- 2 Low cost of debt
- 3 Tax reform
- 4 Lower ROEs

...resulting in marginal customer rate increases



Source: Broker research, SNL, EEI, EIA

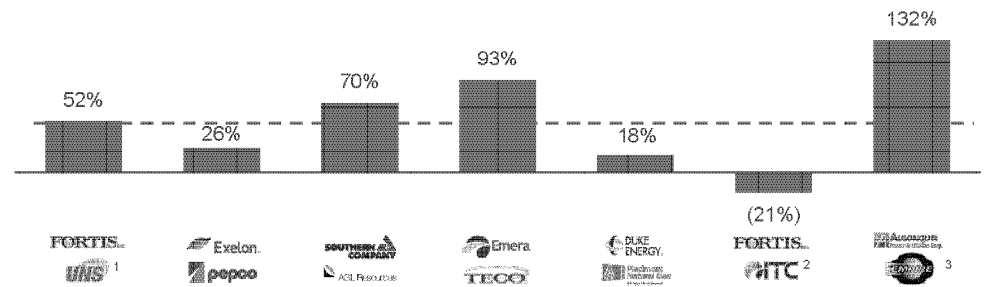
¹ Based on net utility plant, used as a proxy for rate base; ² Sourced from Bureau of Economic Analysis

Utilities looking to achieve scale and enhanced growth through M&A have realized material capex and EPS accretion

+52%

Median increase in Target's capital invested 3 years post-acquisition vs. projected at announcement

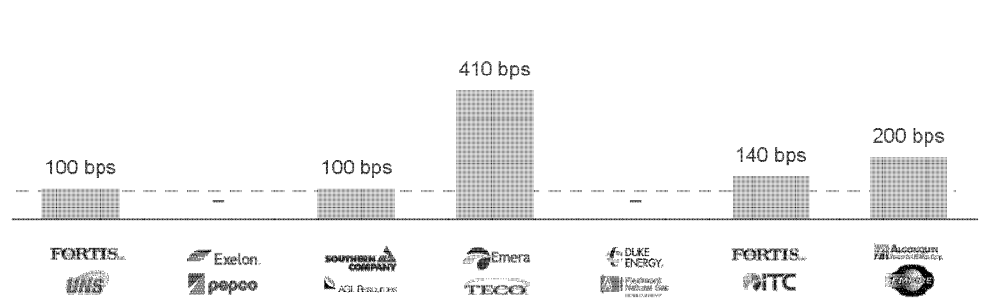
% change in Target's realized 3-year capital plan vs. projected at announcement



+100 bps

Median increase in Acquirer's long-term EPS growth rate guidance post-transaction

% change in Acquirer's long-term EPS growth rate guidance post-transaction



Source: Company filings and broker research

Note: Data set includes transactions where sufficient time has passed to undertake analysis; several recent transactions excluded due to insufficient data at this point in time

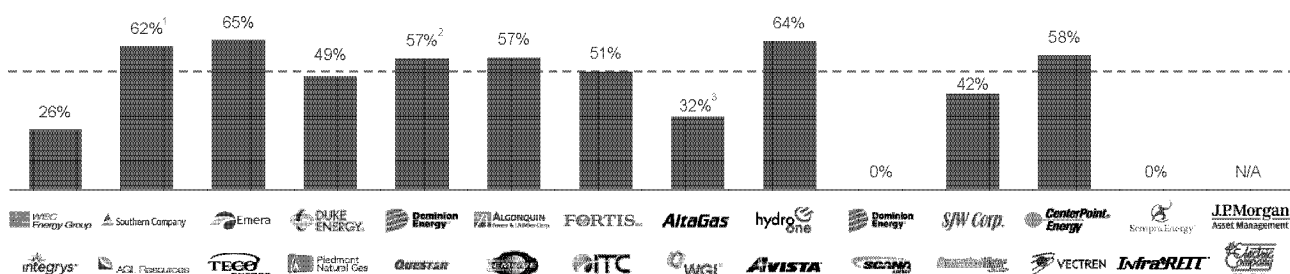
¹ Represents 2016-2018 time period; ² At time of acquisition provided only 2 years of firm capex guidance; ³ Represents 2018-2020 time period

Recent consolidation primarily effected through high premia, all-cash transactions financed with significant leverage

Financing of the equity purchase price (% debt financed)

+51%

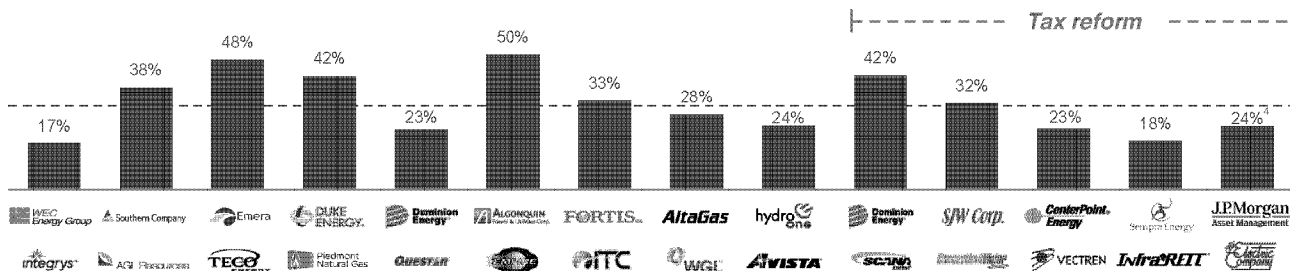
Median debt financing of equity purchase price



Utility corporate M&A premia (% based on unaffected share price)

+30%

Median utility corporate M&A premia (based on unaffected share price)



Announcement date

2015

2016

2017

2018

2019

Source: S&P, Moody's, Dealogic, SNL, FactSet, company filings

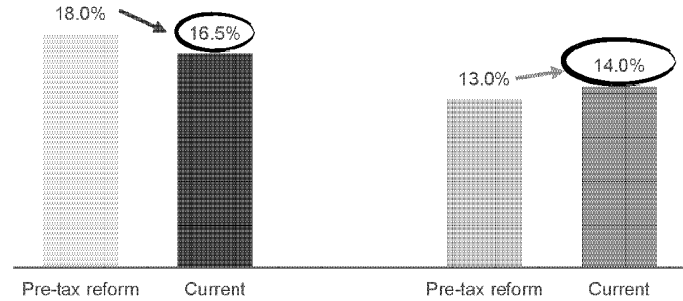
¹ Net of all cumulative equity issued through 2019; ² Net of common equity issuance at Dominion, Dominion Midstream Partners and issuance of mandatory converts; ³ Net of subscription receipts issuance and preferred issuance treated as equity; ⁴ JPMUI-adjusted premium, based on transaction price and price as of 25/02/2019 article rumored resumption of sale process after December 2018 rumor that sale process was terminated

That was then, this is now: Current utility financial power has notionally diminished...

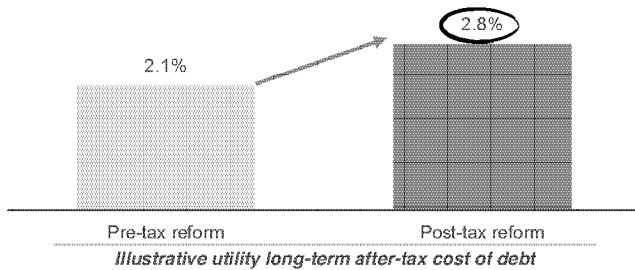
- A combination of tax reform, rising interest rates and diminished leverage capacity has notionally reduced the premia acquirers can pay

Median industry FFO/debt has decreased post-tax reform...

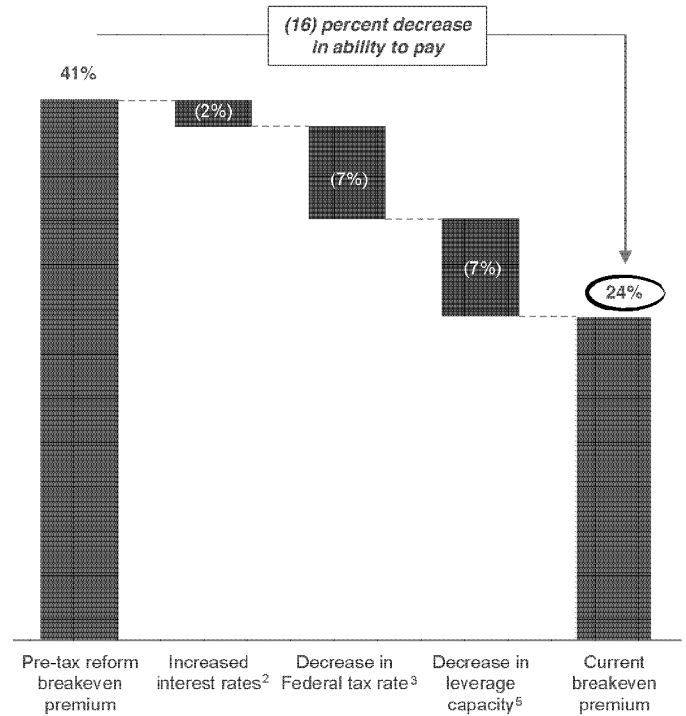
...while downgrade thresholds have risen (BBB shown)



....and after-tax cost of debt has increased¹



As a result, the illustrative “ability-to-pay-premium” in utility M&A transactions has decreased

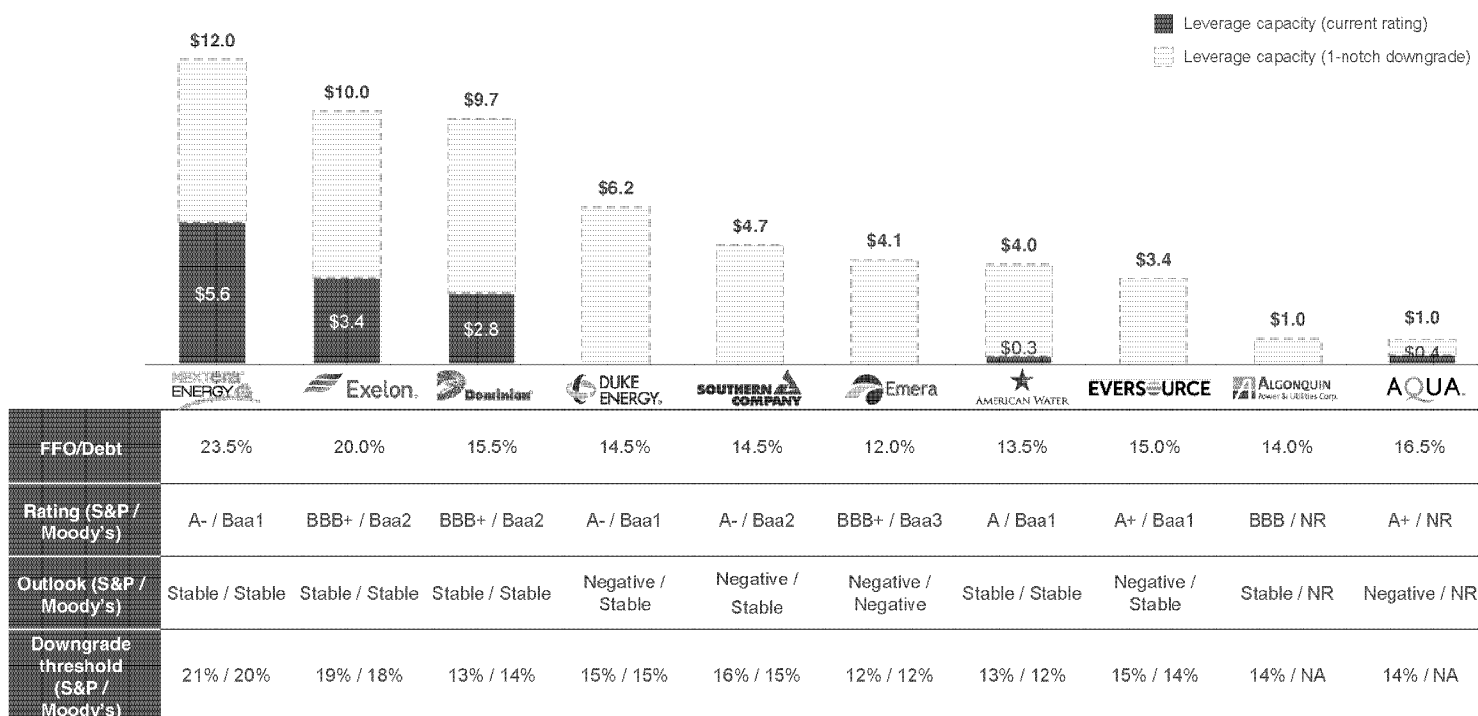


Source: Company filings; FactSet and Bloomberg as of 06/14/2019; credit reports; Note: Pre-tax reform market data as of 11/30/2017

¹ Based on an increase in a generic utilities 10-year pre-tax cost of debt from 3.3% to 3.6% and decrease in U.S. federal income tax rate from 35% to 21%; ² Based on the increase in a generic utilities 10-year cost of debt from 3.3% to 3.6% (2.2% to 2.8% after-tax); ³ Represents a decrease to cash flow as a result of the decrease in the U.S. federal income tax rate from 35% to 21%; ⁵ Assumes an illustrative decrease of 150bps in utility FFO/debt metrics and an illustrative increase of 100bps in downgrade threshold

... however there are a number of utilities that still have leverage capacity, especially when considering flexibility for a downgrade

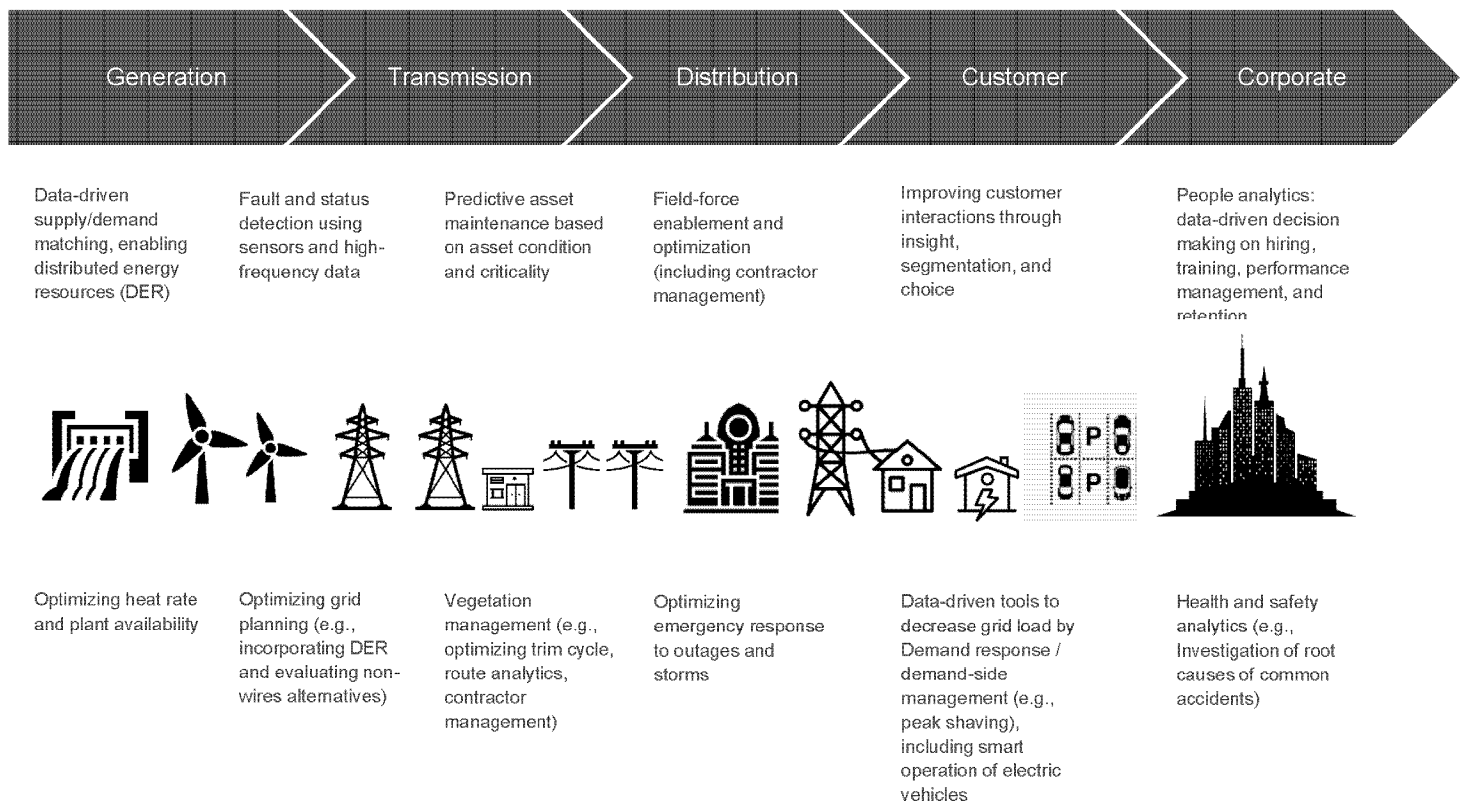
2020E Tier 1 bidders' leverage capacity at current rating and one notch downgrade (S&P) (\$bn)¹



Source: FactSet as on 06/14/19

¹ Leverage capacity based on S&P credit metrics and adjustments; one notch downgrade calculated as 3% below current downgrade threshold

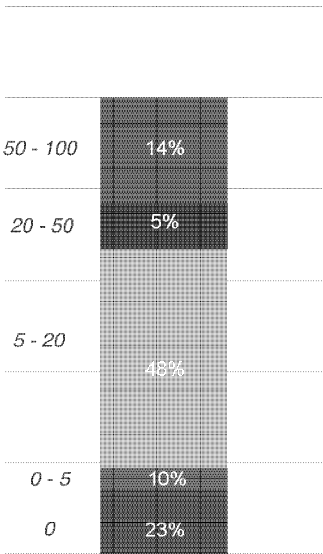
Analytics will play a critical role in the future of next generation utility model...



...but not all frogs are feeling the temperature increase

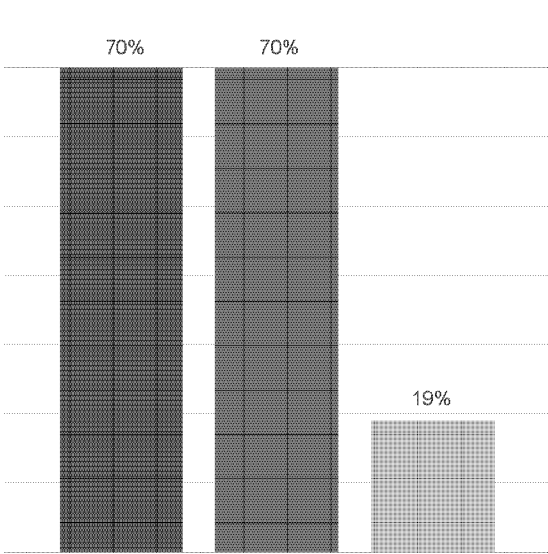
Lack of analytics in the utility sector is both challenge and opportunity

Half of utilities have little or no analytics capability...



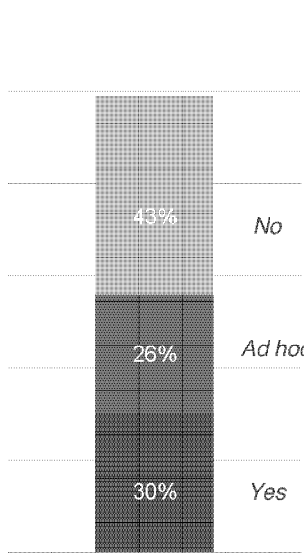
How many people are on your data team?

...those with data analytics capabilities aren't focused on monetization...



Customer relationship focus
Optimizing operations focus
Monetization focus

...and very few are interested in opening up their data



Do you take an open-data approach?

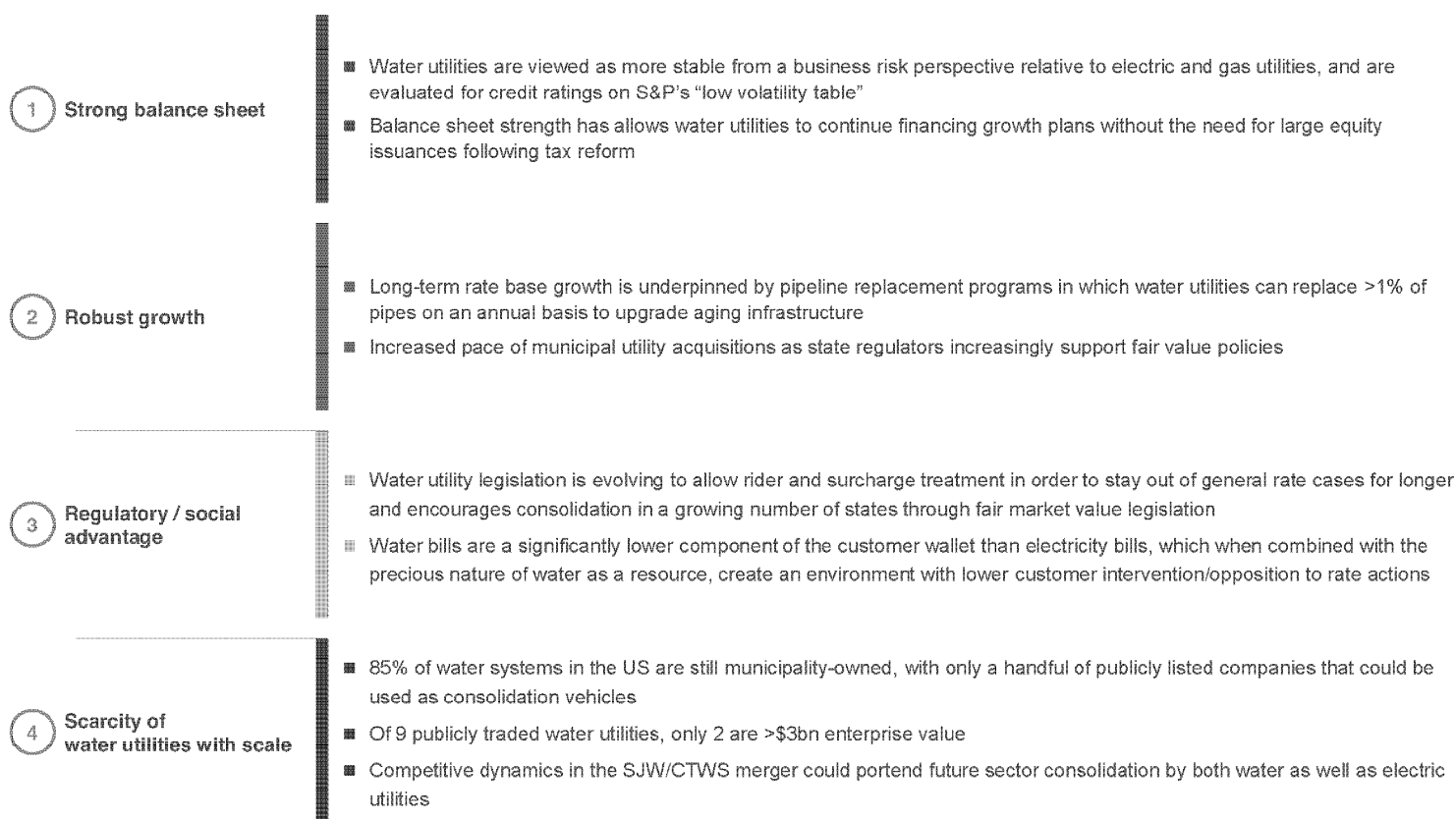
J.P.Morgan

Source: PwC, Customer Engagement in an Era of Energy Transformation

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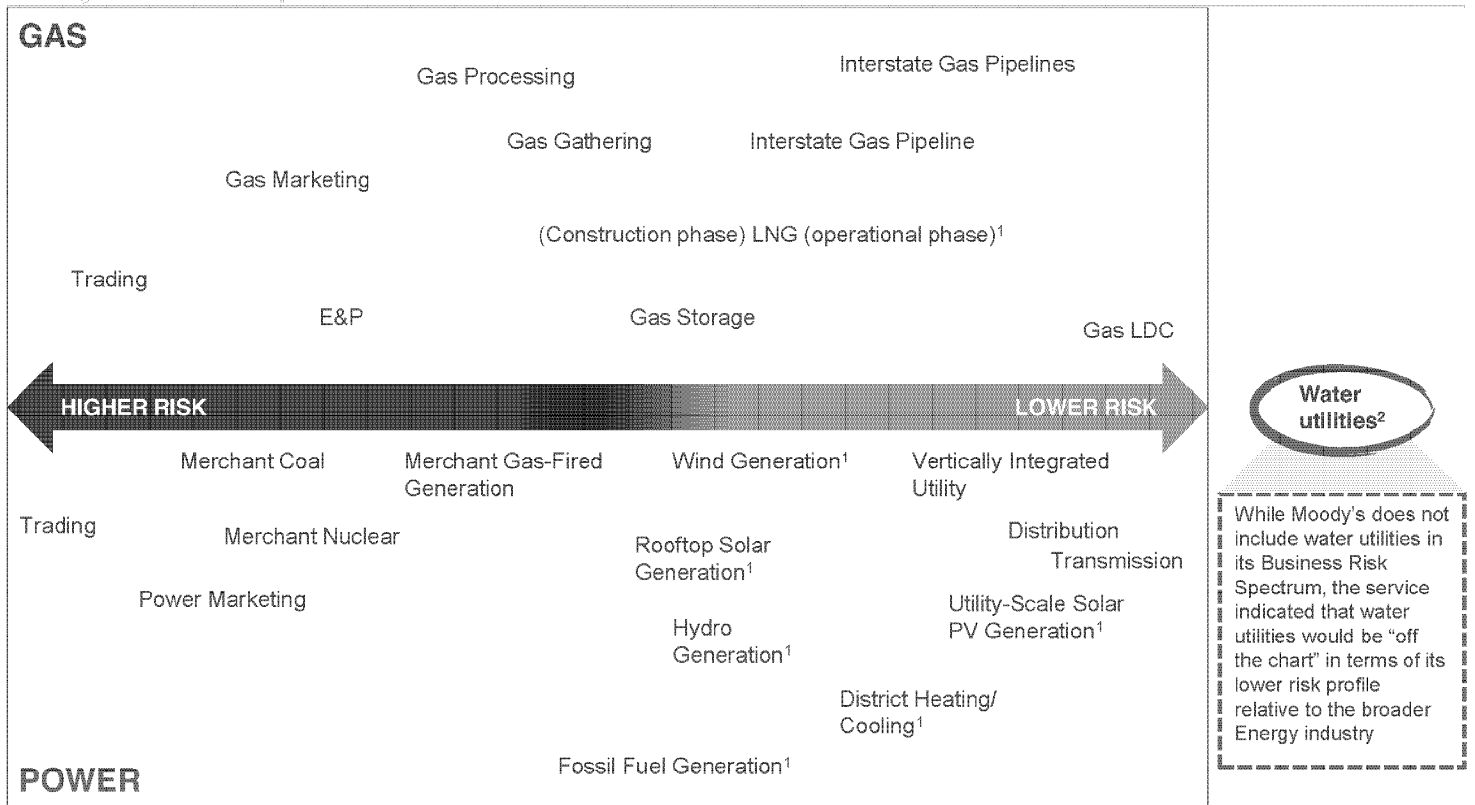
The water utility sector is a premium asset class – attractive to electric, gas, and other water utilities



1 From a credit perspective, water utilities maintain the lowest business risk relative to the broader Energy industry

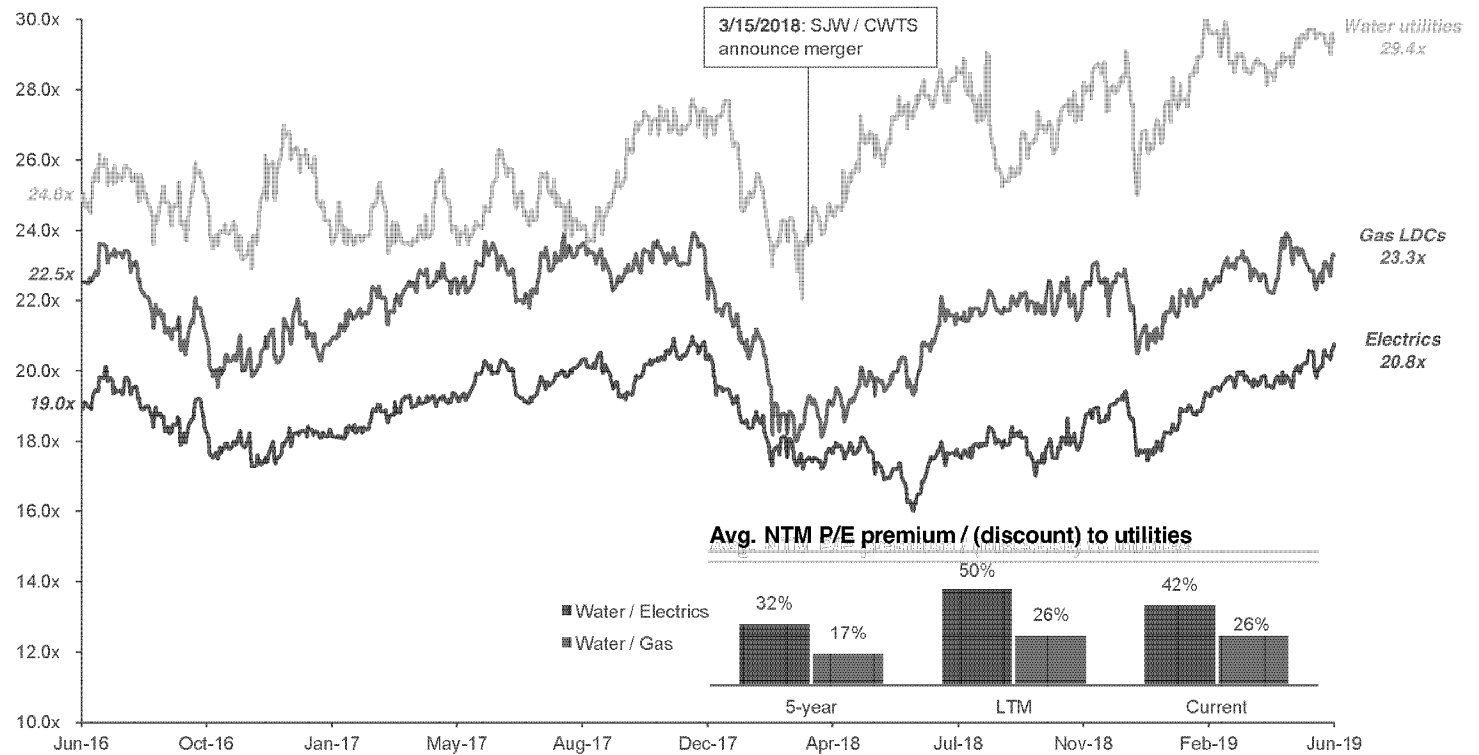
- Water utilities are viewed as more stable from a business risk perspective relative to electric and gas utilities, and are evaluated for credit ratings on S&P's "low volatility table"

Moody's business risk spectrum



2 Water utilities continue to trade at a material premium to electric and gas utilities...

Rolling NTM P/E — last 3 years



Source: FactSet as of 06/14/2019

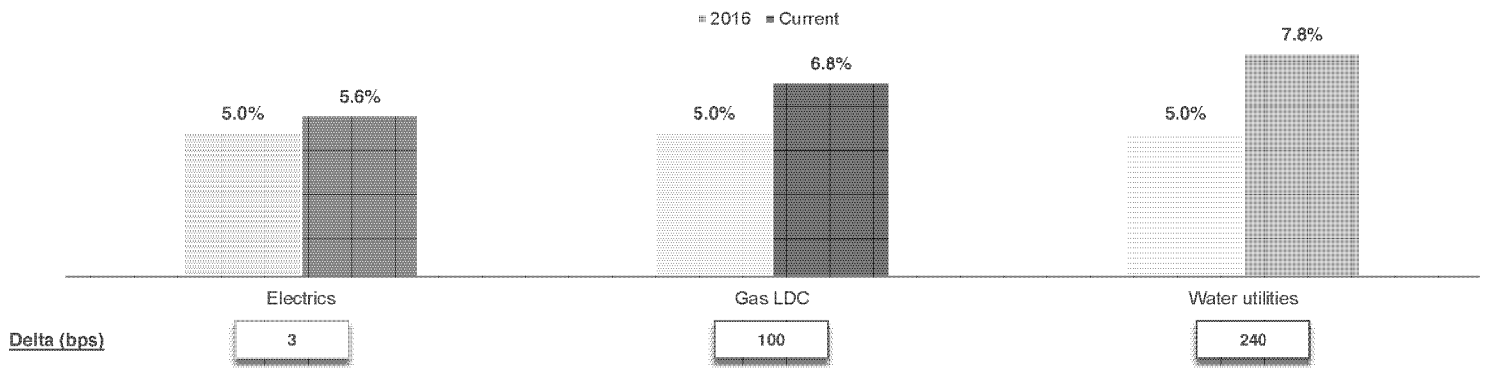
Note: Electrics / JPM Regulated Utility Index ("JPMUI") consists of 15 representative utilities including AEE, AEP, CNP, D, DTE, DUK, ED, ES, LNT, NEE, PNW, SO, SRE, WEC and XEL; Gas LDCs consists of ATO, NI, NJR, NWN, OGS, SWX, SR and SJ; Water utilities consists of ARTNA, AWK, AWR, CTWS, CWT, MSEX, SJW, WTR and YORW

2

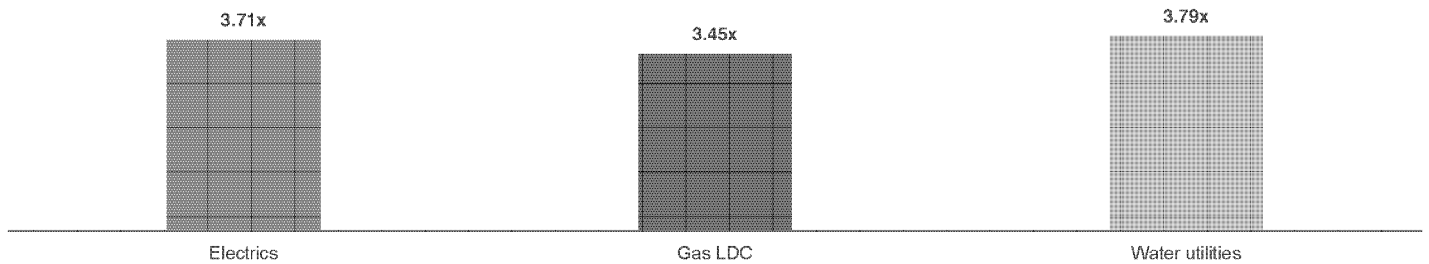
... however the water sector trades in-line with electric utilities on a growth adjusted basis

- Given increased infrastructure spending over the coming years, and the expectation of future municipal roll-ups, water growth rates now “bake in” premium growth

Median I/B/E/S long-term growth rates – “Then” and “Now”



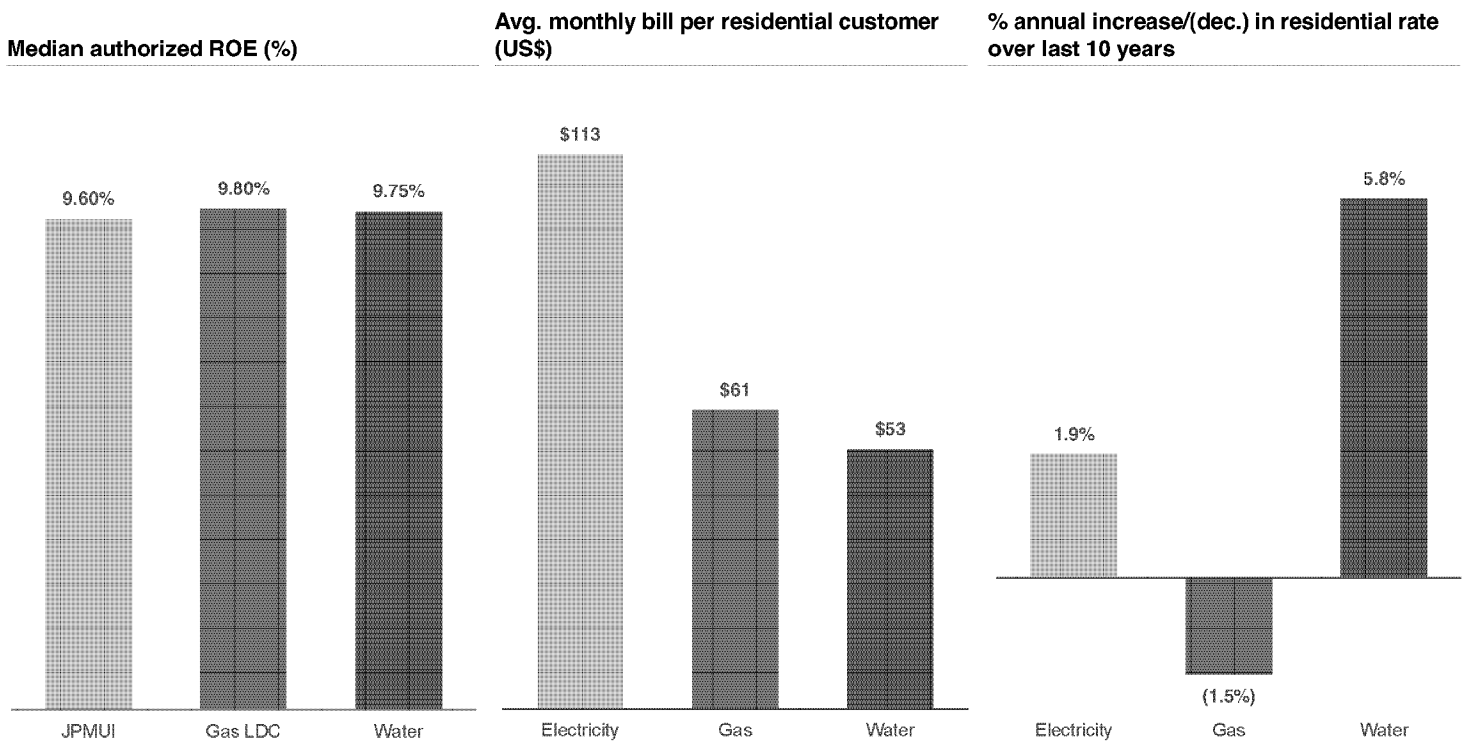
PEG ratio — NTM P/E / expected earnings growth rate



Source: FactSet as of 06/14/2019, equity research

3

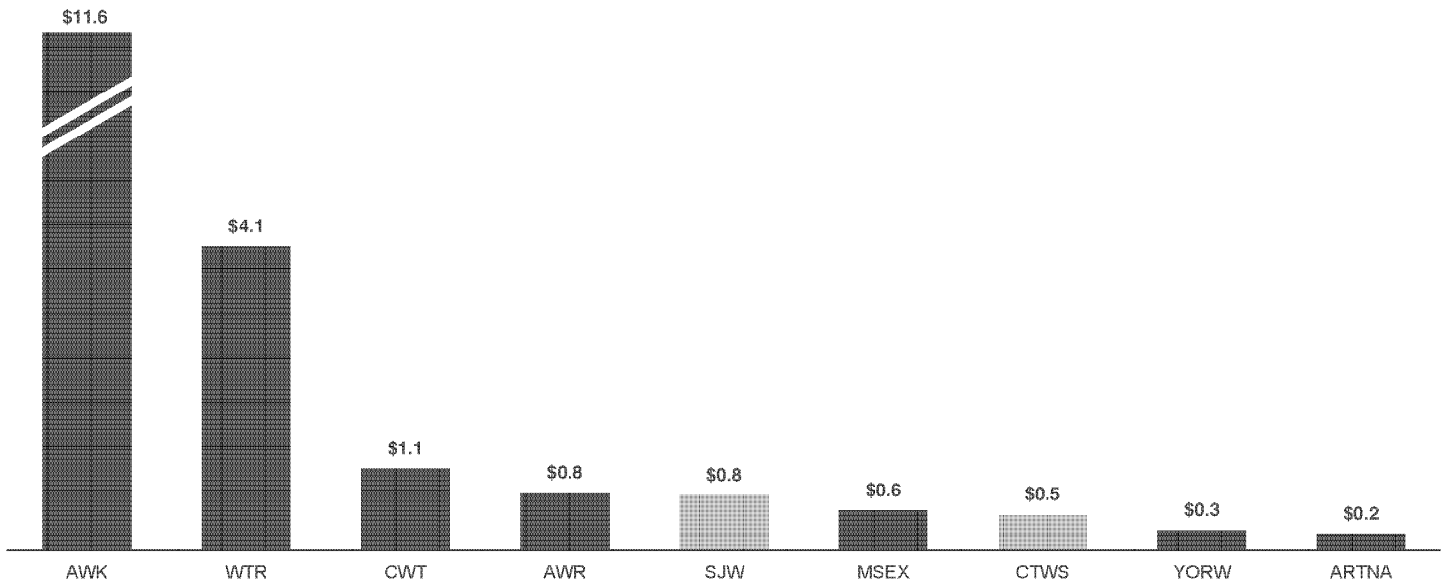
Despite rising costs, water utilities continue to have strong regulatory compacts as bills remain a small portion of the customer wallet



Source: US Energy Information Administration (EIA), American Gas Association, Circle of Blue, SNL, company filings

4 Water investment opportunities remain scarce




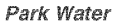
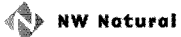
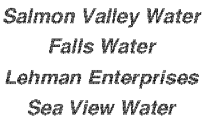
Rate base by public water utility (\$bn)



Municipal acquisition challenges

- Municipal systems are small and fragmented, with 56% of systems serving less than 2% of the population
- Many municipalities have invested at sub-optimal rates but are reluctant to relinquish control and are sensitive to rate increases

A number of electric & gas utilities have recently developed water growth strategies

Utility	Water acquisitions	Rationale	Equity / credit reaction
		<p>"... and we're entering a water distribution business that we expect will see decades of growth ahead due to the need for replacement of aging infrastructure. We expect Aquarion to help support and extend our projected 5% to 7% EPS growth..."</p> <p>Philip Lembo (CFO - Eversource)</p>	<p>"... we believe that the transaction is consistent with the commitment to improving its business risk profile through a strategic focus on regulated T&D infrastructure businesses... We view the addition of as a complementary extension within overlapping service territories..."</p> <p>S&P Global</p>
		<p>"...Park Water is a business which is completely aligned with our core strategy of being long-term owners and operators of local utilities..."</p> <p>Ian Robertson (CEO - Algonquin)</p>	<p>"...Park Water and Odell are likely to represent Algonquin's largest single growth initiatives in 2015..."</p> <p>TD Securities</p>
		<p>"... We believe the regulated water utility sector, not only fits this profile but it also aligns well with our core capabilities...the investment potential is promising as the water industry is highly fragmented and in many cases, these utilities have not been able to adequately invest in their infrastructure."</p> <p>David Anderson, (CEO - NW Natural)</p>	<p>"... We also see the transaction as offering a small amount of diversification for NWN, and its newly licensed holding company. The acquisition of water utilities would provide alternative revenue sources and expose the company to a very supportive regulatory environment."</p> <p>Moody's</p>

Source: Broker reports, credit reports

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JEA Electric System regulated utility model assumptions and scenarios

Status Quo Assumptions

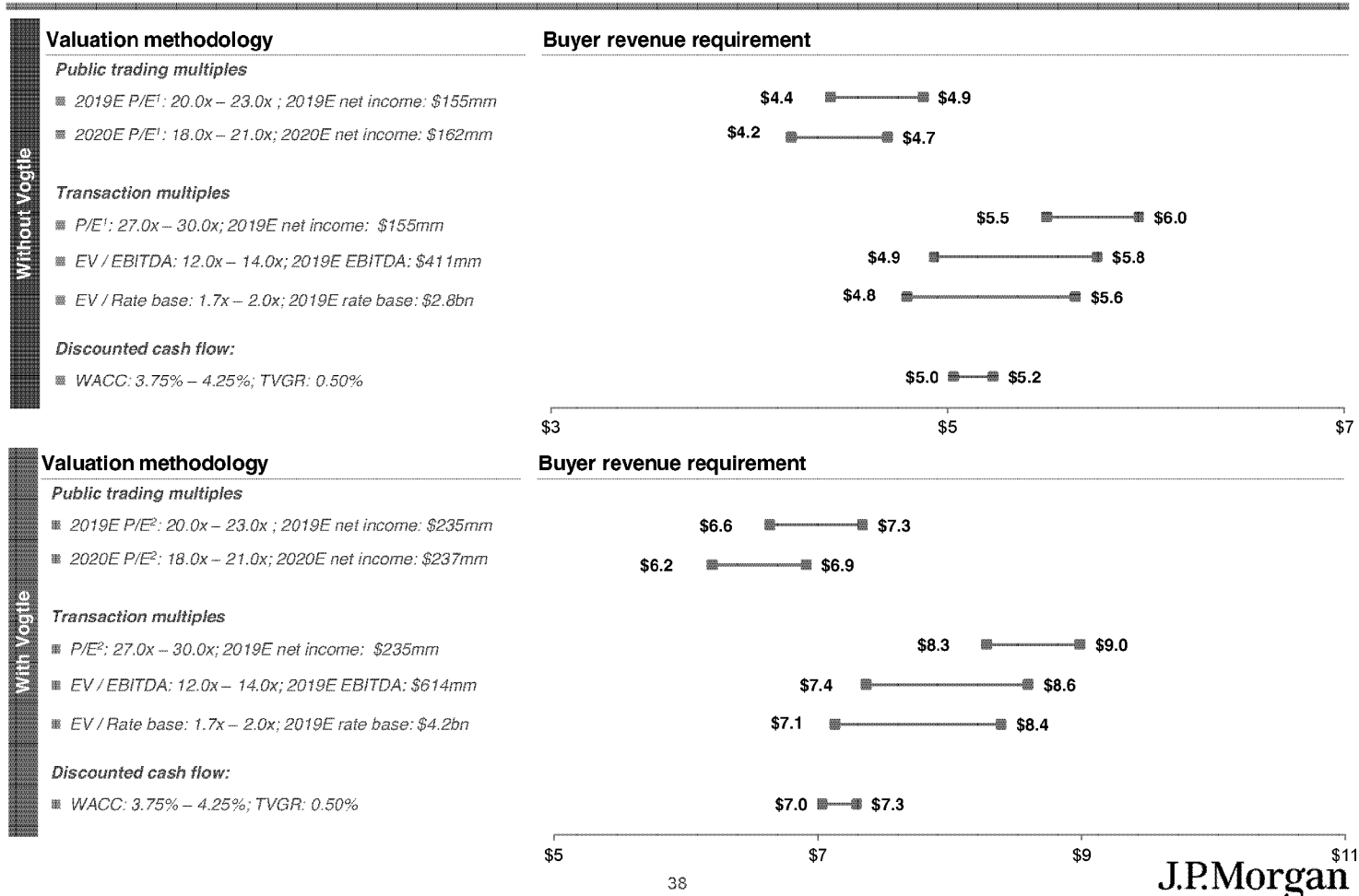
- Revenue
 - Existing franchise fee is 2.7% with a step up to 5.7% post closing
 - Inputs and adjustments to determine pro forma revenue requirement as a Florida regulated utility
 - Based on rate base of \$2.8bn
- Capex & D&A
 - JEA management base capex projections and existing PPE useful life of 20 years
- Rate Base
 - Starting rate assumed to be 2019 projected net plant
 - Blended equity layer and ROE premised upon 95% state retail weighting and 5% FERC wholesale weighting
 - Blended equity layer: 53.5%
 - Florida equity layer: 54.0%
 - FERC equity layer: 51.7%
 - Blended authorized ROE: 10.4%
 - FL authorized ROE: 10.5%
 - FERC authorized ROE: 10.0%
- Taxes
 - Overall tax rate of 26.5%
 - Federal: 21.0% and Florida state: 5.5%
- Inputs and adjustments to determine pro forma revenue requirement as a Florida regulated utility
 - Revenue requirement based on acquired rate base of \$2.8bn and the Florida PSC authorized ROE and pro forma capitalization

Pro Forma Assumptions

- Based on rate base of \$4.2bn

Preliminary illustrative JEA valuation summary – Status quo valuation(\$bn)

JEA Electric System



Source: Company filings, 10-yr company model, subject to change and further due diligence

¹Assumes an ending rate base of \$2.8bn with 46.1% debt capitalization

²Assumes an ending rate base of \$4.2bn with 46.1% debt capitalization

Net proceeds from a sale of the Electric System

Without Vogtle	Purchase price of Electric System	\$4,000	\$4,500	\$5,000	\$5,500	\$6,000
	Less: Defeasance of outstanding debt	(\$2,243)	(\$2,243)	(\$2,243)	(\$2,243)	(\$2,243)
	Proceeds Net of Defeasance Costs	\$1,757	\$2,257	\$2,757	\$3,257	\$3,757
	Less: Pension / OPEB	(\$350)	(\$350)	(\$350)	(\$350)	(\$350)
	Less: Swap Unwind Costs	(\$82)	(\$82)	(\$82)	(\$82)	(\$82)
	Plus: Cash	\$671	\$671	\$671	\$671	\$671
	Net Proceeds	\$1,997	\$2,497	\$2,997	\$3,497	\$3,997

With Vogtle	Purchase price of Electric System	\$6,500	\$7,000	\$7,500	\$8,000	\$8,500
	Less: Defeasance of outstanding debt	(\$3,765)	(\$3,765)	(\$3,765)	(\$3,765)	(\$3,765)
	Proceeds Net of Defeasance Costs	\$2,735	\$3,235	\$3,735	\$4,235	\$4,735
	Less: Pension / OPEB	(\$350)	(\$350)	(\$350)	(\$350)	(\$350)
	Less: Swap Unwind Costs	(\$82)	(\$82)	(\$82)	(\$82)	(\$82)
	Plus: Cash	\$671	\$671	\$671	\$671	\$671
	Net Proceeds	\$2,974	\$3,474	\$3,974	\$4,474	\$4,974

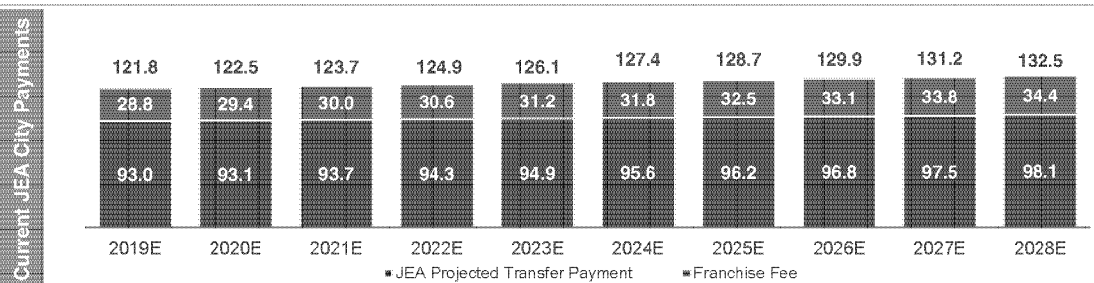
Net gain / loss to the City with sale of Electric System

Electric System status quo (\$mm)

Current sources of revenue:

- JEA transfer payment
- Franchise Fee

Existing transfer payment and franchise fees are passed through and reflected in customer rates

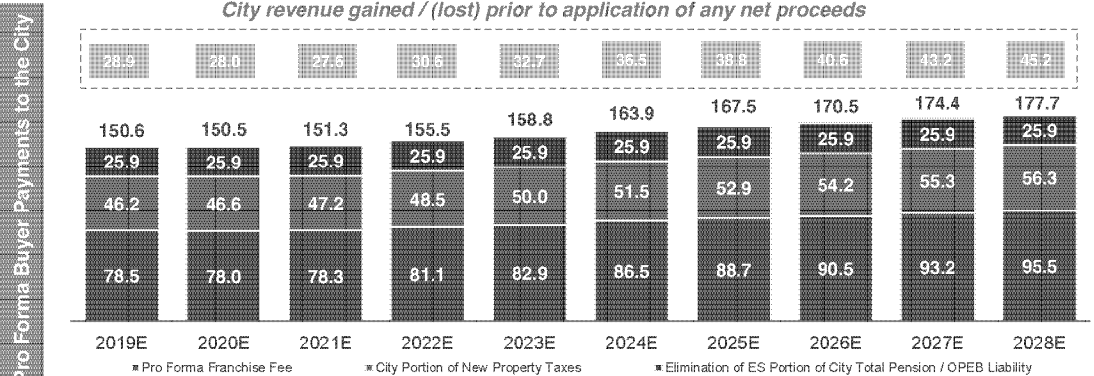


Pro forma for privatization (\$mm)¹

Pro forma sources of revenue:

- Franchise Fee
- City's share of new property taxes
- Elimination of ES portion of City Total Pension / OPEB Liability

\$352mm² in revenue gained



Drivers

- Franchise fee would be increased to 6%, consistent with other cities in Florida
- Of the new property taxes, 11.44 mills will be directly attributable to the City
- Transfer Electric System pension and OPEB liability to buyer
 - Eliminating 15% of the City's total unfunded pension / OPEB liability eliminates ~\$26.0mm of annual funding obligations

¹ Represents pro forma inclusive of the Vogtle acquisition. ² Nominal revenue gains vs. status quo over projection period

JEA Water System regulated utility model assumptions and scenarios

Key Assumptions

- Revenue
 - Existing franchise fee is 2.7% with a step up to 4.6% post closing
 - Inputs and adjustments to determine pro forma revenue requirement as a Florida regulated utility
 - Based on rate base of \$2.8bn
- Capex & D&A
 - JEA management base capex projections and existing PPE useful life of 28 years
- Rate Base
 - Starting rate assumed to be 2019 projected net plant
 - Florida equity layer: 50.0%
 - FL authorized ROE: 10.4%
- Taxes
 - Overall tax rate of 26.5%
 - Federal: 21.0% and Florida state: 5.5%

Revenue requirement inputs

- Inputs and adjustments to determine pro forma revenue requirement as a Florida regulated utility
- Revenue requirement based on acquired rate base of \$2.8bn and the Florida PSC authorized ROE and pro forma capitalization

Preliminary illustrative JEA valuation summary – Firm value (\$bn)

JEA Water System

Valuation methodology

Buyer revenue requirement

Public trading multiples

2020E P/E: 29.0x – 32.0x

2020E net income: \$149mm

\$5.7 – \$6.2

Transaction multiples

P/E: 25.1x – 28.1x

2019E net income: \$143mm

\$4.9 – \$5.4

EV / EBITDA: 14.6x – 16.6x

2019E EBITDA: \$356mm

\$5.2 – \$5.9

Discounted cash flow:

WACC: 3.75% – 4.25%

TVGR: 0.50%

\$5.1 – \$5.9

\$4 \$5 \$6 \$7

Source: Company filings, 10-yr company model, subject to change and further due diligence

¹Assumes an ending rate base of \$2.8bn with 50% debt capitalization

Net proceeds from a sale of the Water System

Purchase price of Water System	\$4,500	\$5,000	\$5,500	\$6,000	\$6,500
Less: Defeasance of outstanding debt	(\$1,569)	(\$1,569)	(\$1,569)	(\$1,569)	(\$1,569)
Proceeds Net of Defeasance Costs	\$2,931	\$3,431	\$3,931	\$4,431	\$4,931
Less: Pension / OPEB	(\$213)	(\$213)	(\$213)	(\$213)	(\$213)
Less: Swap Unwind Costs	(\$82)	(\$82)	(\$82)	(\$82)	(\$82)
Plus: Cash	\$256	\$256	\$256	\$256	\$256
Net Proceeds	\$2,892	\$3,392	\$3,892	\$4,392	\$4,892

Net gain / loss to the City with sale of Water System

Water System status quo (\$mm)

Current sources of revenue:

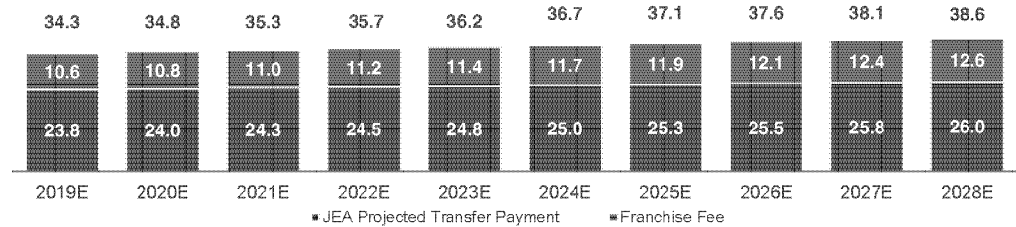
■ JEA transfer payment

■ Franchise Fee

Existing transfer payment and franchise fees are passed through and reflected in customer rates

■ City currently provides backstop WS portion of City Total Pension / OPEB Liability

Current JEA City Payments



Pro forma for privatization (\$mm)

Pro forma sources of revenue:

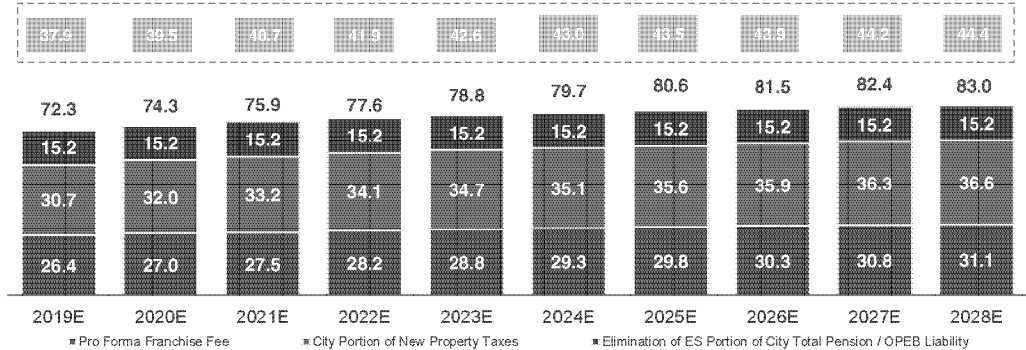
■ Franchise Fee

■ City's share of new property taxes

■ Elimination of WS portion of City Total Pension / OPEB Liability

Pro Forma Buyer Payments to the City

City revenue gained / (lost) prior to application of any net proceeds¹



\$422mm in revenue gained²

Drivers

- Franchise fee would be increased to 6.0%
- Of the new property taxes, 11.44 mills will be directly attributable to the City
- Transfer Water System pension and OPEB liability to buyer
 - Eliminating the Water System's share of JEA's net pension liability eliminates ~\$15.6mm of annual funding obligations

¹ Nominal difference between pro forma and current City payments; ² Nominal sum of revenue gain over projection period

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Key process and valuation issues/success factors

- In order to maximize interest among potential buyers, it is imperative that J.P. Morgan, the City, JEA, and its advisors, work together to maximize process clarity and minimize political/regulatory uncertainty
- Designing a successful auction will be necessary to achieving the best result for JEA and its stakeholders

Summary

- Potential bidders must have confidence that the City and JEA have:
 - Clear strategic/other objectives that are motivating a sale and has the conviction to see the process through to its completion
 - Adequate time/resources to pursue a sales process
 - Obtained a clear level of buy-in from stakeholders that have the ability to impede the transaction
 - Identified a visible path to obtaining timely and efficient transaction approvals
- **Providing this clarity and certainty is particularly critical in public asset divestitures**
- J.P. Morgan's extensive experience will enable us to anticipate and address these issues. We will work closely with the City and JEA to:
 - ① Design a structured process aimed at achieving key financial and policy objectives
 - ② Help the City and JEA understand and assess the impact of public policy objectives on asset value and marketability
 - ③ Develop a clear roadmap for transaction approval from the City, JEA and relevant regulatory authorities prior to launching a divestiture process
 - ④ Balance financial objectives/asset marketability with stated public policy goals
 - ⑤ Maintain on-going engagement with multiple stakeholders throughout the process
 - Political and regulatory risk can sometimes adversely impact valuation or lower competitive tension in a divestiture process if not properly addressed. We have experience working with sellers to coordinate and execute communication plans, including with third-party communication advisors
 - ⑥ Set realistic expectations with various stakeholders on the risks, benefits, and costs to achieve and timing to realize benefits from any transaction

J.P. Morgan recognizes the importance of considering the objectives of all stakeholders in a public utility sale process

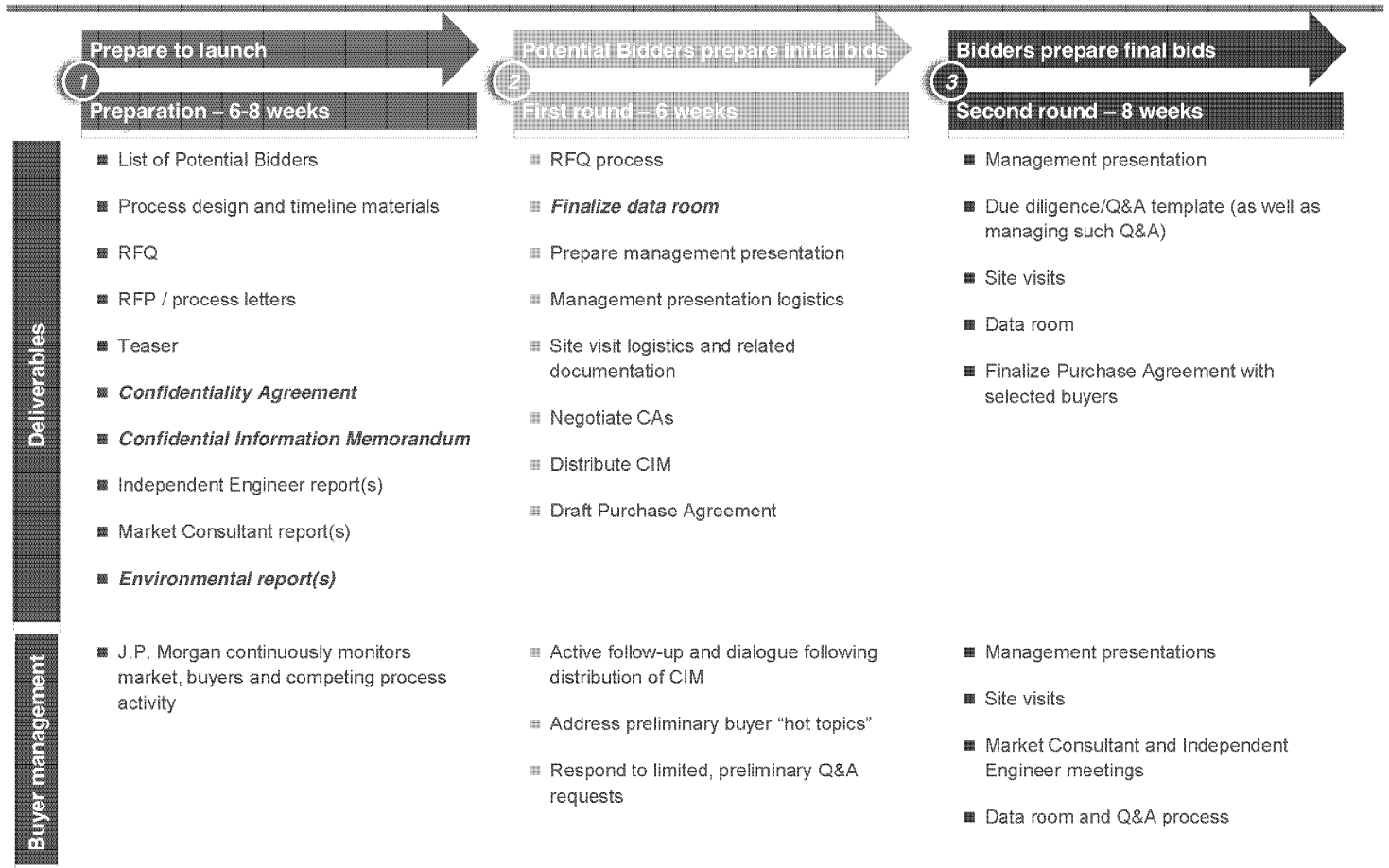
Stakeholder considerations

<div>Mayor's office / City Council</div> <ul style="list-style-type: none"> ■ Ensure reliable, low-cost supply of electricity ■ Maximize business impact for the City's economy ■ Maximize value for City finances ■ Manage transaction costs ■ Prioritize transparency ■ Preserve social programs ■ Encourage employment ■ Find a qualified and reputable owner 	<div>Ratepayers</div> <ul style="list-style-type: none"> ■ Ensure reliable, low-cost, lo-volatility supply of electricity ■ Preserve social programs ■ Transparency and accountability from elected officials ■ Preserve system safety, reliability and service quality
<div>JEA employees</div> <ul style="list-style-type: none"> ■ Ensure pay and job security ■ Safeguard pension and benefits funding ■ Preserve system safety, reliability and service quality ■ Retain option to participate in benefits of utility growth 	<div>Regulatory</div> <ul style="list-style-type: none"> ■ Ensure reliable, low-cost supply of electricity ■ Qualified and reputable owner/operator ■ Preserve system safety, reliability and service quality
	<div>Media</div> <ul style="list-style-type: none"> ■ Transparency and accountability from elected officials ■ Access to process information

J.P. Morgan will proactively address the potential process management points that arise during a public utility sell-side

- The City and its advisors may want to consider implementing appropriate measures to ensure protection of information used to pursue a sale of its assets in a privatization process
 - As a government entity, a high level of public scrutiny will accompany a privatization process
 - Potential bidders will also want to understand what information regarding their involvement will be disclosed to the public
 - Uncertainty around this aspect could deter bidder interest
 - It is important to be cognizant of this upfront in order to manage exposure throughout a potential process
 - Identify what process information must be shared with the public, regulators, and government agencies
 - Understand the application of any local Open Records legislation and plan to address pre- and post-deal signing
 - Other provisions put in place at various times during the process
 - Manage all processes and documentation in expectation of public review of a potential transaction pre- and post-announcement

Indicative process overview



Illustrative project schedule

Timing considerations

- J.P. Morgan is prepared to begin formal diligence and preparation of marketing materials immediately with a view to approaching mutually agreed buyers
- The full sales process could be completed by 2020 with key milestones as set forth in the table to the right
- Given our transaction experience with recent power generation and public M&A sale processes, assembling marketing materials and data rooms will be an efficient process
- J.P. Morgan would work with independent engineers and market consultants to produce comprehensive marketing materials
- The ultimate process launch date will be dependent upon the accessibility and quality of available asset information along with final consultant deliverables
- J.P. Morgan recommends allowing for sufficient time in the indicative bid phase to ensure that buyers understand and reflect all value drivers appropriately

J.P. Morgan will work closely with the City and JEA and its advisors to tailor a process time schedule that meets their objectives

Indicative process timeline¹

	Time
1 Preparation phase	
J.P. Morgan mandate received	Late Sep
Kickoff meeting	Early Oct
Conduct diligence, consultant assessment, prepare RFP and RFQ marketing materials, assemble electronic data room	Mid Oct
Finalize RFQ materials and secure authorizations for launch	Late Oct
Launch RFQ	Late Oct
Receive / evaluate RFQ responses	Early Nov
Launch RFP and begin Confidential Information Memorandum (CIM) development/sign Confidentiality Agreements	Mid Nov
2 First round	
Distribute CIM and RFP/process letter	Early Dec
Development management presentation materials and PSA	Early Dec
First round non-binding indications of interest received	Early Jan
3 Second round	
Invite select bidders into second round; open data room	Early Jan
Management presentations, site visits	Mid Feb
Receive final bids	Late Feb
Execute PSA and release announcement	Mid Mar
Complete regulatory filings	2020
Deal closes	2020

¹ Does not incorporate required meetings/approvals associated with legislative and/or approving bodies.





Process Overview – Concurrent, parallel sale process for Water System and Electric System

- If the City decides to pursue a sale of both the Water System and Electric System, J.P. Morgan recommends running two independent processes that would be conducted in parallel
- A sales process for both systems would have the same overall structure/timing as the process for a single system sale
- Both sales processes would run on the same timelines with alignment around major milestones – namely, process launch, first round bid deadline, and second round bid deadline
- Potential bidders would be allowed to bid on i) Electric System, ii) Water System, iii) JEA
 - Those submitting for the Electric and Water System would be required to breakout their bid for each system
- Benefits to running separate though concurrent processes include:
 - Maximizes value by broadening the pool of buyers to those interested in only one of the systems
 - Allows bidders who see value in JEA as a single platform to bid for all of JEA
 - Compelling bidders to break out their bids facilitates comparison to single-system bids, increasing competition and driving value
- Given the expanded scope and complexity of marketing both assets concurrently, J.P. Morgan emphasizes the need for extensive and adequate preparation prior to process launch

Potential buyer concerns should be proactively mitigated throughout the process

	Potential Concerns	Mitigants
Privatization	<ul style="list-style-type: none"> * Potential concern about public/political commitment to a potential sale of a municipal asset 	<ul style="list-style-type: none"> ✓ Emphasize the strategic/financial/other objectives that are motivating a sale ✓ Demonstrate "buy-in" from all relevant stakeholders to the extent possible ✓ Identify a visible path to obtaining timely and efficient transaction approvals
Vogtle	<ul style="list-style-type: none"> * Project J (Vogtle PPA contract with MEAG) involves undefined cost overrun risk without recourse 	<ul style="list-style-type: none"> ✓ Potential option to carve out Project J to limit financial exposure to a potential buyer ✓ Current process underway could make moot
Growth	<ul style="list-style-type: none"> * Flat revenue growth in JEA Electric System current rate projections * While Jacksonville is currently in an expansionary phase, customer use is continuing to decrease consistent with industry trends 	<ul style="list-style-type: none"> ✓ Synergy opportunities offer immediate growth levers for the bottom line – even when coupled with potential revenue decreases ✓ Aging fleet provides longer term investment opportunities to transition from coal to more efficient resources ✓ Significant rate base expansion through currently identified capital programs ✓ Expansion of existing capital programs to address the loss of share infrastructure and cost savings related to those investments ✓ Capital improvements mandated by the PSC as a new regulated service provider in Florida
Coal generation	<ul style="list-style-type: none"> * Coal exposure in generation fleet may trigger concerns from certain buyers 	<ul style="list-style-type: none"> ✓ Many utilities still depend on coal plants for a substantial portion of their supply ✓ Phasing out inefficient coal plants with new, efficient resources is a growth opportunity as referenced above ✓ Florida PSC has proven constructive in phasing out coal in lieu of cleaner generation
Pension	<ul style="list-style-type: none"> * Pension/OPEB currently underfunded by \$338m (Electric) and \$206m (Water) 	<ul style="list-style-type: none"> ✓ Regulatory construct allows a buyer to recover pension/OPEB costs in rates mitigating financial risk ✓ Rising interest rate environment to mitigate underfunded exposure
Rate increase	<ul style="list-style-type: none"> * Customer reaction to 10-20% rate increase and community / local advocacy intervenors in the approval process 	<ul style="list-style-type: none"> ✓ Clear articulation of the long term benefits to ratepayer and the community ✓ Commitment by the City and JEA to the process ✓ Buyer obligations to minimize the potential impact to the ratepayers and investment / commitment to community development ✓ Water rate increase offset by decrease in Electric System rates, significant cash proceeds to the City from the sale of the Electric and Water systems, and increased annual revenues to the City
Water rights	<ul style="list-style-type: none"> * Complex Florida laws related to water rights and use and the multiple layers of jurisdiction and regulation 	<ul style="list-style-type: none"> ✓ Movement in recent years to streamline laws and regulation ✓ Concerted effort by PSC and State and local agencies to improve oversight and reduce bureaucracy related to water rights, regulation and resource management and permitting ✓ Action by the City and key decision making bodies to establish clear owner rights, authority, remedies and jurisdiction related to water use and delivery

Landscape of potential JEA utility acquirors






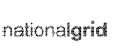





	Rationale		Cost of capital	Assessment	
	Attractions	Considerations			
US strategies	<ul style="list-style-type: none"> ✓ Capitalize on premium valuations in current market ✓ Synergy potential, particularly in cases of state overlap or contiguous service territories ✓ Potential for IOUs to increase regulated scale and enhance earnings growth rates 	<ul style="list-style-type: none"> ✗ Contraction in U.S. utility balance sheet capacity following tax reform 	~4%–5% weighted average cost of capital		We anticipate the North American strategies to be the most competitive potential buyers
International strategies	<ul style="list-style-type: none"> ✓ Strong appetite for US regulated assets ✓ Advantaged access to equity markets vs US peers 	<ul style="list-style-type: none"> ✗ Recent acquisitions have reduced existing dry powder (Canadian utilities) ✗ Valuation discount relative to U.S. strategies 	~4%–5% weighted average cost of capital		
Pension/ Sovereign Wealth funds	<ul style="list-style-type: none"> ✓ Low-risk nature of assets represents an attractive investment opportunity ✓ Limited availability of transactable assets relative to AUM ✓ Access to low-cost of capital supports valuation premium 	<ul style="list-style-type: none"> ✗ Potential public opposition to private ownership ✗ Large equity check; would require consortium 	~5%–8% expected returns		We have observed financial investors bidding aggressive valuations in recent processes and therefore warrant consideration and inclusion
Infrastructure/ Private equity	<ul style="list-style-type: none"> ✓ Significant “dry powder” looking for investments ✓ Attractive availability of acquisition financing 	<ul style="list-style-type: none"> ✗ Potential public opposition to private ownership ✗ Challenge to be competitive in process and hit expected returns ✗ Large equity check; would require consortium 	~8%–15%+ expected returns		

Potential buyers

U.S. strategics	Tier 1	DUKE ENERGY Dominion AQUA Exelon. SOUTHERN COMPANY NEXTERA ENERGY EVERSOURCE AMERICAN WATER	Tier 2	ppl AEP AMERICAN ELECTRIC POWER PSEG CenterPoint Energy Ameren DTE Energy AVANGRID WEC Energy Group Xcel Energy
	International strategics	Emera nationalgrid ALGONQUIN Power & Utilities Corp.	hydro one FORTIS	
Financial & infrastructure fund investors	Pension and sovereign wealth funds	GIC Government of Singapore Investment Corporation ADIA CPP INVESTMENT BOARD TEACHERS' PENSION PLAN apg AIMCo BOREALIS Infrastructure futurefund BeIMC <small>Australia's Sovereign Wealth Fund</small>		
	Managed infrastructure funds	J.P.Morgan Asset Management ifm investors Brookfield Blackstone QIC MACQUARIE STONEPEAK INFRASTRUCTURE PARTNERS Morgan Stanley KKR AustralianSuper GLOBAL INFRASTRUCTURE PARTNERS Goldman Sachs BLACKROCK AMP CAPITAL		
	Technology companies	f amazon Apple Alphabet Microsoft vivint. Smart Home Landis+Gyr		

Detailed review of preliminary Tier 1 utility buyer universe

Tier I buyers

	Market cap	Firm value	2020 P/E	Leverage capacity (current – 1 notch down)	Recent Power & Utility M&A	Select assets in Florida	Interest		
							Electric	Water	Both
 NextEra Energy	\$99.6	\$142.6	22.9x	\$5.6 – \$12.0	■ Southern Co. FL generation assets	■ Florida Power & Light ■ Gulf Power Co. & Florida City Gas			✓
 Duke Energy	\$64.1	\$122.9	16.9x	\$0 – \$6.2	■ Piedmont Natural Gas ■ International generation divestiture	■ Duke Energy Florida			✓
 Dominion	\$62.7	\$105.3	17.4x	\$2.8 – \$9.7	■ SCANA ■ Questar	■ None			✓
 Southern Company	\$58.1	\$105.4	17.7x	\$0 – \$4.7	■ Elizabethtown Gas divestiture ■ SP Solar Holdings minority divestiture	■ None			✓
 Exelon	\$49.5	\$87.7	16.1x	\$3.4 – \$10.0	■ Pepco Holdings	■ None	✓		
 National Grid	\$35.8	\$73.1	13.6x	\$3.3 – \$7.7	■ National Grid Gas Distribution divestiture	■ None	✓		
 American Water	\$21.4	\$30.3	30.4x	\$0.3 – \$4.0	■ Various municipal water utilities	■ None		✓	
 Emera	\$9.5	\$21.4	18.4x	\$0 – \$4.1	■ Emera Maine divestiture ■ TECO	■ Tampa Electric ■ Peoples Gas System	✓		
 Eversource	\$24.6	\$39.9	21.1x	\$0 – \$3.4	■ Connecticut Water (pending) ■ Aquarion	■ None		✓	
 Aqua	\$7.8	\$16.4	17.3x	\$0.4 – \$1.0	■ Peoples Gas	■ None		✓	
 Algonquin Power & Utilities Corp.	\$6.1	\$10.7	16.8x	\$0 – \$1.0	■ Ascendant Group stake (pending) ■ Enbridge assets	■ None			✓





Source: Factset as on 06/14/19

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Infrastructure fund investment in water

	Utility	Acquisition date	Transaction value (\$mm)	Exit
	Utilities Inc.	2006	—	Sold to Corix (owned by BCIMC) in 2013
	Aquarion Water	2007	807	Sold to Eversource in 2017 for \$1.7bn
	SouthWest Water	2010	425	
	Park Water	2010	—	Sold to Algonquin in 2016

Brookfield

- Recently sold Carlsbad desalination plant (owned by JV between Brookfield Infrastructure and Stonepeak infrastructure)
- Indicated to investors that "growing our water infrastructure presence in a meaningful way is a priority"



- Recently sold Carlsbad desalination plant (owned by JV between Brookfield Infrastructure and Stonepeak Infrastructure)
- Hired Rich Roth (former CEO of SJW) as operating partner to assist with water infrastructure investment

KKR

- Joint venture with Suez Environment for Public Private Partnership investments in municipal water systems in New Jersey and Pennsylvania



- No current water focused investments
- Recently hired investment banker to focus on U.S. water investment



- No North American water investments, but recently made large investment in Spanish water management company

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Status Quo analysis – Electric System

Gross revenue requirements without Vogtle (\$mm)

	2019E	2020E	2021E	2022E	2023E	2024E	CAGR
EBITDA	\$411	\$428	\$449	\$477	\$508	\$537	5.5%
Less: D&A	(\$149)	(\$155)	(\$164)	(\$174)	(\$184)	(\$195)	5.5%
EBIT	\$262	\$273	\$285	\$303	\$323	\$342	5.5%
Less: Pre-tax interest expense	(\$51)	(\$53)	(\$55)	(\$59)	(\$63)	(\$66)	5.5%
EBT	\$212	\$220	\$230	\$244	\$261	\$276	5.5%
Less: State taxes	(\$12)	(\$12)	(\$13)	(\$13)	(\$14)	(\$15)	5.5%
Less: Federal taxes	(\$44)	(\$46)	(\$48)	(\$51)	(\$55)	(\$58)	5.5%
Net income	\$155	\$162	\$169	\$180	\$192	\$203	5.5%
<i>Average regulated equity</i>	<i>\$1,484</i>	<i>\$1,544</i>	<i>\$1,612</i>	<i>\$1,715</i>	<i>\$1,828</i>	<i>\$1,937</i>	<i>5.5%</i>
<i>Return on regulated equity</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>0.0%</i>

Gross revenue requirements with Vogtle (\$mm)

	2019E	2020E	2021E	2022E	2023E	2024E	CAGR
EBITDA	\$614	\$624	\$638	\$659	\$683	\$706	2.8%
Less: D&A	(\$217)	(\$224)	(\$233)	(\$243)	(\$253)	(\$263)	3.9%
EBIT	\$397	\$400	\$405	\$416	\$430	\$442	2.2%
Less: Pre-tax interest expense	(\$77)	(\$77)	(\$78)	(\$81)	(\$83)	(\$86)	2.2%
EBT	\$320	\$323	\$327	\$336	\$347	\$357	2.2%
Less: State taxes	(\$18)	(\$18)	(\$18)	(\$18)	(\$19)	(\$20)	2.2%
Less: Federal taxes	(\$67)	(\$68)	(\$69)	(\$71)	(\$73)	(\$75)	2.2%
Net income	\$235	\$237	\$240	\$247	\$255	\$62	2.2%
<i>Average regulated equity</i>	<i>\$2,245</i>	<i>\$2,264</i>	<i>\$2,292</i>	<i>\$2,356</i>	<i>\$2,432</i>	<i>\$2,503</i>	<i>2.2%</i>
<i>Return on regulated equity</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>10.5%</i>	<i>0.0%</i>

Pro forma analysis – Water System

Gross revenue requirements (\$mm)

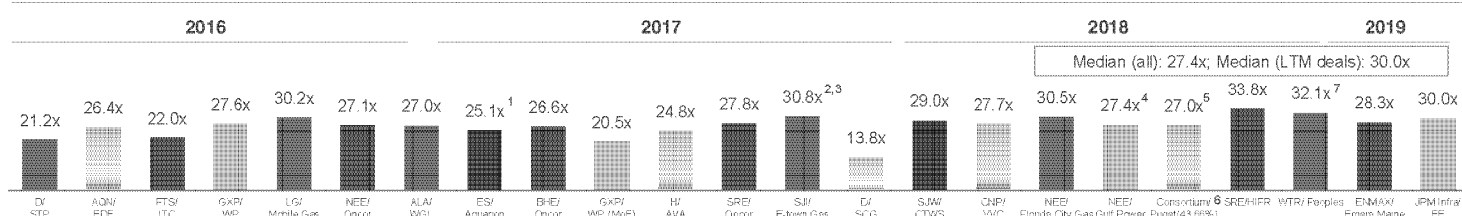
	2019E	2020E	2021E	2022E	2023E	2024E	CAGR
EBITDA	\$356	\$372	\$385	\$396	\$404	\$411	-
Less: D&A	(\$106)	(\$110)	(\$114)	(\$118)	(\$121)	(\$124)	3.5%
EBIT	\$250	\$261	\$271	\$278	\$283	\$286	-
Less: Pre-tax interest expense	(\$55)	(\$58)	(\$60)	(\$62)	(\$63)	(\$63)	2.7%
EBT	\$195	\$203	\$211	\$217	\$220	\$223	-
Less: State taxes	(\$11)	(\$11)	(\$12)	(\$12)	(\$12)	(\$12)	2.7%
Less: Federal taxes	(\$41)	(\$43)	(\$44)	(\$45)	(\$46)	(\$47)	2.7%
Net income	\$143	\$149	\$155	\$159	\$162	\$164	2.2%
<i>Average regulated equity</i>	<i>\$1,383</i>	<i>\$1,444</i>	<i>\$1,497</i>	<i>\$1,538</i>	<i>\$1,565</i>	<i>\$1,584</i>	<i>2.7%</i>
<i>Return on regulated equity</i>	<i>10.4%</i>	<i>10.4%</i>	<i>10.4%</i>	<i>10.4%</i>	<i>10.4%</i>	<i>10.4%</i>	<i>0.0%</i>

Transaction multiples are at all-time highs

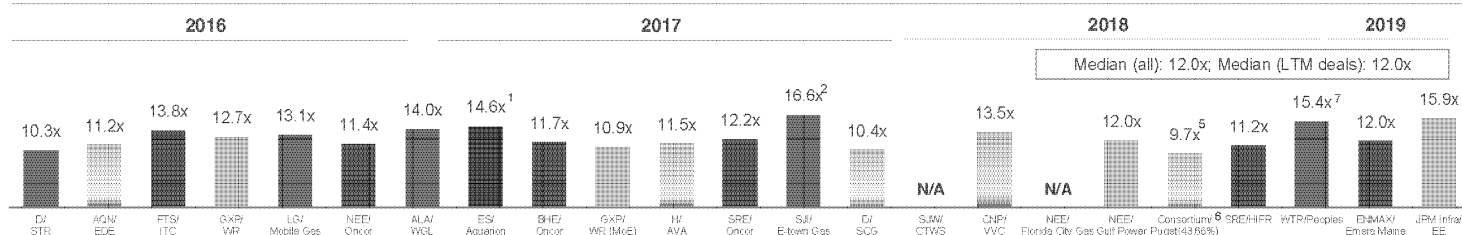


T&D Gas LDC Integrated Water

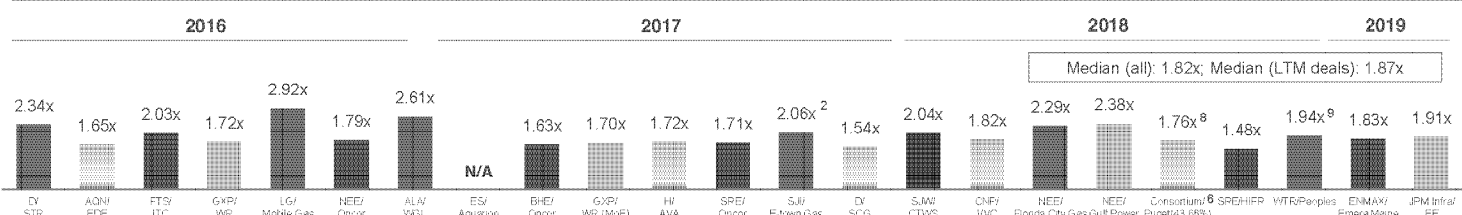
LTM P/E



FV / LTM EBITDA



FV / RAB



¹ Based on equity research estimate of \$35mm 2016 year end net income and \$115mm 2016 year end EBITDA

² Shown without tax benefit; Net of pre-tax reform ~\$300mm tax benefit LTM P/E of 23.4x and FV / LTM EBITDA of 13.7x ; Net of post-tax reform ~\$180mm tax benefit LTM P/E of 26.4x and FV / LTM EBITDA of 14.9x

³ P/E multiple is 2018E forward multiple; ⁴ 2019E per management guidance due to impending rate case; ⁵ Reflects 2018E multiple per management guidance; ⁶ Macquarie stake sale; ⁷ Implied LTM metrics based on 5% growth rates from 2017 regulatory filings and 2019 management estimates; ⁸ Based on 2017 average rate base; ⁹ Management disclosed 2019 RAB