2019

JEA

Building Community®

RATING AGENCY UPDATE

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PART 1

Since We Last Met

Since We Last Met

February 2019
Our Last Meeting

March 2019
- March 26th STAR Plan Phase One Update

April 2019
- April 2nd Corporate Headquarters Meeting

May 2019
- May 25th Scenario One: Status Quo Baseline Presentation to Board

June 2019
- June 25th Scenario Two: Traditional Utility Response Presentation to Board

July 2019
- July 23rd Strategy Discussion Continued Scenario Two: Traditional Utility Response Implementation Plan and Scenario Three: Non-Traditional Response Presentation to Board

Strategic Planning with McKinsey

S&P

So Far This Fiscal Year

JEA Remains a Superior Electric Utility

- Maintained excellent financial and operational metrics
- Repaid $233 million of debt in FY2019 for a total reduction of $2.1 billion since 2009 with a continued commitment to aggressively accelerate deleveraging
  - Accelerated $100 million of debt reduction with February 2019 defeasance and plan to drive debt to a 40-year low
  - Plan to accelerate another $48 million of debt reduction in September/October 2019
- Continued to strategically plan to absorb the cost of Plant Vogtle
- Capital program includes $1 billion of projects over the next five years without the need of issuance of new debt and modest base rate increase at end of five year horizon
- Rates are at the median in the state and expected to remain stable for at least four years while others are experiencing rising costs
- Continued decommissioning of the St. Johns River Power Park, reducing JEA carbon emissions by 30% and saving $50 million in operating expenses per year starting in 2020

Financial metrics reflect a thriving utility today & long into the future

S&P

JEA Remains a Superior Water & Wastewater Utility

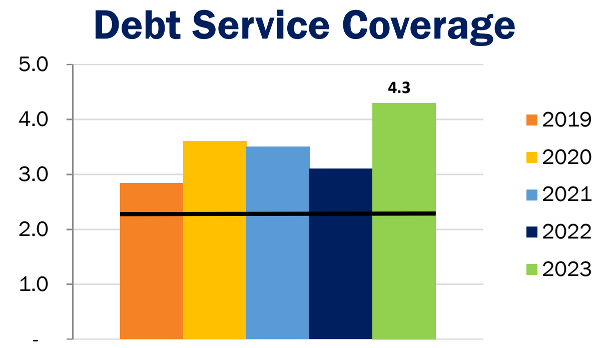
So Far This Fiscal Year

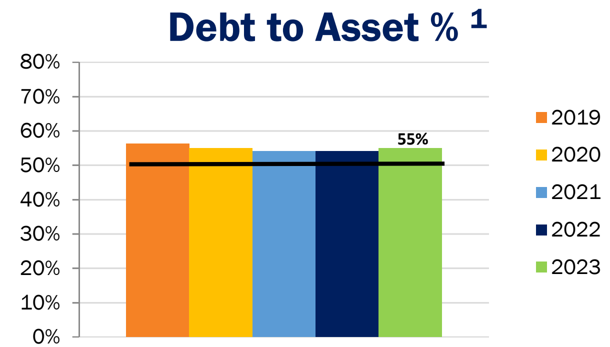
- All financial metrics are a fortress:
  - Strong balance sheet
  - Ample liquidity
  - Superior debt service coverage
- Debt service coverage expected to be 2.7x to 4.9x over the next five years
- Paid down $145 million debt in FY2019 for a total reduction of $676 million since 2011
  - Accelerated $95 million of debt reduction with February 2019 defeasance
  - Plan to accelerate additional $45 million of debt reduction in September/October 2019
- Robust $1 billion capital program over the next five years with ability to be substantially cash funded with no rate changes
- Continued commitment to investing in infrastructure to ensure reliable operation now and into the future

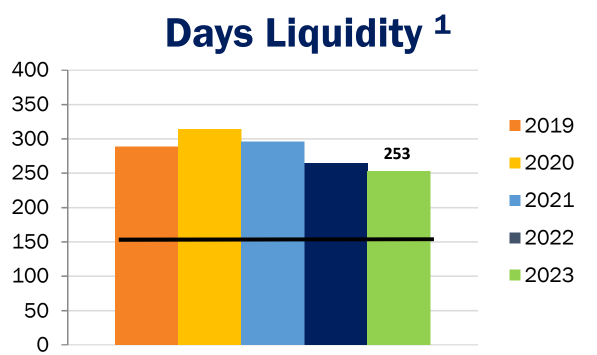
Superior performance supports JEA's AAA credit rating

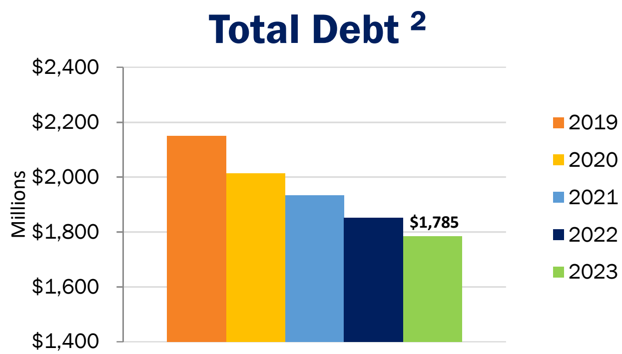
Energy System Financial Projections

- Continued reduction in debt along with greater depreciated net capital asset base results in level debt to asset ratio
- Strong debt coverage will mitigate Vogtle impacts
- Significant liquidity to continue world class operations





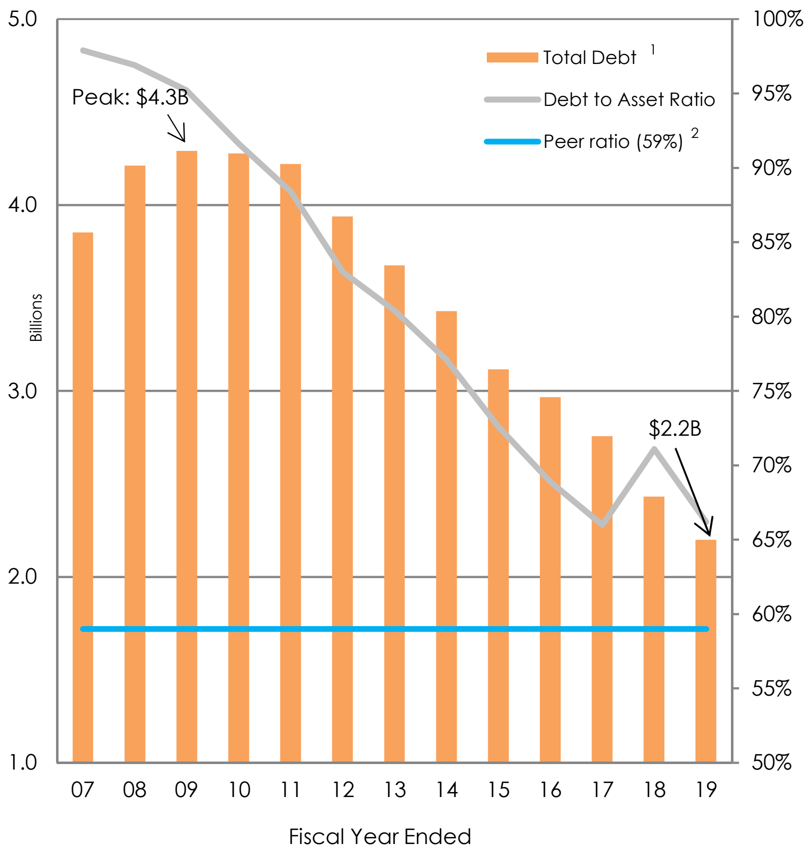




[1] Electric & Bulk Power Supply System only – excludes SJRPP system
[2] Electric Consolidated System – includes outstanding SJRPP debt
**Fiscal Year 2019 figures reflect the STAR Plan Phase 2 debt defeasance in Sept. 2019. The timing of the defeasance is subject to Board approval.

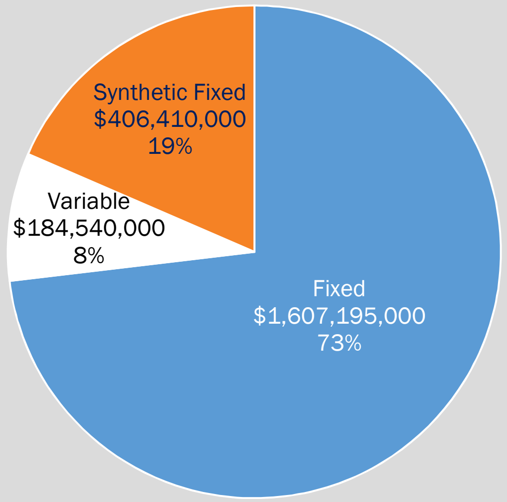
Long Term targets per JEA pricing policy

Energy System Debt Management



[1] Includes JEA, Scherer, and SJRPP
[2] Per Moody's Sector In-Depth Report "Public Power Medians: Stability Continues Amid Low Energy Prices, Clean Energy Shift", Sept. 2018
*Increase in Debt to Asset Ratio in FY18 due to SJRPP retirement

Debt Composition as of 07/31/2019



- **$2.1 Billion reduction in debt since peak**
- **Variable rate exposure reduced from 20% in 2008 to 8%**

FY2019 Energy System Reliability Metrics:

Electric Service Reliability

- Outage frequency and duration have been reduced significantly over the last 9 years; running flat over last several years
- The typical JEA customer sees 1.3 outages per year and a total outage duration of about 60 minutes

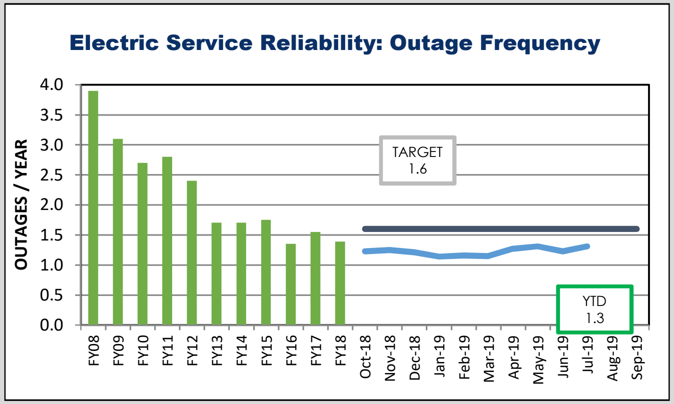
Transmission Line Reliability

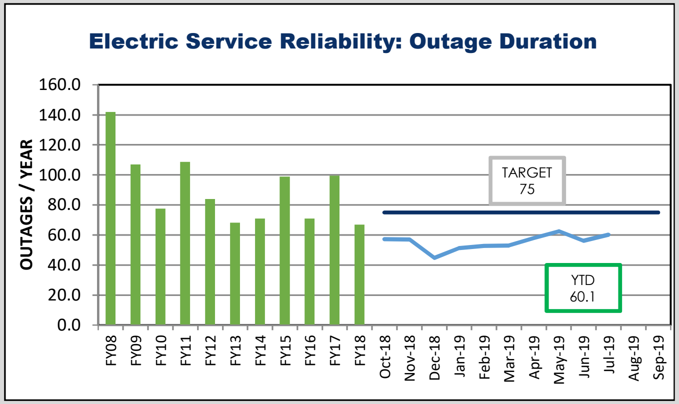
- Overall downward trend over the last eight years
- FY19 (1.3) is better than target

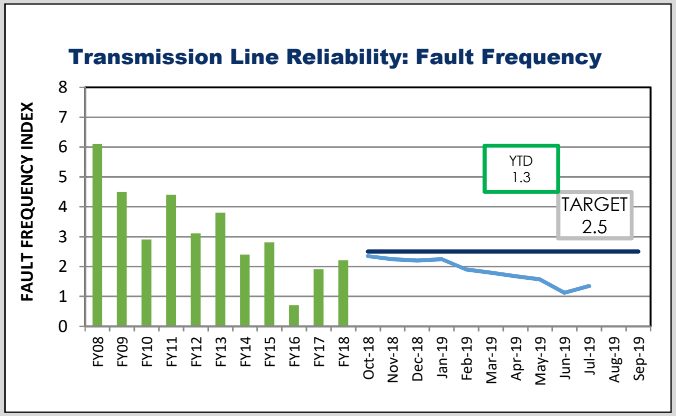
CEMI-5

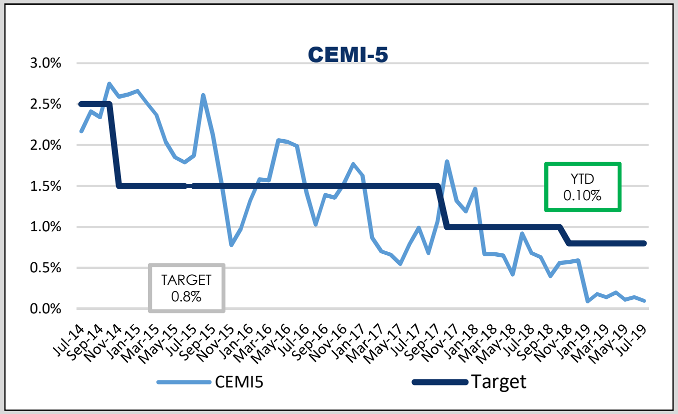
- Improvement trend over past three years for CEMI5. 376 (0.10%) of our customers have experienced more than 5 outages in the past 12 months

JEA continues to show favorable trends over time across all other operational metrics





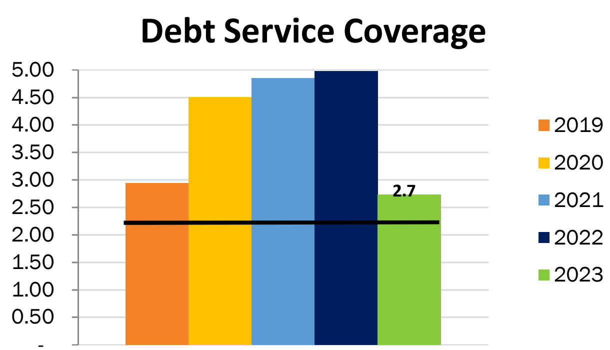


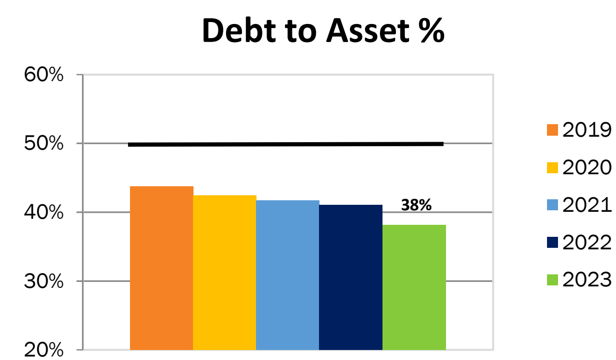


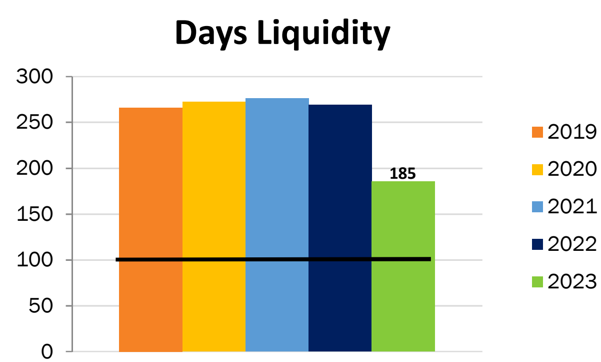
T&D Grid Performance	Metric	FY2017	FY2018	FY2019 Target	FY2019 YTD
Customer Outage Frequency	# of Outages per Year	1.55	1.39	1.6	1.31
Electric Outage Duration	# of Minutes out per Year	99.5	66.9	75	60.1
Transmission Line Faults	# of Faults per 100 miles	1.9	2.2	2.5	1.3
$CEMI_5$	% Customers > 5 outages per yr	1.07%	0.4%	0.8%	0.10%

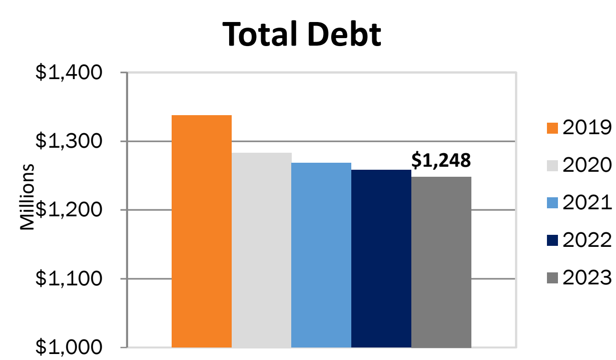
Water & Sewer System Financial Projections

- Debt to Asset ratio below 40% by 2023
- $1 billion capital plan
- AAA financial health
- Opportunity to begin managing to target capital structure







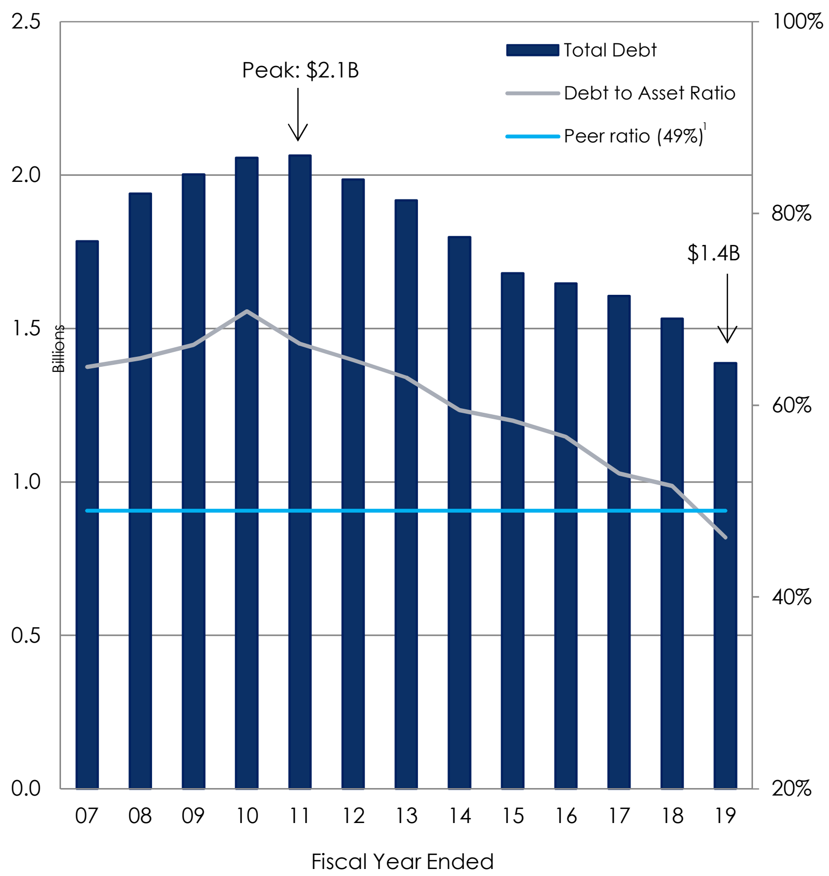


Long Term targets per JEA pricing policy

*Fiscal Year 2019 figures reflect the STAR Plan Phase 2 debt defeasance in Sept. 2019. The timing of the defeasance is subject to Board approval.

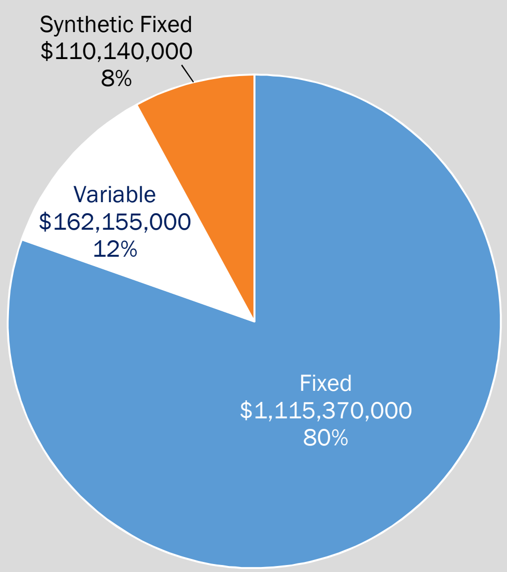
Water & Sewer System Debt Management

Below Peer Ratio on Debt / Asset Ratio for first time in 20 years



[1] Calculated from Moody's Municipal Financial Ratio Analysis database of 209 Aa rated public water-sewer utilities, Jan. 10, 2017

Debt Composition as of 7/31/19



- **Over $676 million reduction in debt since peak**
- **Variable rate exposure reduced from 18% in 2009 to 12%**

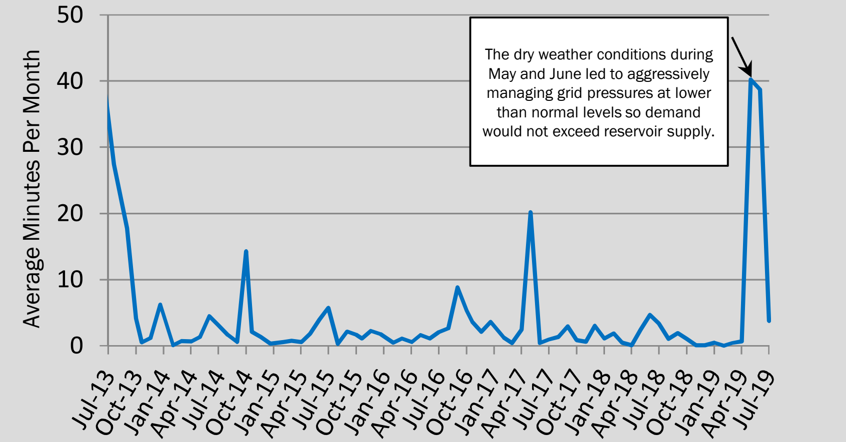
Water & Wastewater System Performance Monitoring

Water Pressure (minutes per month < 30 psi)
Measured by 139 pressure monitoring stations in the distribution system. Pressure must be greater than 30 psi, and is expected to be greater than 50 psi. Regulatory requirement is minimum 20 psi.

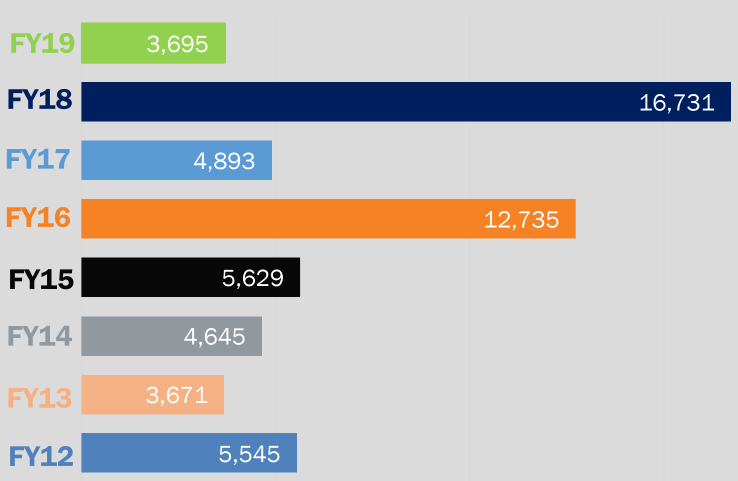
Unplanned Water Outages
Less than 2% of customer base experience an unplanned outage annually

Consumptive Use Permit (CUP)
Condition 18: AYTD average daily flow is 14% below CY limit of 138 MGD

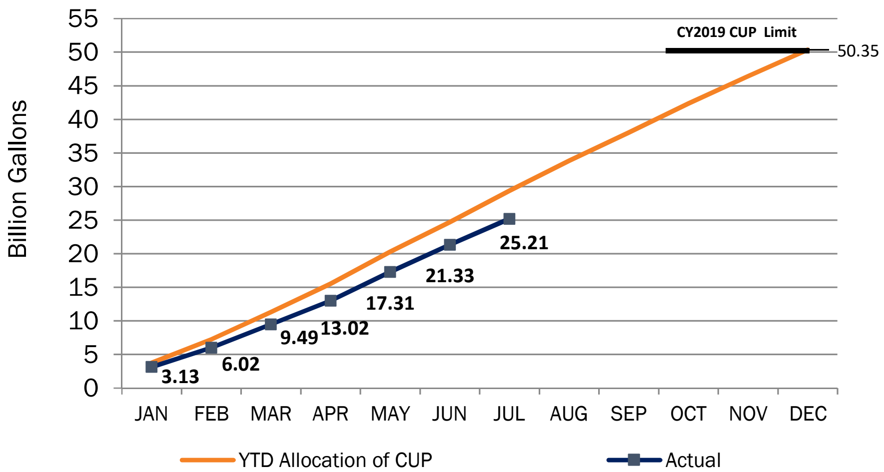
Average Minutes Water Pressure Less Than 30 PSI



Of Customers Affected By Unplanned Water Main Outages

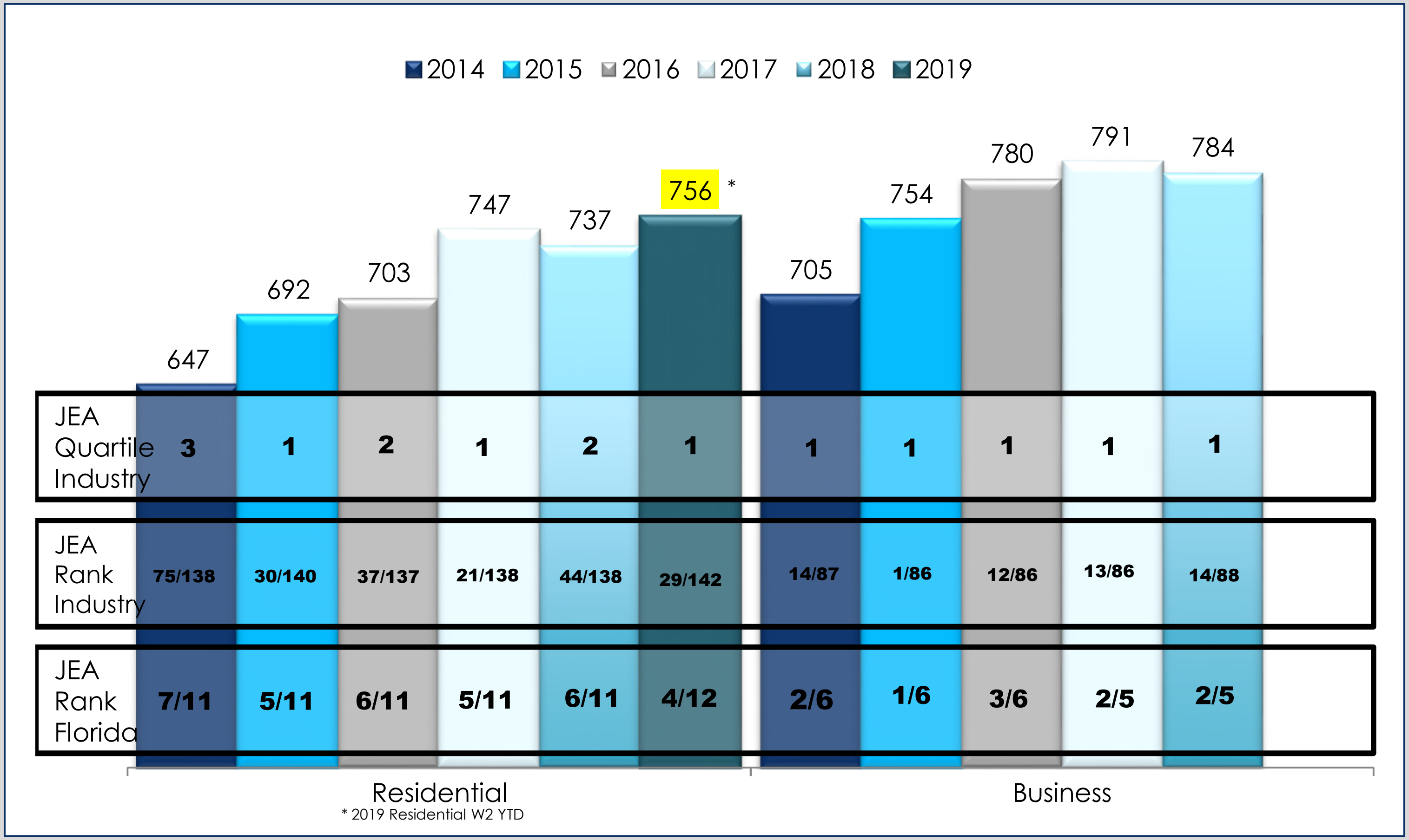


Consumptive Use Permit (CUP)



Customer Satisfaction Index Scores

JD Power Customer Satisfaction at All Time High



JEA's financials, operations, governance, strategic planning, and overall business remain sound.

Energy

- ✓ Maintained excellent financial and operation metrics
- ✓ Repaid $233 million in debt in FY19 for a total of $2.1 billion since 2009 with continued commitment to actively and aggressively deleverage and de-risk the business
- ✓ Continued to strategically plan to absorb the cost of Plant Vogtle
- ✓ Capital program will continue to be funded with no new debt & no planned base rate increases
- ✓ Strengthened our fuel diversity and purchased power agreements
- ✓ Re-evaluated our risks and continued actively seeking ways to mitigate them

Water & Wastewater

- ✓ Superior operational and financial metrics
- ✓ Robust growth in sales and customers
- ✓ Ability to fund capital program funded with no new debt & no rate increases
- ✓ Repaid $145 million in debt in FY19 for a total of $676 million since 2011
- ✓ Continued commitment to investing in infrastructure to ensure reliability in operations now and into the future
- ✓ Initiated system hardening projects
- ✓ Researched and developed potential alternative water supply options

PART 2

STAR Plan Update

STAR Plan
EARLY DEBT RETIREMENT PHASES

Sources

	Last Quarter	End of Fiscal Year	End of Calendar Year	Future
Sources	**~$205m** **Operations Fund** **Renewal and replacement Fund**	**~$103m** **Renewal and replacement Fund** **Debt Management Strategy Fund** **Environmental Fund**	Remaining Cash from SJRPP remediation	**Renewal and replacement Fund**
Uses	**~$100m Electric** **~$95m Water/Wastewater**	**~$48m in Electric** **~$45 in Water/Wastewater**	Additional Debt in Electric /SJRPP	**Electric**
	▪ Treasury executed plan in February	▪ Board Approval needed to realign Pricing Policy with the overall corporate strategy	▪ After Early Defeasance, consider closing SJRPP System by refunding its remaining debt in the JEA Electric System	▪ Continue to aggressively pursue early debt retirement/defeasance

Execution Plan

Estimated Future Plan

STAR Plan
SOURCES AND USES

Energy

SOURCES ($millions)	Phase 1	Phase 2	Total FY 19
Cash Flow from Operations	$0	$122	$122
Operation Fund	$35	$0	$35
Renewal & Replacement Fund	$70	$25	$95
Debt Management Fund	$0	$30	$30
Environmental Fund	$0	$0	$0
Total Funds	**$105**	**$177**	**$282**

USES ($millions)	Phase 1	Phase 2	Total FY 19
Scheduled Principal Payments	$0	$122	$122
Principal Early Defeased	$100	$48	$148
Escrow Cost*	$5	$7	$12
Total Escrow	**$105**	**$177**	**$282**

Water Wastewater

SOURCES ($millions)	Phase 1	Phase 2	Total FY 19
Cash Flow from Operations	$0	$55	$55
Operation Fund	$0	$0	$0
Renewal & Replacement Fund	$98	$34	$132
Debt Management Fund	$0	$14	$14
Environmental Fund	$0	$0	$0
Total Funds	**$98**	**$103**	**$201**

USES ($millions)	Phase 1	Phase 2	Total FY 19
Scheduled Principal Payments	$0	$55	$55
Principal Early Defeased	$95	$45	$140
Escrow Cost*	$3	$3	$6
Total Escrow	**$98**	**$103**	**$201**

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

STAR Plan
PHASE 1 RESULTED IN:

ENERGY

- $100 MILLION DEBT RETIREMENT
- FY MATURITIES 2022 - 2026
- $124 MILLION DEBT SERVICE SAVINGS

WATER WASTEWATER

- $95 MILLION DEBT RETIREMENT
- FY MATURITIES 2020 - 2022
- $103 MILLION DEBT SERVICE SAVINGS

Total Savings: $227 million

STAR Plan
PHASE 2 CAN RESULT IN:

ENERGY

- $48 MILLION DEBT RETIREMENT
- FY MATURITIES 2022, 2025 - 2026
- $60 MILLION DEBT SERVICE SAVINGS

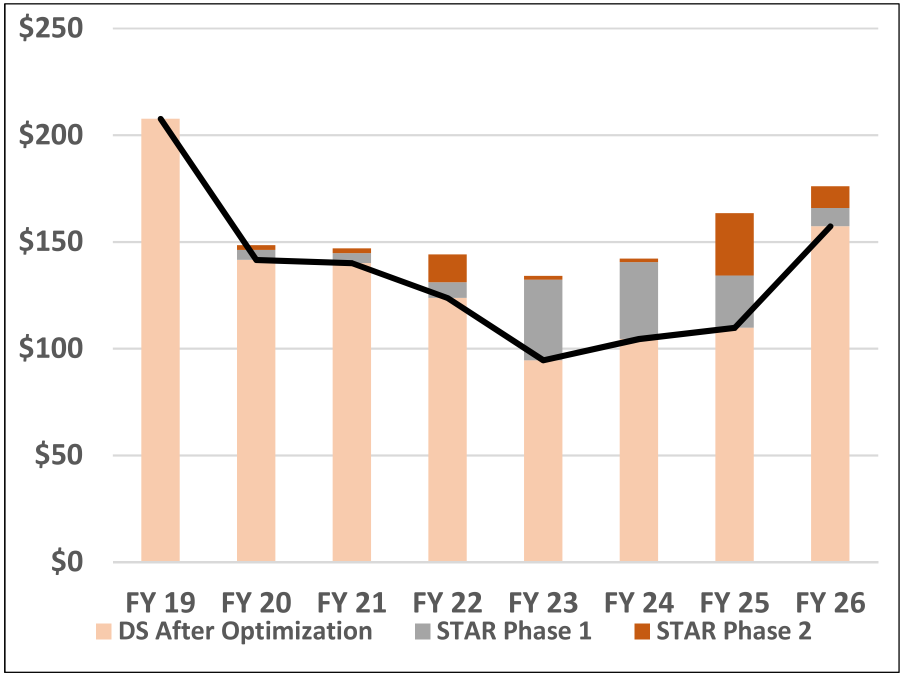
WATER WASTEWATER

- $45 MILLION DEBT RETIREMENT
- FY MATURITIES 2021 - 2023
- $49 MILLION DEBT SERVICE SAVINGS

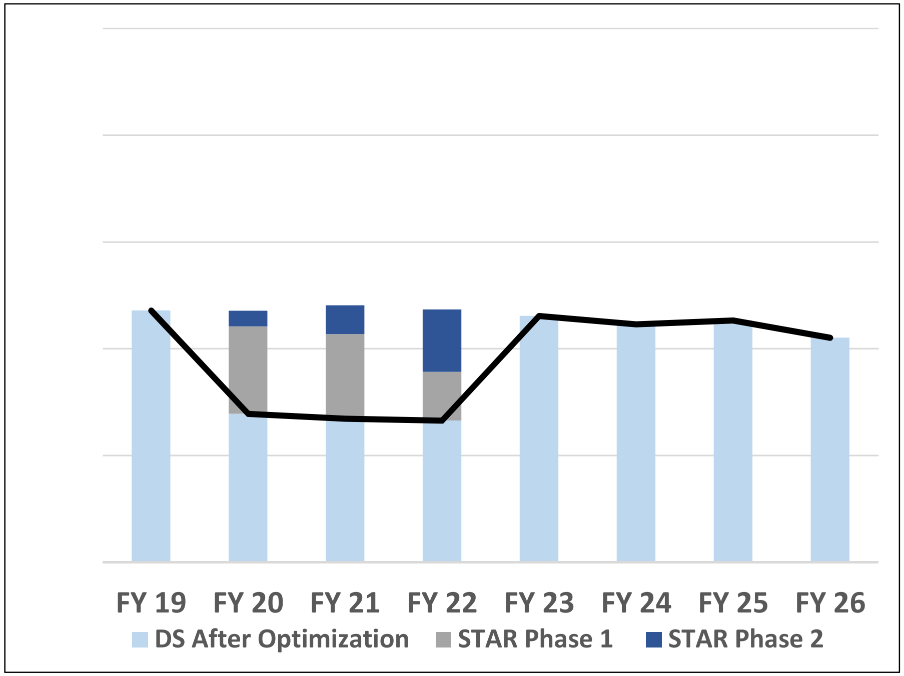
Total Savings: $109 million

STAR Plan Phase 1 & 2
Debt Payment Schedule

ENERGY



WATER WASTEWATER



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PART 3

Strategic Planning Update

We are continuing to focus on maximizing each of our corporate measures of value both now & in the future

1 Customer Value

What a customer expects to get in exchange for the price they pay

2 Financial Value

The monetary value and risk profile, both today and tomorrow, of JEA as it relates to the city

3 Environmental Value

Ensuring a sustainable environment for future generations

4 Community Impact Value

Improving the quality of life through innovative and cost-effective service offerings, employee volunteerism and ambassadorship, relevant and timely communications, and support of economic development and job growth throughout JEA's service territory; foster a collaborative and respectful corporate culture that provides exceptional employee value to equip the JEA team to deliver outstanding service and value to its community

Guiding Principles

JEA Vision

Improve lives by accelerating innovation

Mission

Our mission is to provide the best service by becoming the center of our customers' energy and water experience

Corporate Measures

Our mission will be guided by and evaluated against how we as employees drive these four Corporate Measures of JEA's Value

PRINCIPLES OF STRATEGIC PLAN

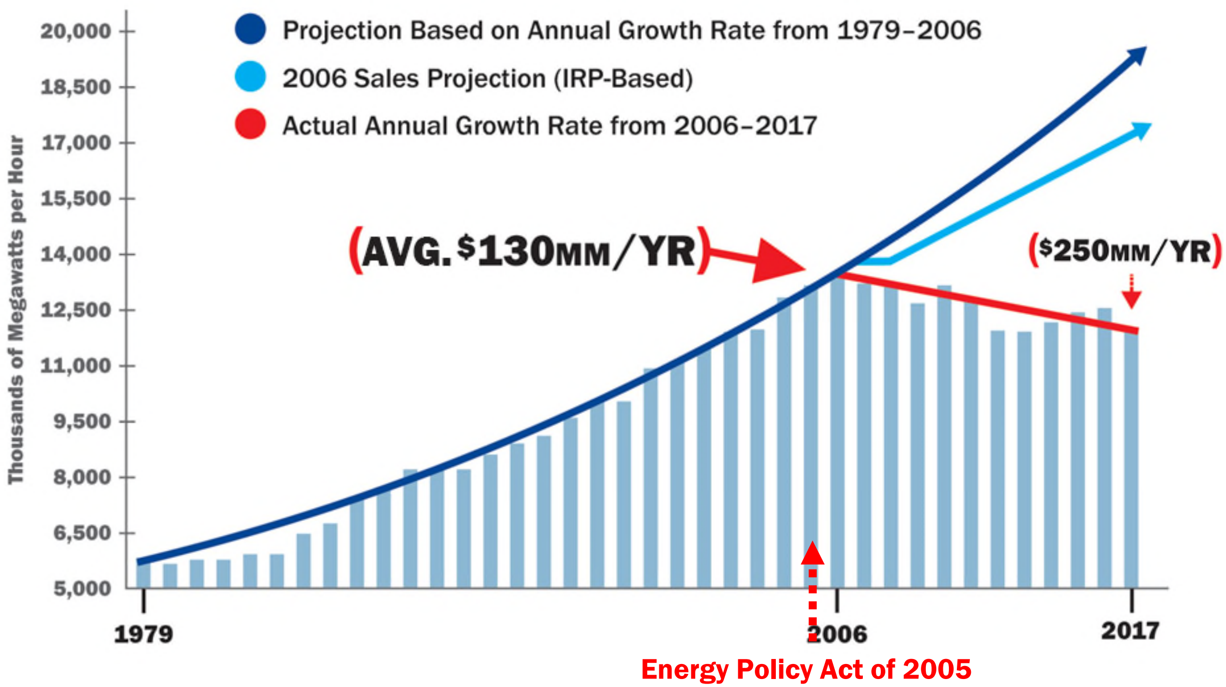
Seven core elements underpin a successful strategy

AN EFFECTIVE STRATEGY REQUIRES

- ✓ A strategic plan responsive to trends
- ✓ A clearly articulated vision for the future
- ✓ Defined goals and metrics for success
- ✓ An aligned organization
- ✓ Discrete initiatives, clearly prioritized
- ✓ Owners accountable for driving each initiative
- ✓ A clear process to track and measure progress

Why Are We Talking About This Now?

2007-to-2017: Loss Of $1.4 Billion in Free Cash Flow



JEA was one of the first public power utilities to forecast flat sales

Energy Efficiency Impact

- Energy Efficiency Impacts account for >90% of reduction in electric sales
- 30% lower sales in 2017 than forecasted back in 2006
- City contribution would have been $80 million per year higher

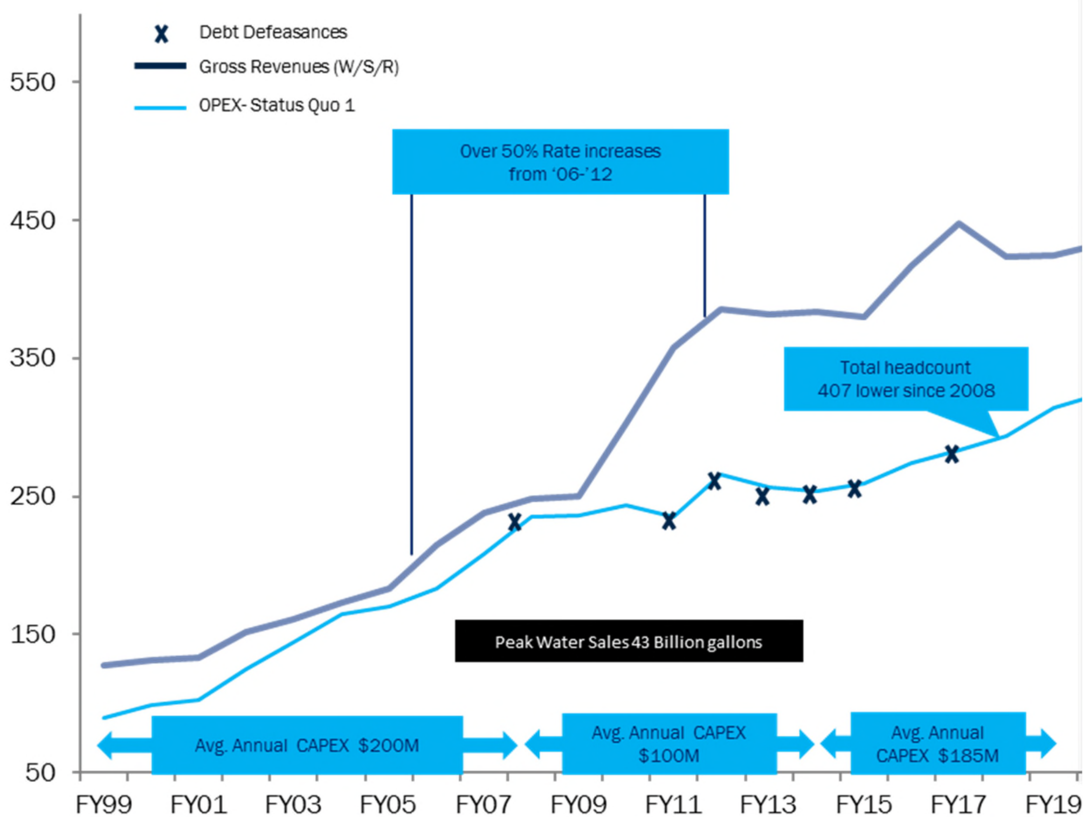
Impact of the Last Decade of Business Disruption

	2006 Actual	2018 Actual	Change	Change %
Rates ($ yield per MWh)	36	62	26	71%
Unit Sales (MWh)	13,440,900	12,364,340	(1,076,560)	(8)%
# of Energy Customers	402,142	466,411	64,269	16%
Rates ($ yield per kgal)	3.74	6.45	2.71	72%
Unit Sales (kgal)	57,463,877	65,646,920	8,183,043	14%
# of Water Customers	293,689	348,159	54,470	19%
Annual City Contribution	88,688	116,620	27,932	31%
Total JEA Headcount	2,598[1]	2,191	(407)	(16)%
Total Long-term Debt ('000)[2]	$6,386,000	$3,335,000	($3,051,628)	(48)%
Total Maintenance and Other Operating Exp.	$282,282	$445,953	$163,671	58%

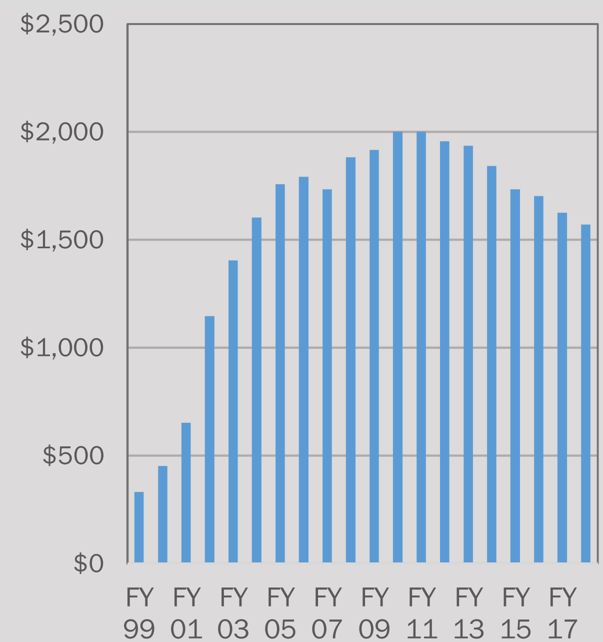
[1] Reflects headcount from 2008 [2]Peak JEA Long-term debt in 2010 compared to October 2019 balances.

- Customer rates increased 71% in the electric system *(went from lowest in the state to median)* and 72% in the water system
- 407 jobs eliminated since 2008
- ~$3 billion of debt repaid from 2010-2019

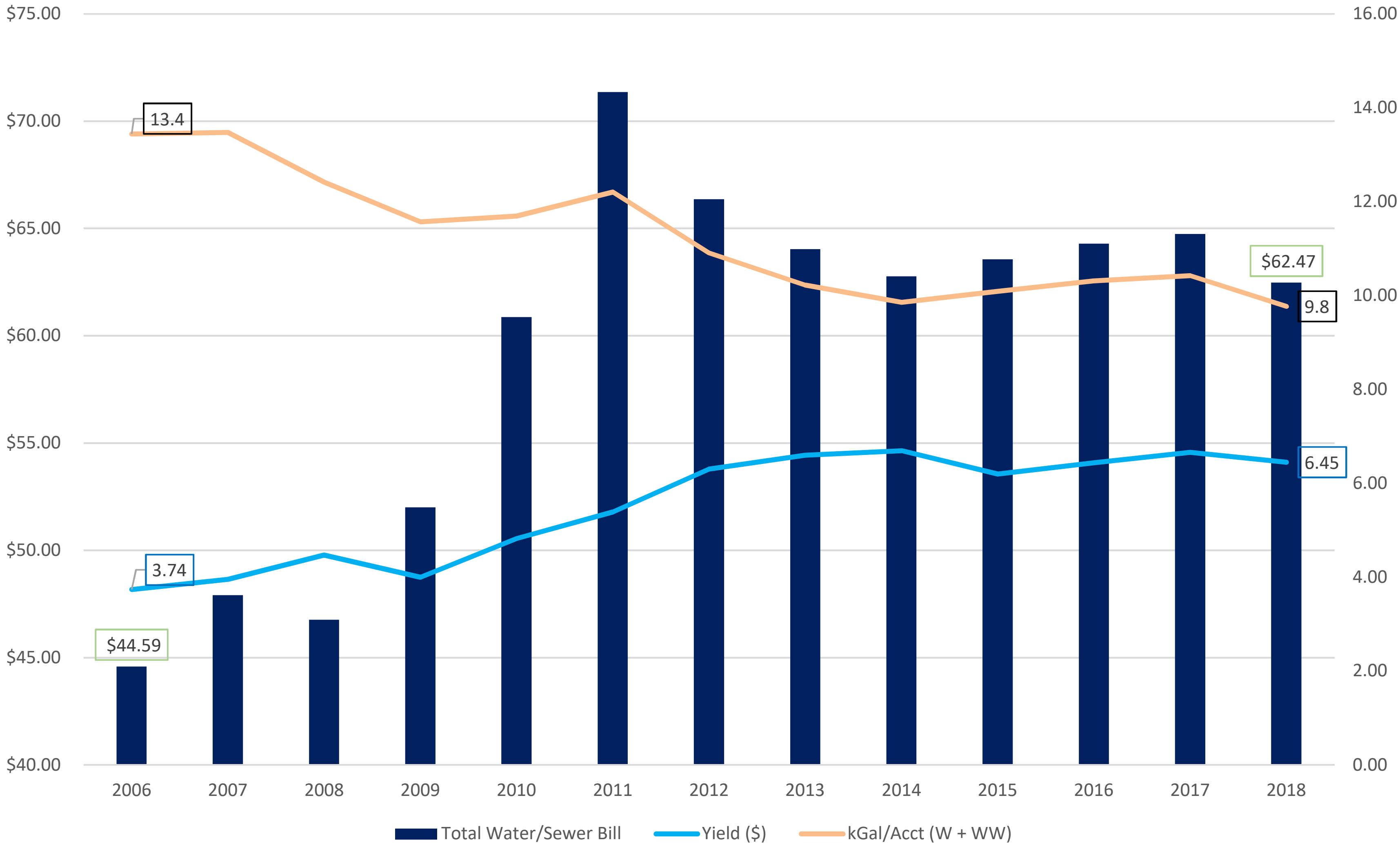
JEA Took Action To Respond: Water/Wastewater System



Water System Long Term Debt

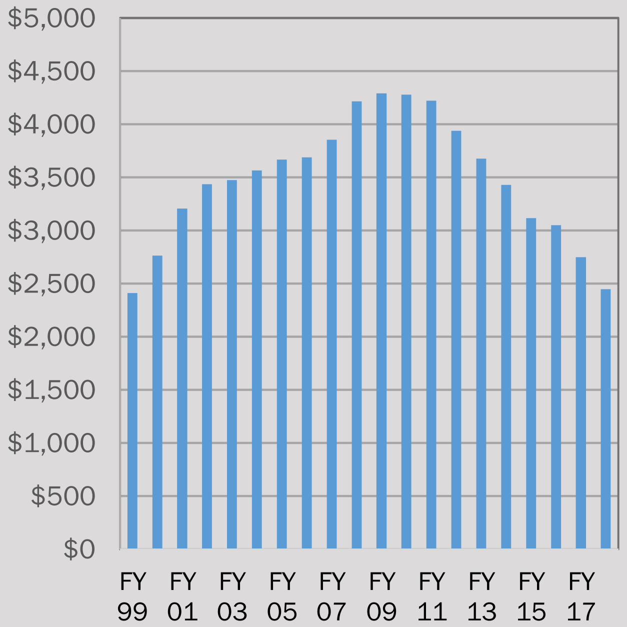


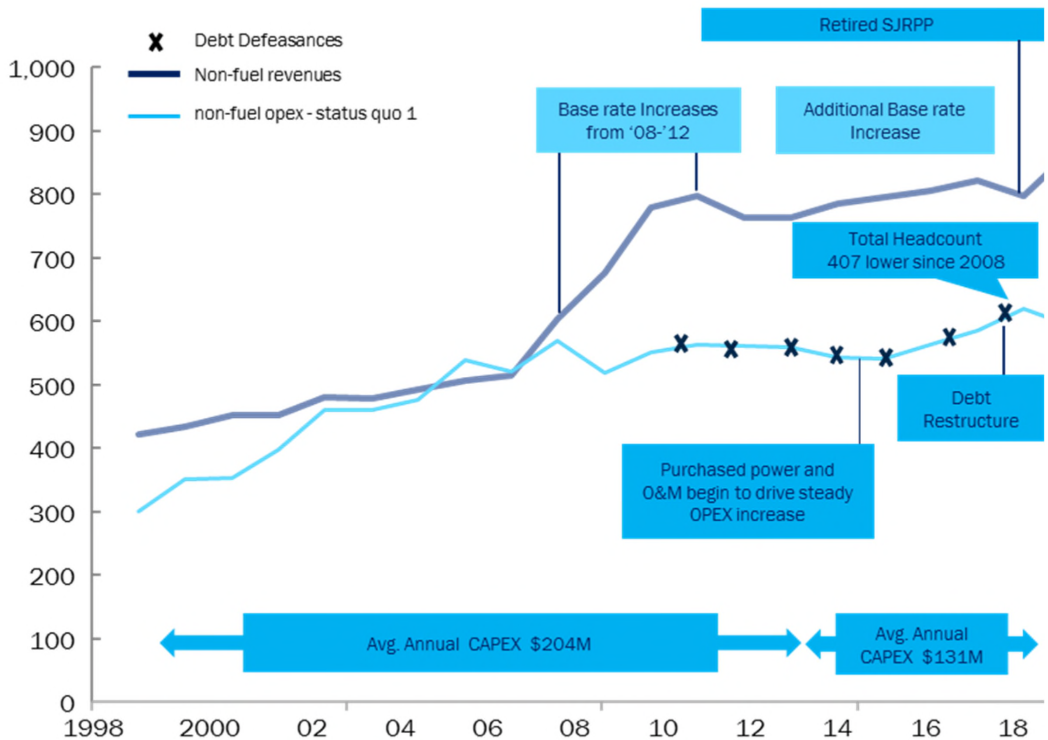
Water/Wastewater Bill Affordability FY06-FY18



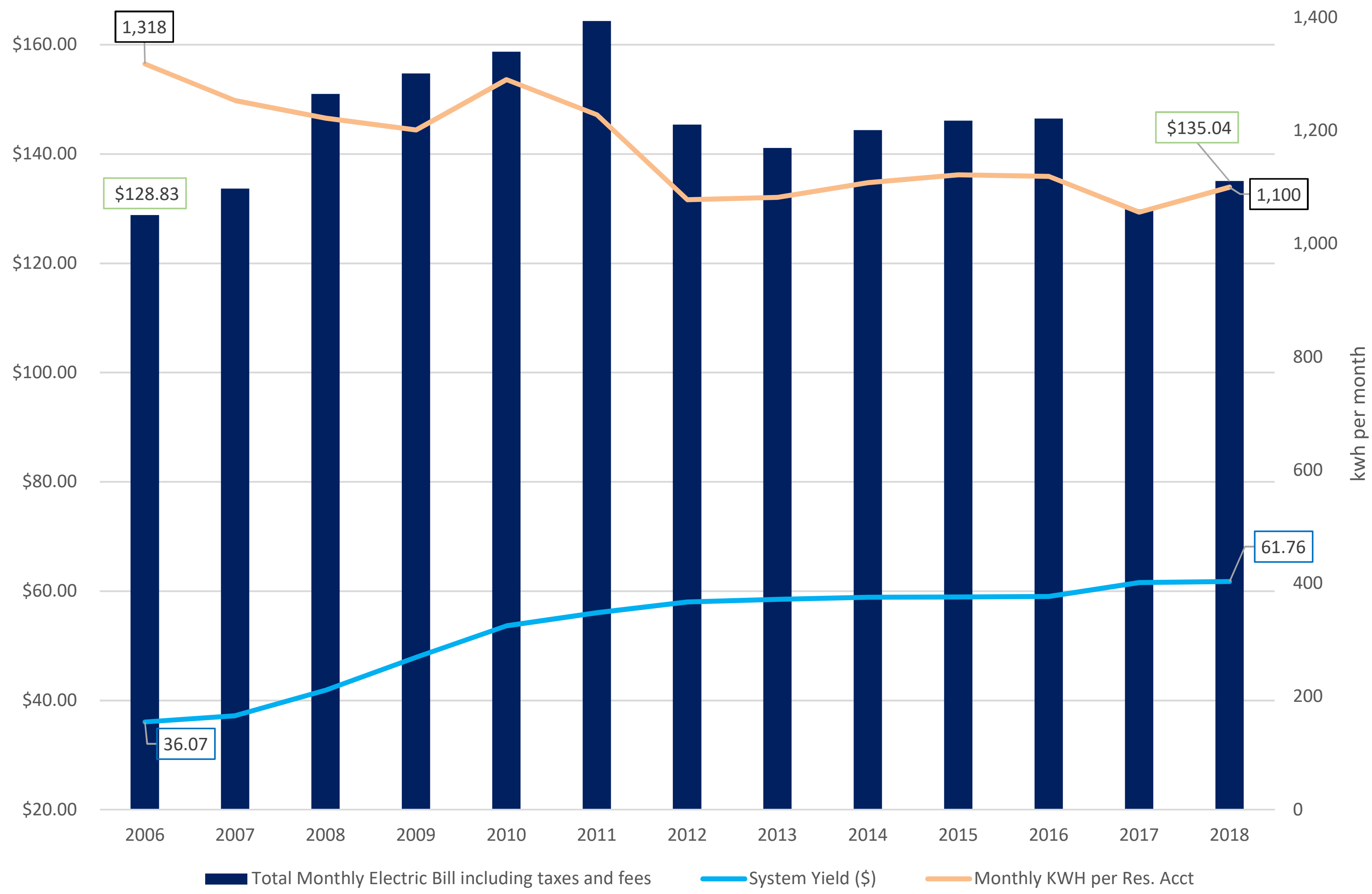
JEA Took Action To Respond: Energy System

Electric System Long Term Debt





Energy Bill Affordability FY06-FY18



With This In Mind, We Are Now More Focused Then Ever To Remain Relevant To Our Customers

Internal Stakeholder Alignment (Board, Leadership, Appointed Employees, Unions)

We Were Here — 01

Where We Are Now — 03

01 → 02 → 03 → 04 → 05

01 TRANSITION

Develop strategic framework, Guiding Principles, corporate dashboard, financial tools

02 ESTABLISH BASE LINE

Assess current "business as usual" organizational health and financial projection

"Status Quo"

03 STRATEGY DEVELOPMENT

Design multiple strategies to meet future targets / challenges:

1) Mgmt response
2) Unconstrained plan

04 FINALIZE EXECUTABLE PLAN

Publish long-term plan with specific tactics and targets

05 POSITION FOR LONG TERM

Align JEA stakeholders and charter with long-term plan to maximize value:

1) Customer
2) Financial
3) Environmental
4) Community Impact

LAUNCH 'NO REGRETS' INITIATIVES

External Stakeholder Feedback (City of Jax, Community Leaders, Customers)

WHAT IS SCENARIO-BASED STRATEGIC PLANNING?

A disciplined approach for articulating possible futures and defining strategic options in face of uncertainty

Scenario-based Strategy Development

- **Outside-in.** Starts from external forces shaping the businesses environment
- **Full-ecosystems approach.** Opens up new thinking and reveals hidden connections
- **The "unthinkable."** Considers disruptions and discontinuities
- **Alternative futures.** Prepares the organization for multiple plausible outcomes
- **Co-creative.** Engages multiple stakeholders through immersive workshops
- **Numbers and narrative-based.** Creates true awareness by "dress-rehearsing" the future

Scenario Based Strategic Planning

1

Scenario 1:
Baseline Status Quo

2

Scenario 2:
Traditional Utility Response

3

Scenario 3:
Non-Traditional Response

SCENARIO ONE:
Establishing a Baseline "Status Quo"

Approach to Scenario 1: Status Quo Baseline

WHAT IS INCLUDED IN THIS SCENARIO

- A projection of JEA's finances through 2030 based on current plans only, reflecting the impact of external market forces on JEA
- A tool for JEA to develop a strategy and action plan to succeed in light of market forces
- Assumptions that employees just show up and have a pulse

… AND WHAT THIS IS NOT INTENDED TO BE

- A financial forecast or most likely scenario for JEA
- A forecast that reflects potential JEA actions/initiatives
- A forecast that reflects likely changes to laws or regulations
- A tool for making specific resource planning or investment decisions
- A substitute for or input into the IRP / IWRP
- An actual strategic option, status quo is not acceptable to management

Accelerating Water Innovation

Investing in Our Water Evolution

SINCE 1997

$4 Billion

Invested in advancing infrastructure

2019 – 2024

$1.2 Billion

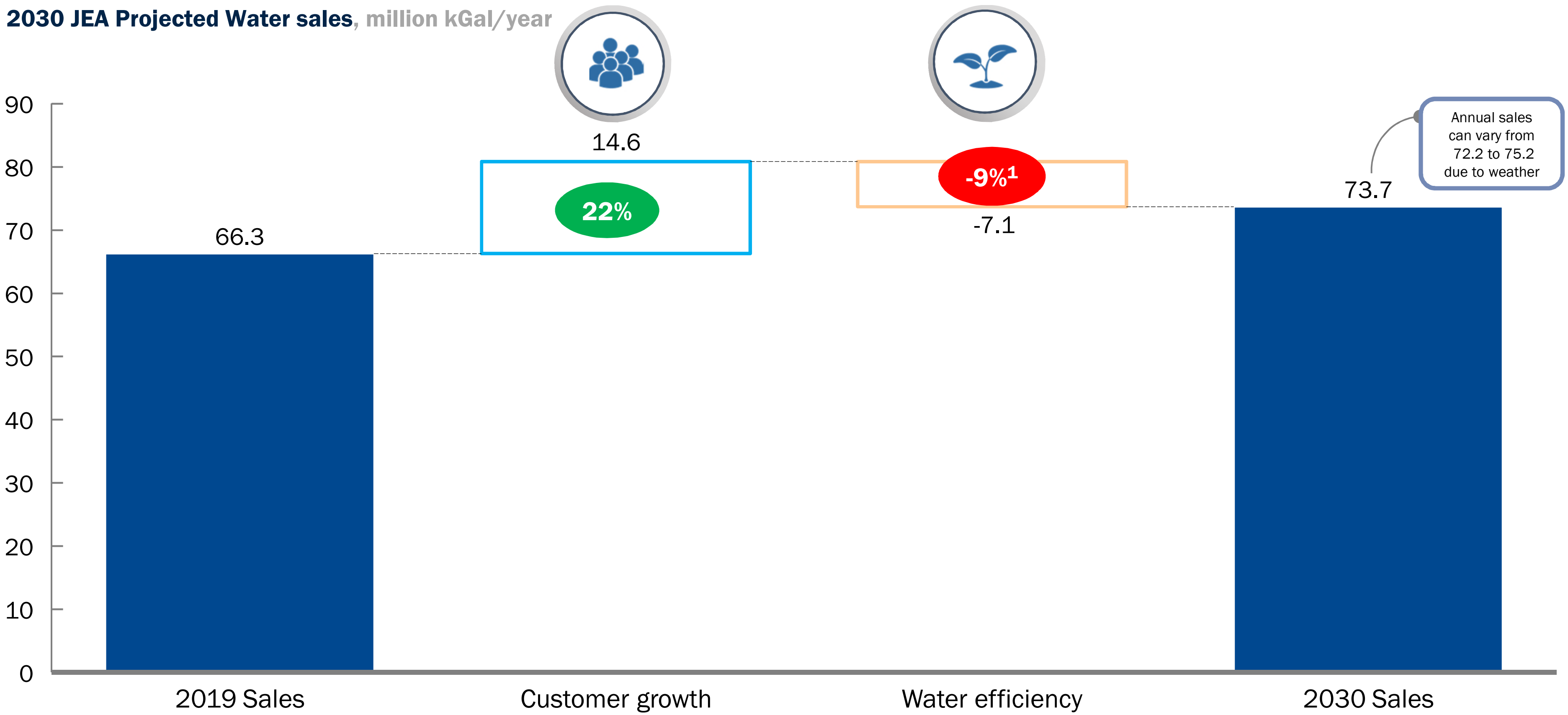
Planned in expansion, renewal & replacement and environmental stewardship

BEYOND 2024

$3 Billion

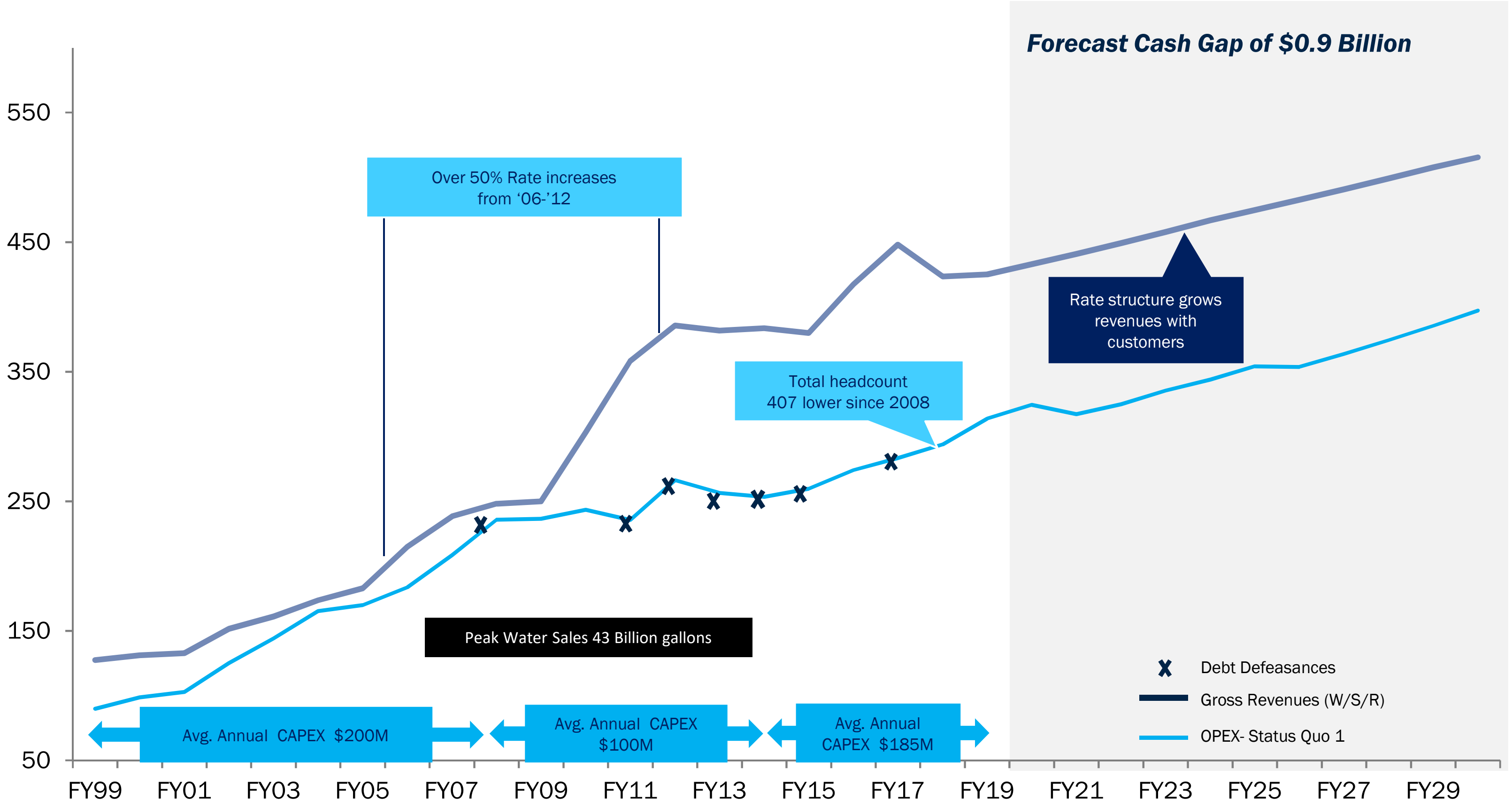
Unfunded Community Issues:
$2B in Septic Tank Phase Out, $1B in alternative water supplies, and ~$210M/year recurring investment in water system

By 2030 JEA's Water Sales Will Likely Grow Driven by Population and Tempered by Efficiency



1 No change as water efficiency applies to indoor use water

Water/Wastewater System In Scenario 1: Financially Sustainable with Rate Increases



Cash Gap

$0.9B

Rate increase

15%

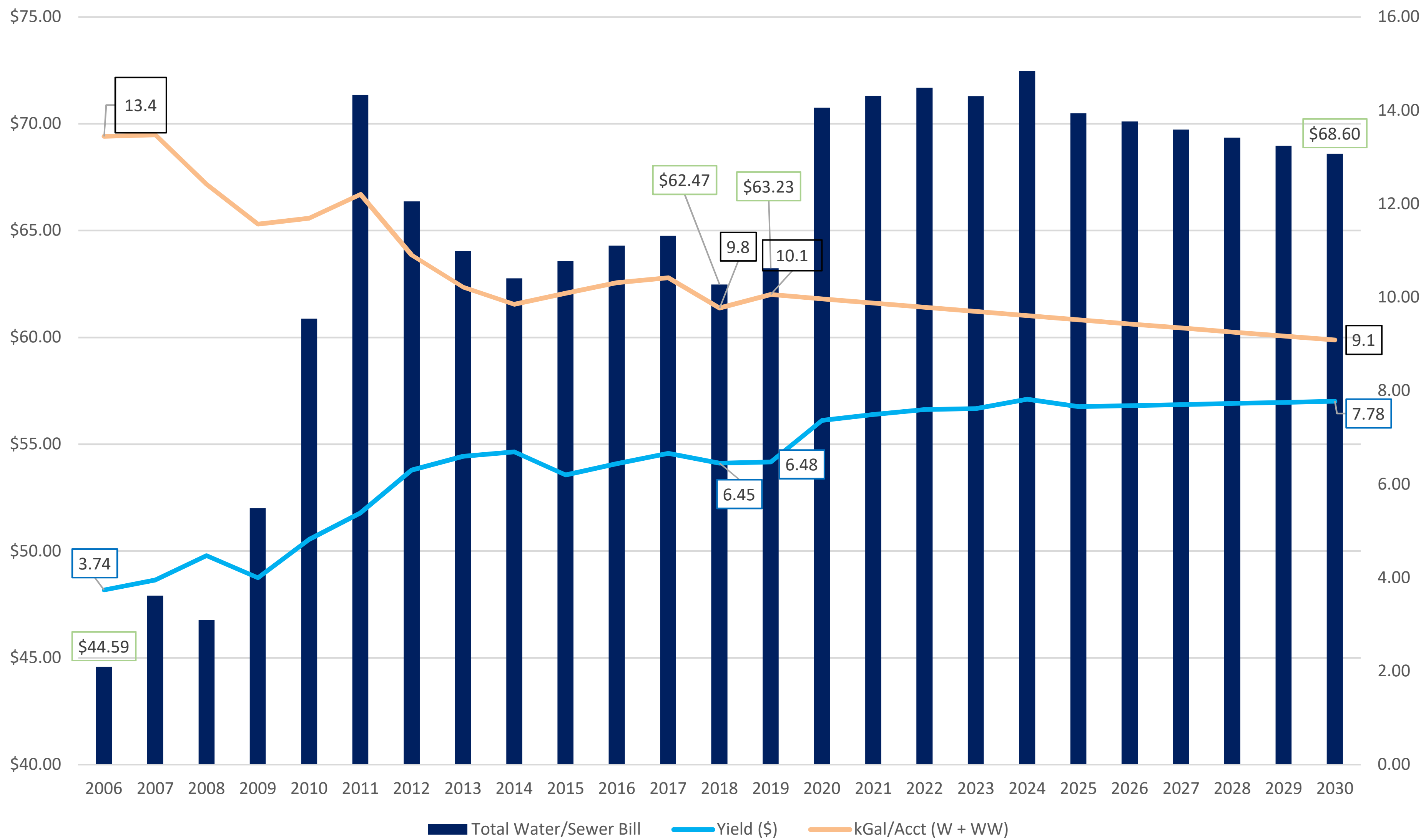
OR

Rate increase

9%

No city contribution past 2023

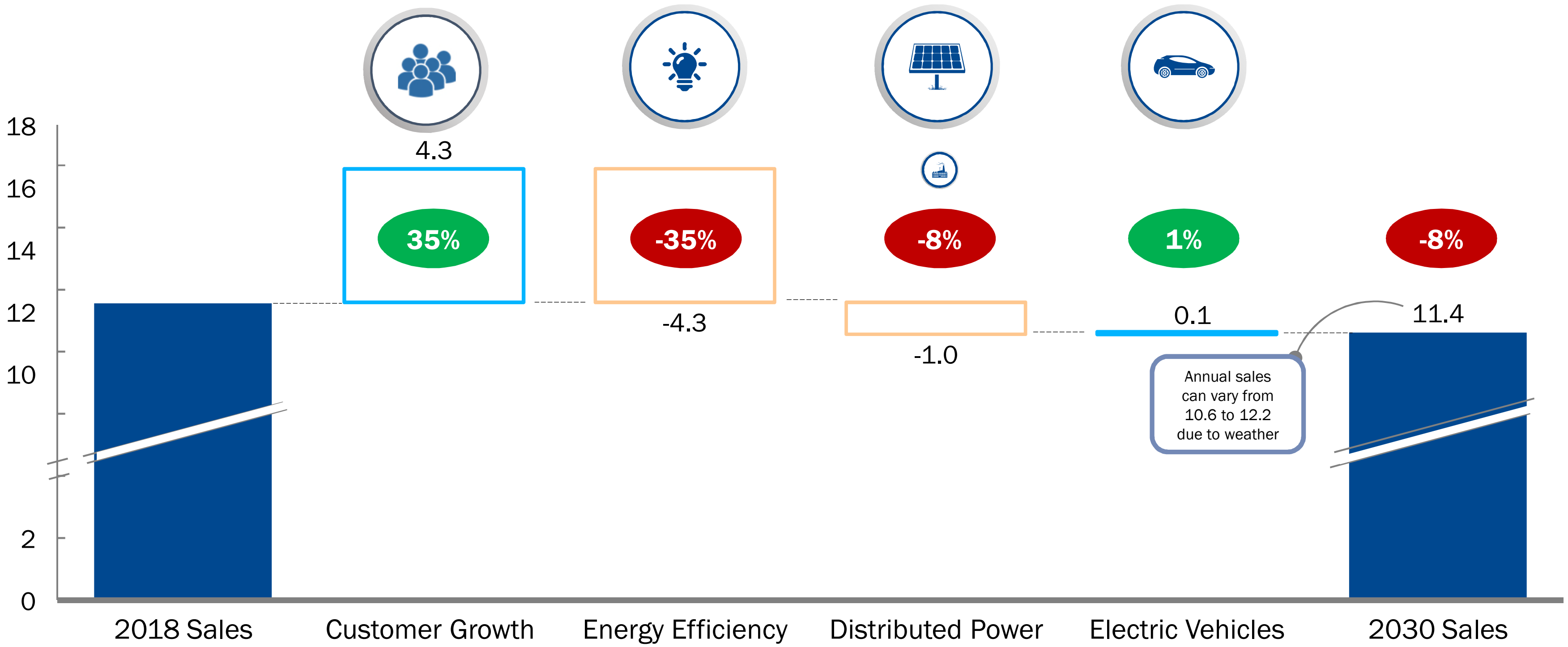
Water/Wastewater Bill Affordability FY06-FY30
Scenario 1: Status Quo Baseline



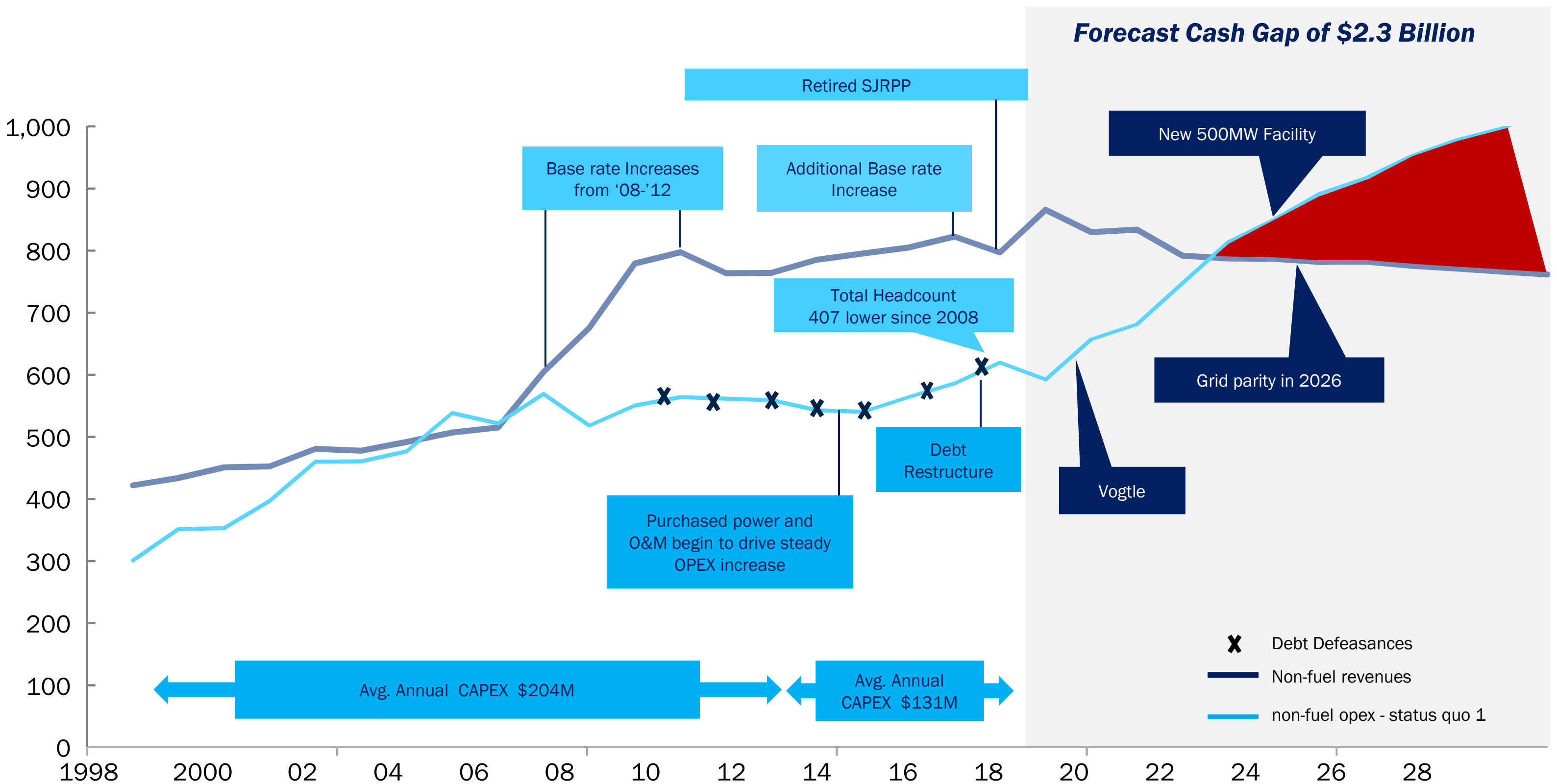
Accelerating Energy Innovation

By 2030 JEA's Customers May Likely Increase 16% and Energy Sales May Likely Fall by 8%

2030 JEA projected energy sales, TWh



Energy System in Scenario 1: Rising Costs and Lower Sales Lead to Deficit



Cash Gap

$2.3B

Rate increase

52%

OR

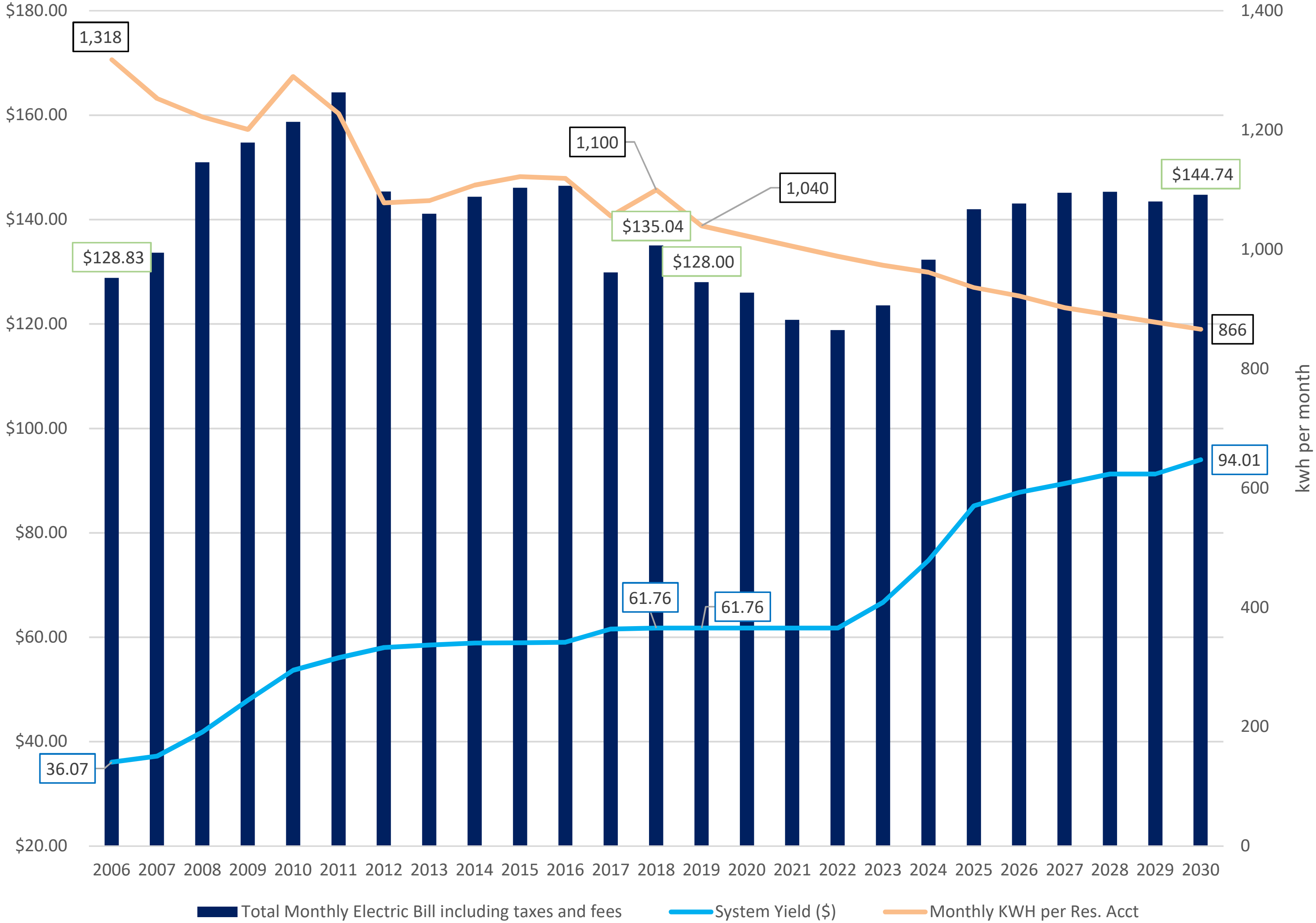
Rate increase

40%

⊕

No city contribution
past 2023

Energy Bill Affordability FY06-FY30
Scenario 1: Status Quo Baseline



Projected Impact of the Next Decade of Business Disruption

	2018 Actual	2030 Projection	Change	Change %
Rates ($ yield per MWh)	62	94	32	52%
Unit Sales (MWh)	12,364,340	11,382,447	(981,893)	(8)%
# of Customers - Energy	466,411	542,502	76,091	16%
Rates ($ yield per kgal)	6.45	7.42	0.97	15%
Unit Sales (kgal)	65,646,920	73,695,324	8,048,404	12%
# of Customers – Water	348,159	416,470	68,311	20%
Total Annual City Contribution	116,620	131,256	14,636	13%
Total JEA Headcount	2,191	2,191	0	0%
Total Long-Term Debt plus Contract Debt ('000)[1]	$5,110,000	$4,834,000	($276,000)	(5)%
Total Maintenance and Other Operating Exp.	$393,657[2]	$737,376	$343,719	87%

[1] *JEA Long-term debt in October 2019 2018* [2]*Actual Maintenance and Other Operating Exp adjusted to exclude SJRPP*

- Customer rates increase 52% in the electric system
- Customer rates increase 15% in the water system
- $276 million of debt repaid, leaving $4.8 billion of direct + contract debt outstanding
- Contract debt amortizes through 2062, JEA obligation to pay debt service for all contract debt through 2043

SCENARIO TWO:

The Traditional Utility Response

Approach to Scenario 2: Traditional Utility Response

WHAT IS INCLUDED IN THIS SCENARIO

- A projection of JEA's finances through 2030 based on one course of action JEA could take without charter change, and reflecting the impact of external market forces on JEA
- A high level assessment of the trade-offs that accompany this course of action against JEA's core values
- A tool for JEA to develop a strategy and action plan to succeed in light of market forces

… AND WHAT THIS IS NOT INTENDED TO BE

- A financial forecast or most likely scenario for JEA
- A forecast that reflects potential JEA actions/initiatives
- A set of only "off the table options" (some initiatives proposed in Scenario 2 may be implemented pending further analysis)
- A forecast that reflects likely changes to laws or regulations
- A tool for making specific resource planning or investment decisions
- A substitute for or input into the IRP / IWRP

CONSTRAINTS SET BY JEA CHARTER AND OTHER APPLICABLE LEGISLATION

What other companies do when faced with a cash gap:

Opportunity	**Can JEA do this?**
Sell more kWhrs or kGals to existing customers	✗
Cut costs and workforce	✓
Increase prices on kWhrs or kGals for customers	✓
Investment in R&D and IP for an ROI	✗
Sell alternative new product lines or offerings	✗
Sell equity and retire debt	✗
Acquire new businesses & customers	✗
Reduce investment in capex	✓
Reduce dividend / city contribution	✗
Sell assets	✗
Create partnerships / JV's	✗

JEA is subject to several constraints due to:

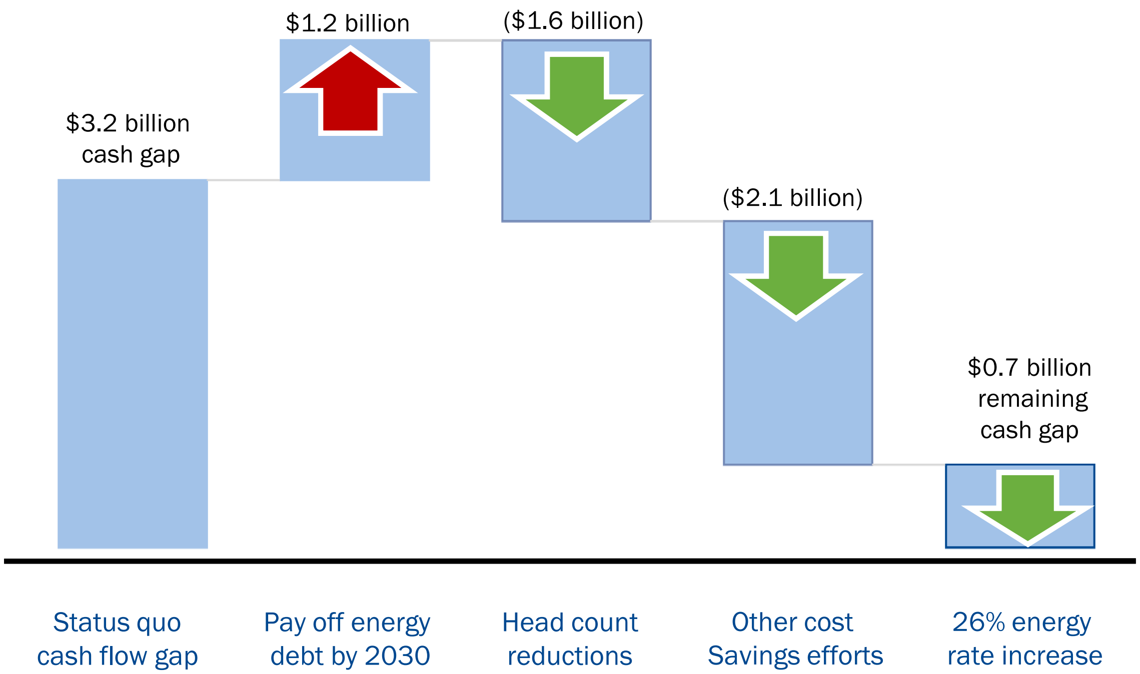
- Constitution of the State of Florida
- Florida Public Service Commission
- City of Jacksonville Charter
- Florida Statutes
- Bond Resolutions
- Policy Considerations
- Business Structure as defined by Charter

Collectively, these constraints limit JEA from diversifying and implementing creative *profit generation* initiatives and *cripples JEA's ability to evolve and remain relevant* to address customer and community needs, as well as market and industry trends

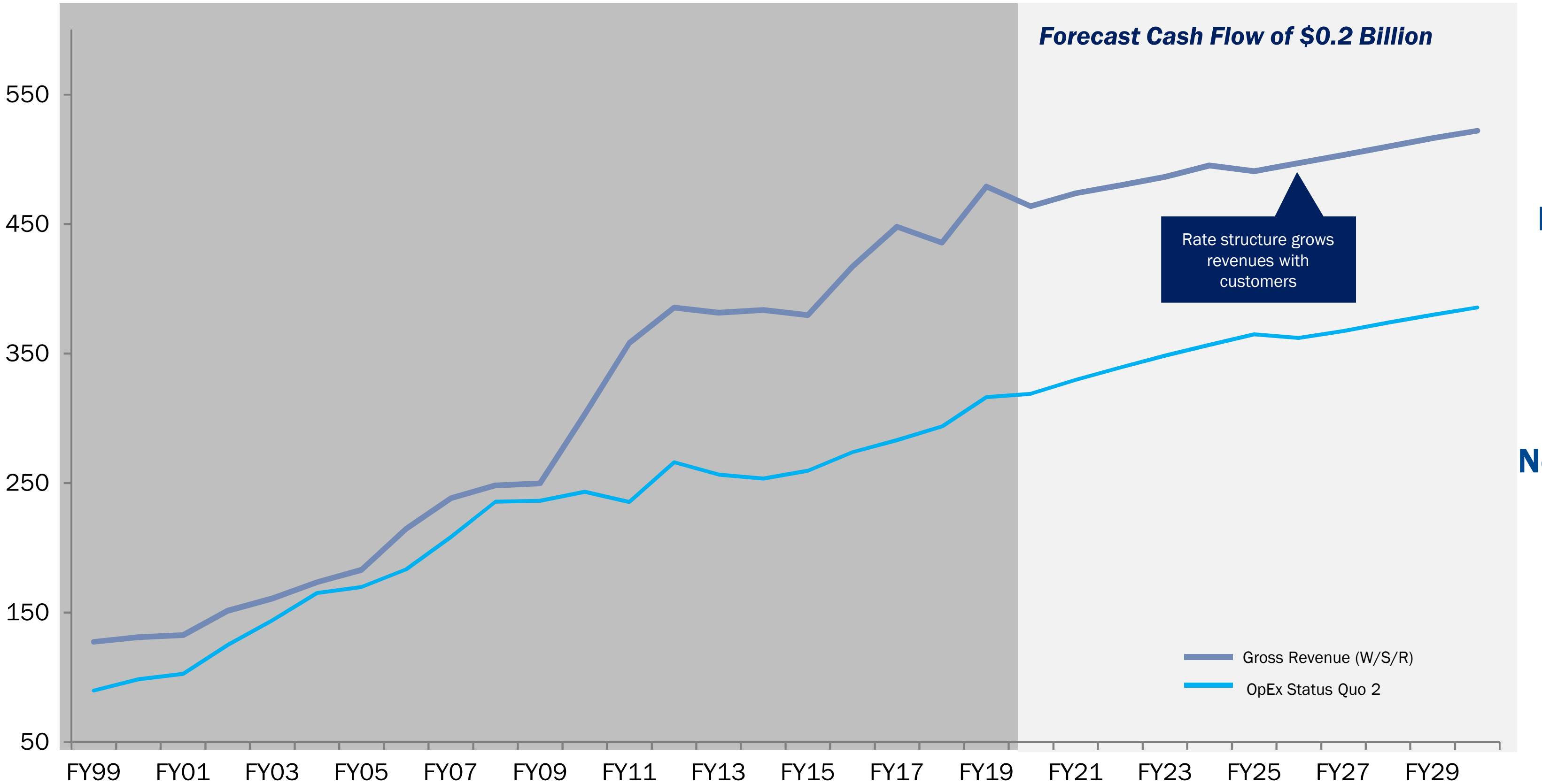
Scenario 2: Traditional Utility Response
within current constraints

- Headcount reduced by 29%
- Other expense reductions including capital investments and reductions in service levels to customers (reliability, environmental stewardship, and customer service all reduced)
- Cancel new building and move to rented space in suburbs
- Reduces debt levels in the energy business to prepare for accelerated revenue loss from competition
- Cost cuts reduced the cash flow gap but 26% energy rate increase still required

Cumulative cash flows for both energy and water: 2019 – 2030, $B



Water/Wastewater System in Scenario 2: No Rate Increases Required



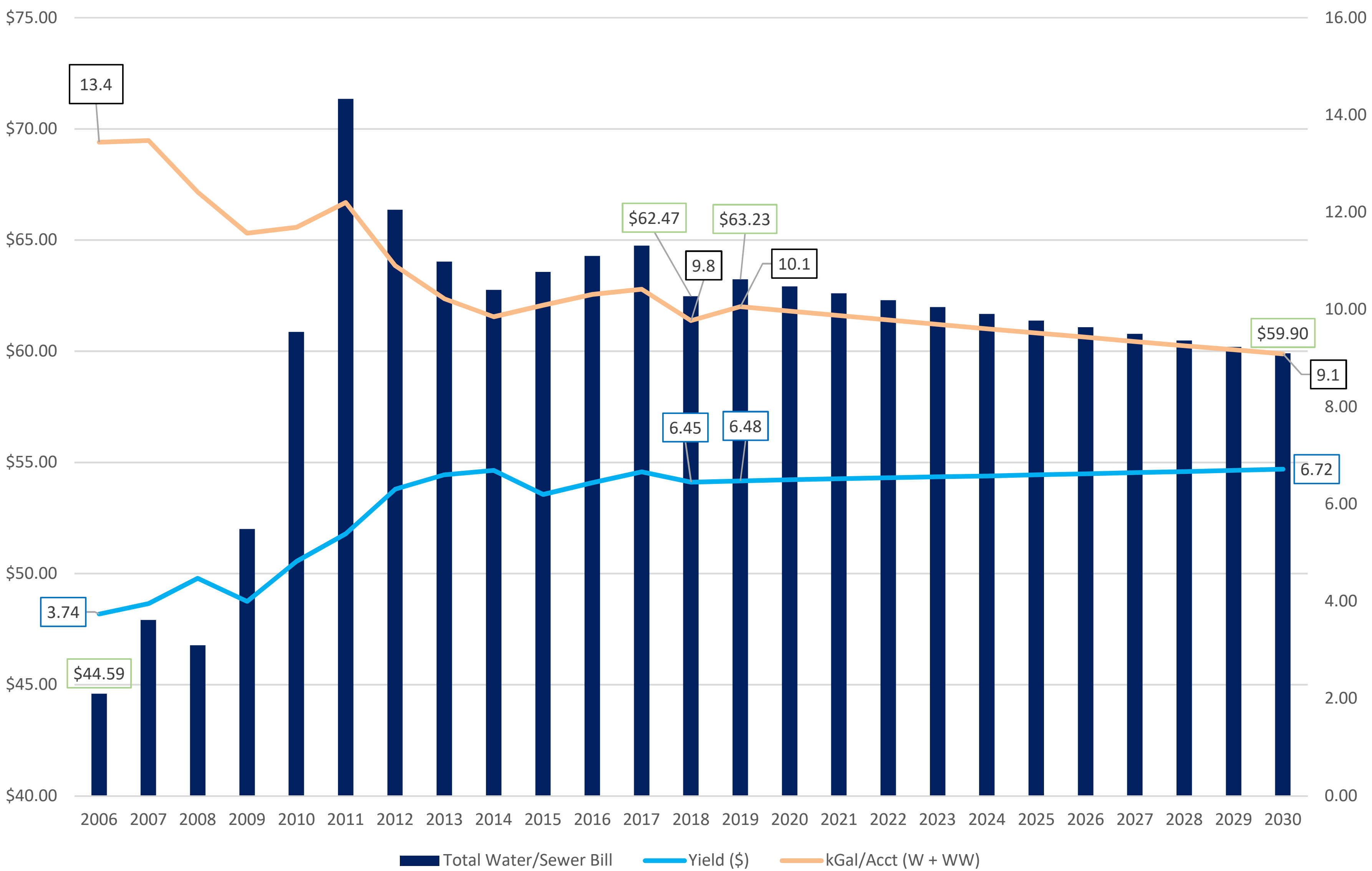
Positive Cash Flow

$0.2B

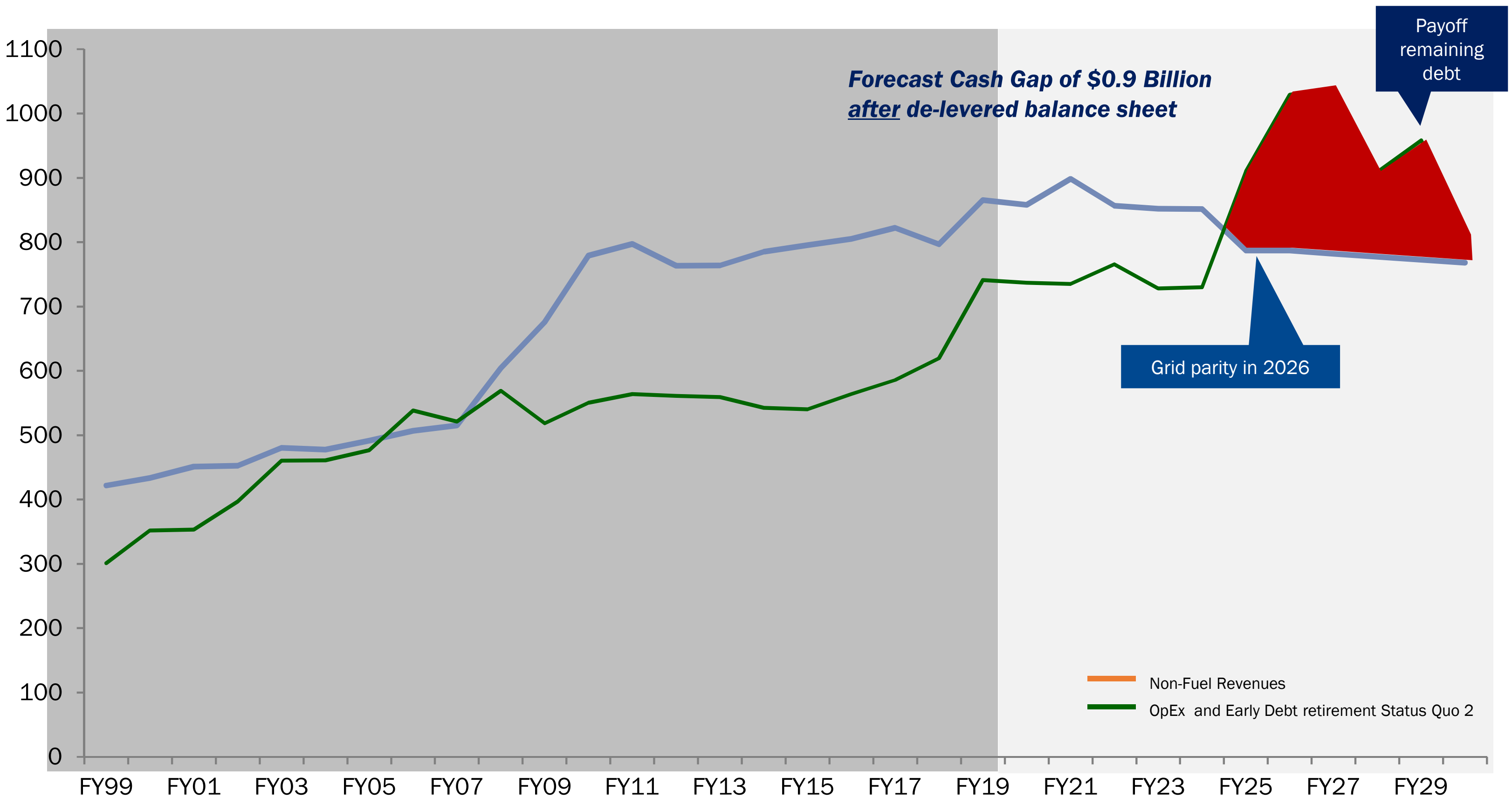
No need for rate increases

Water/Wastewater Bill Affordability FY06-FY30

Scenario 2: Traditional Utility Response



Energy System in Scenario 2:
Accelerate Early Debt Repayment; Creates Additional Cash Gap



Cash Gap

$0.9B

Rate increase

26%

OR

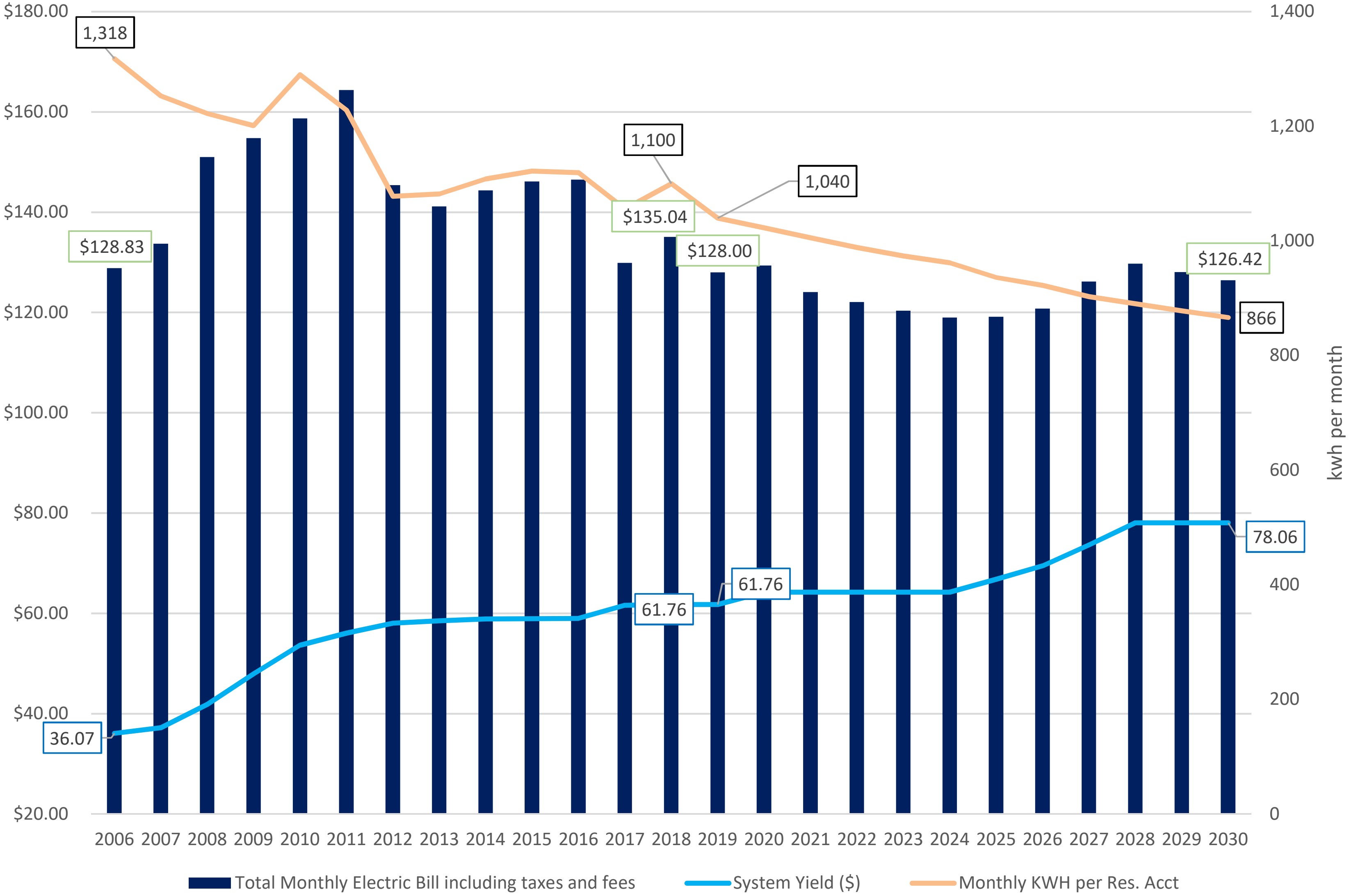
Rate increase

13%

⊕

No city contribution past 2023

Energy Bill Affordability FY06-FY30
Scenario 2: Traditional Utility Response



Water System: Evaluating Scenarios 1 & 2

Current Forecast

- **Overall:** Customer growth offset by reduced consumption per customer
- **Sales:** Continued new customer growth offset by additional conservation results in modest sales increase for 5 years
- **O&M Annual Growth Rate:** 3%
- **CAPEX:** $2.3B FY20-FY30
- **Rates/Yield Increase (Next 5 Years):** No projected rate increases
- **Debt Acceleration:** $140M in 2019
- **Other Revenue Opportunities:** None

Scenario 1: Status Quo Baseline

- **Overall:** JEA does not react to changing market forces resulting in higher rates
- **Sales:** Growth tempered by increasing conservation and alternative water supply
- **O&M Annual Growth Rate:** 5%
- **CAPEX:** $2.5B FY20-FY30
- **Rates/Yield Increase (Next 5 Years):** 15% beginning in 2020
- **Debt Acceleration:** 140M in 2019
- **Other Revenue Opportunities:** None

Scenario 2: Traditional Response

- **Overall:** JEA reacts to changing market forces with new revenue and cost cutting initiatives
- **Sales:** Growth tempered by increasing conservation and alternative water supply
- **O&M Annual Growth Rate:** 2%
  - Cost reduction initiatives remove $302M over 10 years
- **CAPEX:** $1.9B FY20-FY30
  - Cost reduction initiatives remove $548M over 10 years
- **Rates/Yield Increase (Next 5 Years):** No rate increases
- **Debt Acceleration:** 140M in 2019
- **Other Revenue Opportunities:** New revenue initiatives add $79M FY20-FY30

Water System: Forecast Assumptions

February 2019	2019	2020	2021	2022	2023
Sales (KGal ‘000)	66,877	68,152	69,450	70,799	72,204
Operating Revenues ($’000)	$505,745	$486,855	$494,336	$502,099	$510,426
OpEx ($’000)	$171,373	$175,514	$179,296	$183,167	$187,128
Net Revenues ($’000)	$334,373	$311,342	$315,040	$318,933	$323,298
CapEx ($’000)	$200,000	$210,000	$210,000	$210,000	$210,000
Debt Service Coverage	2.9	4.4	4.2	4.1	3.6
Total Outstanding Debt ($’000)	$1,337,455	$1,282,750	$1,265,315	$1,245,475	$1,221,220
Liquidity	241	277	297	302	286

Current Forecast	2019	2020	2021	2022	2023
Sales (KGal ‘000)	69,637	70,987	72,362	73,792	75,283
Operating Revenues ($’000)	$509,562	$499,027	$518,028	$527,911	$523,442
OpEx ($’000)	$170,141	$197,290	$202,912	$208,703	$214,670
Net Revenues ($’000)	$339,421	$301,737	$315,116	$319,208	$308,771
CapEx ($’000)	$203,000	$215,000	$215,000	$215,000	$215,000
Debt Service Coverage	2.9	4.5	4.9	5.0	2.7
Outstanding Debt ($’000)	$1,337,210	$1,282,505	$1,268,245	$1,257,925	$1,248,075
Liquidity	266	272	276	269	185

*Fiscal Year 2019 figures reflect the STAR Plan Phase 2 debt defeasance in Sept. 2019. The timing of the defeasance is subject to Board approval.

Water System: Forecast Assumptions

Current Forecast	2019	2020	2021	2022	2023
Sales (Kgal '000)	69,637	70,987	72,362	73,792	75,283
Operating Revenues ($'000)	$509,562	$499,027	$518,028	$527,911	$523,442
OpEx ($'000)	$170,141	$197,290	$202,912	$208,703	$214,670
Net Revenues ($'000)	$339,421	$301,737	$315,116	$319,208	$308,771
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Outstanding Debt ($'000)	$1,337,210	$1,282,505	$1,268,245	$1,257,925	$1,248,075
Liquidity	266	272	276	269	185
Scenario 1: Status Quo Baseline	**2019**	**2020**	**2021**	**2022**	**2023**
Sales (Kgal '000)	66,286	66,977	67,678	68,419	69,204
Operating Revenues ($'000)	$513,341	$545,765	$559,117	$571,597	$578,707
OpEx ($'000)	$173,808	$199,179	$208,108	$217,423	$227,028
Net Revenues ($'000)	$339,533	$346,586	$351,009	$354,174	$351,679
CapEx ($'000)	$219,928	$264,519	$248,856	$254,168	$219,303
Debt Service Coverage	2.9	4.9	4.7	4.5	3.9
Outstanding Debt ($'000)	$1,337,455	$1,282,750	$1,265,315	$1,245,475	$1,221,220
Liquidity	213	190	201	188	198
Scenario 2: Traditional Response	**2019**	**2020**	**2021**	**2022**	**2023**
Sales (Kgal '000)	66,286	66,977	67,678	68,419	69,204
Operating Revenues ($'000)	$513,341	$494,256	$503,751	$509,422	$515,635
OpEx ($'000)	$173,808	$173,799	$180,002	$186,590	$193,429
Net Revenues ($'000)	$339,533	$320,457	$323,750	$322,832	$322,206
CapEx ($'000)	$219,928	$240,042	$222,867	$215,896	$194,691
Debt Service Coverage	2.9	4.5	4.3	4.1	3.6
Outstanding Debt ($'000)	$1,337,455	$1,282,750	$1,265,315	$1,245,475	$1,221,220
Liquidity	213	212	221	219	223

*Fiscal Year 2019 figures reflect the STAR Plan Phase 2 debt defeasance in Sept. 2019. The timing of the defeasance is subject to Board approval.

Note: Status Quo – Baseline scenario resolves the cash gap with rate increases. Traditional response scenario resolves the cash gap with new revenue initiatives plus operating and capital expense reduction initiatives.

Energy System: Evaluating Scenarios 1 & 2

Current Forecast

- **Overall:** Immediate 5 years is projected to be similar to SQ 1 until grid parity timeframe
- **Sales:** Continued new customer growth offset by additional EE results in 12 flat for 5 years
- **O&M Annual Growth Rate:** 3% annual O&M increase
- **CAPEX:** No Greenland Outlay
- **Greenland Expenditure Impact on Rates:** N/A
- **Rates/Yield Increase (Next 5 Years):** 7% In 2023
- **Purchased Power:** Lower Fuels/Purchased Power market for near-term power/gas (2-3 years) occurring over last 6 months
- **Debt Acceleration:** $150M – only 2019
- **Other Revenue Opportunities:** None

Scenario 1: Status Quo Baseline

- **Overall:** Do not react to changing market forces
- **Sales:** Declining due to additional EE; once grid parity hits mid 2020's then- 1.2% adoption of solar + battery offsets additional customer growth coming onto system
- **O&M Annual Growth Rate:** 4% annual O&M increase
- **CAPEX:** $500M Greenland outlay 2023-2025
- **Greenland Expenditure Impact on Rates:** Rate increases in 2023-2025 a function of landing on $500M of borrowing needs for Greenland expenditure; this resulted in base rate increases of 8%, 12%, 14%
- **Rates/Yield Increase (Next 5 Years):** 8% In 2023
- **Debt Acceleration:** $150M – only 2019
- **Other Revenue Opportunities:** None

Scenario 2: Traditional Response

- **Overall:** Raise Rates/Cut Costs; operate within regulatory constraints
- **Sales:** Declining due to additional EE; once grid parity hits mid 2020's then- 1.2% adoption of solar + battery offsets additional customer growth coming onto system
- **O&M Annual Growth Rate:** 2% annual O&M decrease
  - Along with initiative labor and non-labor cost reductions
- **CAPEX:** Remove $500M for Greenland
  - Significantly reduced - remove $1B over 10 years
- **Greenland Expenditure Impact on Rates:** N/A
- **Rates/Yield Increase (Next 5 Years):** 7% in 2023
- **Purchased Power:** Additional Purchased Power in place of Greenland 2025-2030 Increase expense $150M
- **Debt Acceleration:** Accelerate Pay off of all electric debt by 2030
- **Other Revenue Opportunities:** $323MM

Energy System: Forecast Assumptions

February 2019 – IRP Sales	2019	2020	2021	2022	2023
Sales (MWh '000)	12,200	12,340	12,410	12,474	12,548
Operating Revenues ($'000)	$1,320,510	$1,263,872	$1,282,993	$1,263,772	$1,265,342
OpEx ($'000)	$785,383	$751,800	$765,910	$836,958	$883,667
Net Revenues ($'000)	$535,128	$512,072	$517,082	$426,814	$381,674
CapEx ($'000)	$275,000	$236,000	$146,000	$118,000	$122,000
Debt Service Coverage	2.8	4.2	6.5	6.5	6.2
Total Outstanding Debt ($'000)	$1,870,965	$1,706,875	$1,476,450	$1,344,510	$1,273,110
Liquidity	303	317	317	309	315
February 2019 – Flat Sales	**2019**	**2020**	**2021**	**2022**	**2023**
Sales (MWh '000)	12,200	12,000	12,000	12,000	12,000
Operating Revenues ($'000)	$1,320,510	$1,230,360	$1,242,648	$1,217,083	$1,211,387
OpEx ($'000)	$785,383	$739,104	$750,626	$819,270	$863,226
Net Revenues ($'000)	$535,128	$491,256	$492,022	$397,813	$348,160
CapEx ($'000)	$275,000	$236,000	$146,000	$118,000	$122,000
Debt Service Coverage	2.8	4.0	6.2	6.0	5.6
Total Outstanding Debt ($'000)	$1,870,965	$1,706,875	$1,476,450	$1,344,510	$1,273,110
Liquidity	303	314	304	287	282
Current Forecast	**2019**	**2020**	**2021**	**2022**	**2023**
Sales (MWh '000)	12,411	12,000	12,000	12,000	12,000
Operating Revenues ($'000)	$1,332,096	$1,211,216	$1,225,830	$1,184,159	$1,234,280
OpEx ($'000)	$805,303	$774,261	$800,728	$855,568	$910,378
Net Revenues ($'000)	$526,793	$436,955	$425,103	$328,591	$323,902
CapEx ($'000)	$280,000	$204,569	$204,759	$175,432	$152,476
Debt Service Coverage	2.8	3.6	3.5	3.1	4.3
Outstanding Debt ($'000)	$1,871,190	$1,748,810	$1,681,045	$1,614,825	$1,562,845
Liquidity	289	314	296	265	253

*Fiscal Year 2019 figures reflect the STAR Plan Phase 2 debt defeasance in Sept. 2019. The timing of the defeasance is subject to Board approval.

Energy System: Forecast Assumptions

Current Forecast	2019	2020	2021	2022	2023
Sales (MWh '000)	12,411	12,000	12,000	12,000	12,000
Operating Revenues ($'000)	$1,332,096	$1,211,216	$1,225,830	$1,184,159	$1,234,280
OpEx ($'000)	$805,303	$774,261	$800,728	$855,568	$910,378
Net Revenues ($'000)	$526,793	$436,955	$425,103	$328,591	$323,902
CapEx ($'000)	$280,000	$204,569	$204,759	$175,432	$152,476
Debt Service Coverage	2.8	3.6	3.5	3.1	4.3
Outstanding Debt ($'000)	$1,871,190	$1,748,810	$1,681,045	$1,614,825	$1,562,845
Liquidity	289	314	296	265	253
Scenario 1: Status Quo Baseline	**2019**	**2020**	**2021**	**2022**	**2023**
Sales (MWh '000)	12,227	12,106	11,970	11,855	11,782
Operating Revenues ($'000)	1,323,170	1,240,873	1,239,852	1,202,971	1,251,197
OpEx ($'000)	$796,300	$809,351	$823,919	$886,060	$926,513
Net Revenues ($'000)	$526,870	$431,521	$415,932	$316,911	$324,684
CapEx ($'000)	$275,000	$218,096	$175,032	$141,069	$272,673
Debt Service Coverage	2.8	3.5	3.4	2.7	4.0
Outstanding Debt ($'000)	$1,870,965	$1,748,585	$1,680,820	$1,614,600	$1,551,835
Liquidity	296	290	288	256	238
Scenario 2: Traditional Response	**2019**	**2020**	**2021**	**2022**	**2023**
Sales (MWh '000)	12,227	12,106	11,970	11,855	11,782
Operating Revenues ($'000)	1,323,170	1,300,406	1,335,667	1,298,489	1,285,480
OpEx ($'000)	$796,300	$810,868	$729,342	$777,911	$806,786
Net Revenues ($'000)	$526,870	$489,538	$606,324	$520,578	$478,694
CapEx ($'000)	$275,000	$192,154	$131,494	$118,026	$115,090
Debt Service Coverage	2.8	4.0	7.8	7.0	8.7
Outstanding Debt ($'000)	$1,870,965	$1,668,775	$1,450,675	$1,302,450	$1,249,340
Liquidity	296	279	348	366	421

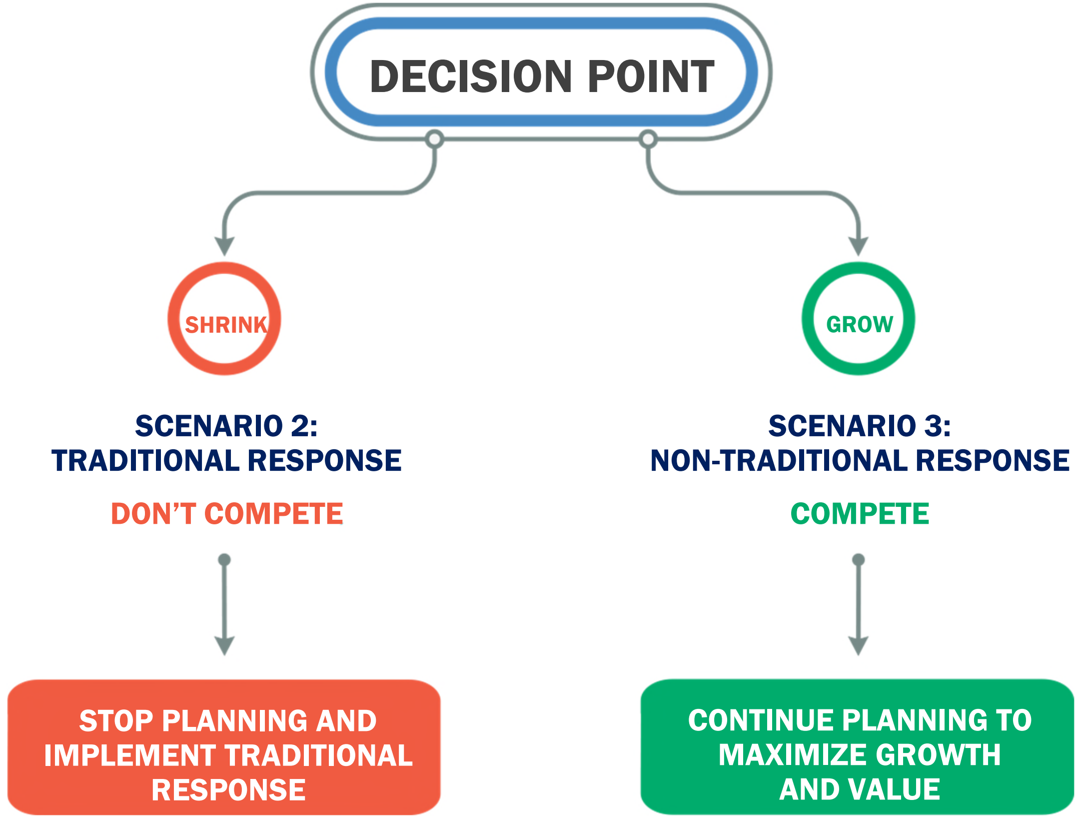
*Fiscal Year 2019 figures reflect the STAR Plan Phase 2 debt defeasance in Sept. 2019. The timing of the defeasance is subject to Board approval.

Overall, We’ve Learned That Traditional Approaches Lead to Decreases In Our Corporate Measures of Value

	LAST 10 YEARS	SCENARIO 2a: TRADITIONAL RESPONSE	SCENARIO 2b: SOME REMOVAL OF GOVERNMENT CONSTRAINTS
CUSTOMER VALUE	↓	↓	–
COMMUNITY IMPACT VALUE	↓	↓	↓
ENVIRONMENTAL VALUE	↑	↓	↓
FINANCIAL VALUE	↑	–	–
	In the face of declining sales, customer rates increased 71%	Declines in value due to additional market forces	Alleviating some restraints only delays the inevitable

We Were Left With A Binary Policy Decision

SHOULD JEA BE DESIGNED TO SHRINK OR GROW?



SCENARIO 3:
The Non-Traditional Path

Why JEA is Developing a 'Non Traditional' Strategic Plan

The industry is changing and JEA's strategy needs to change

1 Technology

- Emerging energy economics of the supply stack shifting
- Emerging operational technologies laying the foundation for digital transformation

2 Policy

- Push for decarbonization gaining momentum
- More comprehensive policies (e.g. net metering, Energy Efficiency)

3 Customer

- Rising bar on customer experience driven by non-utility players
- Customer awareness of emerging technologies rising

4 Capital

- Entry of players with competitive capital has potential to change returns and competitive play profile (e.g. Canadian and European investors, activists)

Objectives: Develop a 10 year strategy for JEA that drives an increase in the value of JEA now and in the future. The strategy will:

Position JEA to succeed in the face of trends

Proactively shape talent and culture

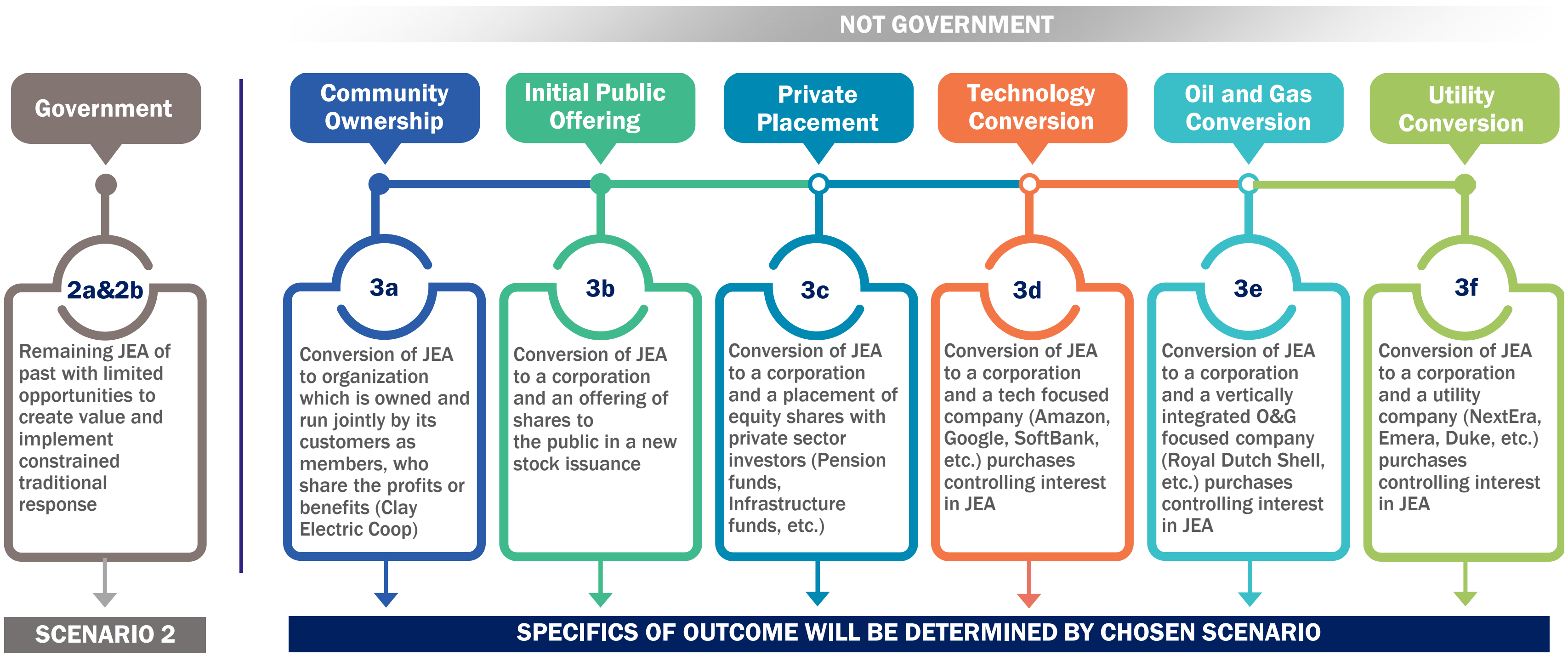
Drive growth

Identify and enable investments

Maintain affordability and reliability

DEFINE THE ROOT PROBLEM:

The problem is not being community-owned;
The problem is being government with government constraints in a competitive market.



CONSTRAINT PROFILE OF ALTERNATE STRUCTURES:

While management cannot currently outline specifics of each alternative, it can provide an analysis of constraints

	2a&2b	3a	3b	3c	3d	3e	3f
BUSINESS OPPORTUNITIES	Government	Community Owned	Initial Public Offering	Private Placement	Tech Conversion	O&G Conversion	Utility Conversion
Sell more electric and water services	✗	✓	✓	✓	✓	✓	✓
Cut costs and workforce	✓	✓	✓	✓	✓	✓	✓
Increase customer rates	✓	✓	✓	✓	✓	✓	✓
Investment in R&D and IP for an ROI	✗	✓	✓	✓	✓	✓	✓
Sell alternative new product lines/offerings	✗	✓	✓	✓	✓	✓	✓
Sell equity and retire debt	✗	✗	✓	✓	✓	✓	✓
Acquire new businesses & customers	✗	✓	✓	✓	✓	✓	✓
Reduce investment in capex	✓	✓	✓	✓	✓	✓	✓
Reduce dividend / city contribution	✗	✓	✓	✓	✓	✓	✓
Sell assets	✗	✓	✓	✓	✓	✓	✓
Create partnerships / Joint ventures	✗	✓	✓	✓	✓	✓	✓

The overall purpose of this undertaking is to give JEA the strategic flexibility to adapt to ***a once-in-a-generation industry-wide transformation*** and help it achieve its vision to improve lives in the Northeast Florida Community.

	Status Quo	Minimum Requirements
Financial	1. <$2 billion of value to the City of Jacksonville[1]	1. >$3 billion of value to the City of Jacksonville
Customers	1. $0 customer distributions 2. Significant rate increases required over next several years	1. >$400 million of value distributed to customers ($350+ paid to each JEA account - $1,400+ for customers with electric, water, sewer and irrigation accounts) 2. At least 3 years of contractually guaranteed base rate stability
Environmental	1. Viable renewable energy requirements at 0% funding 2. Viable sources of alternative water capacity at 0% funding	1. Commitment to fund and provide City of Jacksonville and Duval County Public School system 100% renewable electricity by 2030 2. Commitment to fund and provide 40 million gallons per day of alternative water capacity for Northeast Florida by 2035
Community Impact	1. Status quo retirement obligations 2. No employment guarantees and termination of ~600 employees 3. No retention payments to employees 4. JEA leaves downtown, moving new headquarters to existing office space to house smaller workforce and minimize cost	1. Protection of certain employee retirement benefits 2. Guarantee of employee compensation and benefits for three (3) years 3. Retention payments to all full-time employees of 100% current base compensation 4. Commitment to new headquarters and employees in downtown Jacksonville contributing to the economic development of the community

PART 4

Where We Are Going

RESOLUTION 2019-07

A RESOLUTION AUTHORIZING THE CEO TO TAKE ANY AND ALL ACTION TO INVESTIGATE AND PURSUE SCENARIO 3: THE NON-TRADITIONAL UTILITY RESPONSE

WHEREAS, the Board believes that it is in the best interest of JEA to investigate and pursue Scenario 3: the non-traditional utility response, as presented to the Board at the July 23, 2019 JEA Board meeting.

BE IT RESOLVED, by the Board that:

1. The Board authorizes the Chief Executive Officer and Managing Director (the "CEO") or his designee to take any and all action to maximize the four core values of JEA of customer, community, environmental, and financial through a competitive solicitation process regarding JEA assets including, but not limited to:

    a. Issuance of a competitive solicitation instrument including, but not limited to, an invitation to negotiate;

    b. Engaging in and undertaking a competitive solicitation process; and

    c. Engaging accountants, consultants, financial advisors, and legal counsel to assist in a competitive solicitation process.

Outcome of a Successful Strategy:

Maximize Each of the Four Corporate Measures of Value to ***Improve Lives***

Customer Value

- Provide JEA customers with safe and reliable electric, water and wastewater **services at a rate structure equal to or less than industry average**
- Maintain **customer service standards and experience** within the top quartile of the industry
- Expand our trusted partner **relationship with our customers**

Financial Value

- **Maintain financial performance metrics** necessary to preserve Aa3 / AA- ratings, or similar comparable risk measures as adopted and deemed appropriate by JEA
- **Establish growth initiatives** to drive values and efficiencies with respect to electric, water, sewer, natural gas and other utility services, systems and/or products

Community Impact Value

- Establish and maintain **open, transparent communication** with employee, customer and all our stakeholders
- Continue investment and leadership of **economic development within Jacksonville**
- Continue and drive **employment within the region**
- Foster an environment of **engaged employees** that treat JEA as owners
- Preserve the level of **financial contribution of JEA to the city**

Environmental Value

- Maintain **compliance with all regulations** and meet or exceed industry standards that impact the environment
- Establish and lead a **sustainability program** for the benefit of the region
- Set an example of **environmental stewardship**

Process and Timeline For Path to Investigating a Non-Government Structure

Commitment to transparent and open process for all stakeholders (customers, city, employees, etc.)

1 Protect our employees' futures	2 Execute a methodical and transparent process	3 Deliver the strategic solution for maximum value	4 Ensure the Board and City Council weighs in	5 Encourage the public to maximize the value for all stakeholders
JULY 23 2019 Letter goes out to all employees defining all proposed employee protection programs, subject to collective bargaining	**AUG 2019** Competitive solicitation will go out to any and all potential suitors, including financial, technology and energy/water companies.	**SEPT-FEB 2020** Investment banks and advisors will present recommendations for how JEA can achieve maximum value for employees, customers and shareholders.	**MARCH 2020** JEA board will have the opportunity to discuss and vote whether to approve the final recommendation. Send recommendation to City Council for review.	**MID 2020** In the event, City Council approves recommendation the public will have the opportunity to vote on the Board and City Council approved recommendation.

No Decision Will Be Made on Strategic Path for JEA Until Mid-2020

PART 5

Supplemental Information

Energy System: Forecast Assumptions

Current Forecast	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Sales (MWh '000)	12,411	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Operating Revenues ($'000)	$1,332,096	$1,211,216	$1,225,830	$1,184,159	$1,234,280	$1,331,726	$1,394,501	$1,402,386	$1,450,536	$1,458,734	$1,467,094	$1,485,732
OpEx ($'000)	$805,303	$774,261	$800,728	$855,568	$910,378	$949,469	$976,413	$1,005,321	$1,031,216	$1,048,530	$1,057,405	$1,084,946
Net Revenues ($'000)	$526,793	$436,955	$425,103	$328,591	$323,902	$382,258	$418,088	$397,065	$419,320	$410,204	$409,689	$400,786
CapEx ($'000)	$280,000	$204,569	$204,759	$175,432	$152,476	$177,642	$175,000	$175,000	$175,000	$175,000	$175,000	$175,000
Debt Service Coverage	2.8	3.6	3.5	3.1	4.3	4.3	4.4	2.8	2.6	2.7	2.8	2.7
Outstanding Debt ($'000)	$1,871,190	$1,748,810	$1,681,045	$1,614,825	$1,562,845	$1,538,580	$1,503,885	$1,462,980	$1,373,205	$1,259,920	$1,147,595	$1,035,175
Liquidity	289	314	296	265	253	246	254	237	228	222	216	203
Status Quo Baseline	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Sales (MWh '000)	12,227	12,106	11,970	11,855	11,782	11,773	11,699	11,700	11,599	11,527	11,455	11,382
Operating Revenues ($'000)	1,323,170	1,240,873	1,239,852	1,202,971	1,251,197	1,357,457	1,486,049	1,526,195	1,543,737	1,564,069	1,563,782	1,596,297
OpEx ($'000)	$796,300	$809,351	$823,919	$886,060	$926,513	$964,219	$1,003,423	$1,039,133	$1,064,835	$1,087,227	$1,099,452	$1,131,728
Net Revenues ($'000)	$526,870	$431,521	$415,932	$316,911	$324,684	$393,239	$482,625	$487,061	$478,901	$476,842	$464,330	$464,569
CapEx ($'000)	$275,000	$218,096	$175,032	$141,069	$272,673	$432,710	$321,530	$200,680	$180,028	$180,028	$179,028	$179,028
Debt Service Coverage	2.8	3.5	3.4	2.7	4.0	3.7	3.2	3.6	2.5	2.5	2.6	2.6
Outstanding Debt ($'000)	$1,870,965	$1,748,585	$1,680,820	$1,614,600	$1,551,835	$1,644,002	$1,875,730	$1,903,315	$1,838,268	$1,711,109	$1,584,740	$1,458,050
Liquidity	296	290	288	256	238	230	221	224	210	205	199	187
Traditional Response	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Sales (MWh '000)	12,227	12,106	11,970	11,855	11,782	11,773	11,699	11,700	11,599	11,527	11,455	11,382
Operating Revenues ($'000)	1,323,170	1,300,406	1,335,667	1,298,489	1,285,480	1,292,940	1,265,832	1,307,428	1,357,462	1,410,810	1,411,556	1,412,426
OpEx ($'000)	$796,300	$810,868	$729,342	$777,911	$806,786	$833,543	$860,222	$886,541	$903,765	$916,224	$913,196	$909,137
Net Revenues ($'000)	$526,870	$489,538	$606,324	$520,578	$478,694	$459,397	$405,610	$420,886	$453,697	$494,586	$498,360	$503,289
CapEx ($'000)	$275,000	$192,154	$131,494	$118,026	$115,090	$115,808	$132,290	$140,584	$147,699	$137,874	$121,424	$121,174
Debt Service Coverage	2.8	4.0	7.8	7.0	8.7	7.0	6.6	7.5	5.0	4.8	4.5	0.0
Outstanding Debt ($'000)	$1,870,965	$1,668,775	$1,450,675	$1,302,450	$1,249,340	$1,233,670	$1,075,860	$803,685	$535,840	$356,085	$112,420	$0
Liquidity	296	279	348	366	421	472	430	353	278	220	225	306

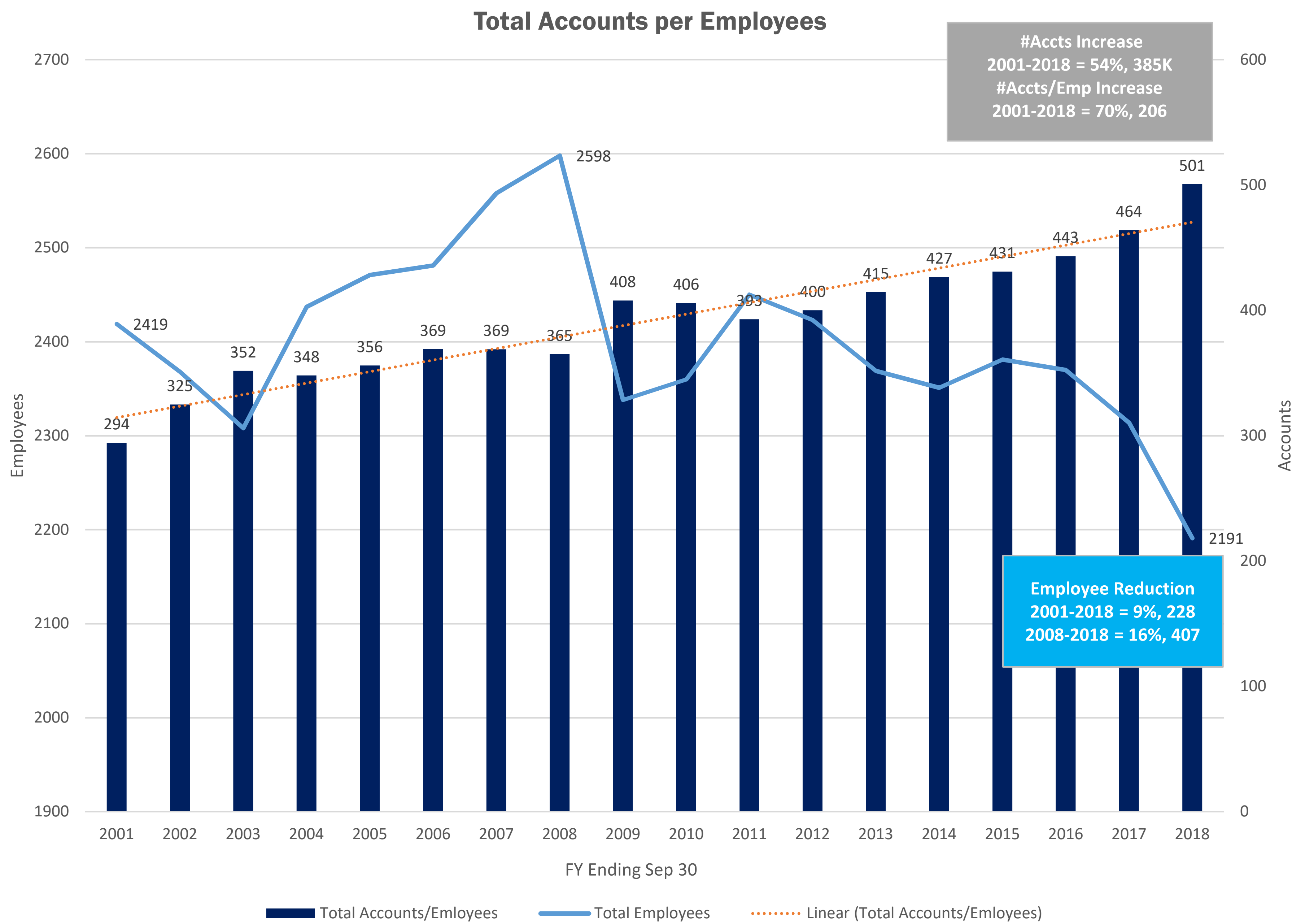
*Fiscal Year 2019 figures reflect the STAR Plan Phase 2 debt defeasance in Sept. 2019. The timing of the defeasance is subject to Board approval.
NOTE: Traditional Utility response includes 1) cost-cutting and revenue opportunity initiatives 2)removal of Greenland combined-cycle capital outlay 3) accelerated debt repayment through 2030

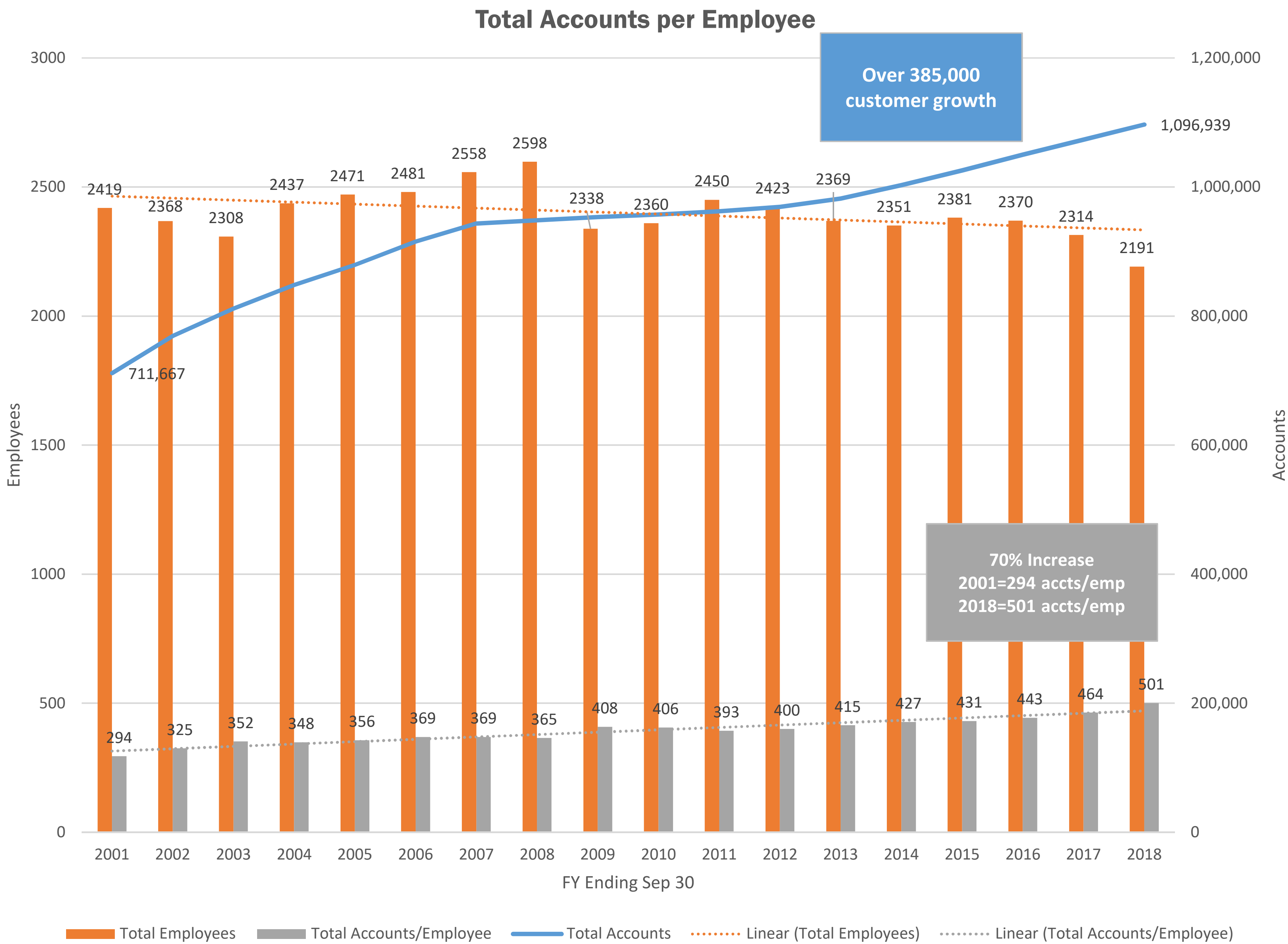
Water System: Forecast Assumptions

Current Forecast	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Sales (Kgal)	69,637,308	70,987,224	72,361,602	73,791,827	75,282,610	76,839,163	78,160,171	79,509,951	80,889,382	82,299,379	83,740,894	85,018,962
Operating Revenues ($ mm)	$509.56	$499.03	$518.03	$527.91	$523.44	$533.34	$541.25	$549.65	$558.23	$567.25	$576.47	$584.80
OpEx ($ mm)	$170.14	$197.29	$202.91	$208.70	$214.67	$220.82	$227.11	$233.59	$240.27	$247.14	$254.21	$261.47
Net Revenues ($ mm)	$339.42	$301.74	$315.12	$319.21	$308.77	$312.52	$314.14	$316.05	$317.96	$320.11	$322.25	$323.33
CapEx ($mm)	$203.00	$215.00	$215.00	$215.00	$215.00	$215.00	$200.00	$200.00	$200.00	$200.00	$200.00	$200.00
Debt Service Coverage	2.94	4.50	4.85	4.98	2.74	2.84	2.79	2.99	3.10	3.19	3.13	3.39
Outstanding Debt ($'000)	$1,337,210	$1,282,505	$1,268,245	$1,257,925	$1,248,075	$1,188,765	$1,150,250	$1,109,609	$1,068,136	$1,022,302	$972,400	$918,588
Liquidity	266	272	276	269	185	161	157	154	150	147	143	140
Status Quo Baseline	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Sales (Kgal)	66,286,483	66,976,825	67,678,110	68,419,236	69,204,377	70,038,159	70,641,043	71,257,858	71,889,210	72,535,733	73,198,094	73,695,324
Operating Revenues ($ mm)	$513.34	$545.76	$559.12	$571.60	$578.71	$601.14	$594.49	$601.12	$607.89	$615.07	$622.40	$628.66
OpEx ($ mm)	$173.81	$199.18	$208.11	$217.42	$227.03	$237.40	$247.58	$258.56	$270.06	$282.10	$294.71	$307.89
Net Revenues ($ mm)	$339.53	$346.59	$351.01	$354.17	$351.68	$363.74	$346.92	$342.56	$337.83	$332.97	$327.69	$320.77
CapEx ($mm)	$219.93	$264.52	$248.86	$254.17	$219.30	$242.82	$204.97	$201.64	$201.73	$208.38	$208.72	$216.03
Debt Service Coverage	2.94	4.89	4.69	4.53	3.88	3.41	3.24	3.33	3.41	3.45	3.32	3.52
Outstanding Debt ($'000)	$1,337,455	$1,282,750	$1,265,315	$1,245,475	$1,221,220	$1,183,130	$1,127,140	$1,068,035	$1,010,525	$953,670	$896,945	$835,215
Liquidity	213	190	201	188	198	175	185	190	194	186	168	144
Traditional Response	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Sales (Kgal)	66,286,483	66,976,825	67,678,110	68,419,236	69,204,377	70,038,159	70,641,043	71,257,858	71,889,210	72,535,733	73,198,094	73,695,324
Operating Revenues ($ mm)	$513.34	$494.26	$503.75	$509.42	$515.64	$524.18	$519.55	$525.49	$531.55	$538.00	$544.58	$550.29
OpEx ($ mm)	$173.81	$173.80	$180.00	$186.59	$193.43	$200.53	$207.86	$215.47	$223.36	$231.55	$240.04	$248.83
Net Revenues ($ mm)	$339.53	$320.46	$323.75	$322.83	$322.21	$323.65	$311.69	$310.02	$308.19	$306.45	$304.54	$301.46
CapEx ($mm)	$219.93	$240.04	$222.87	$215.90	$194.69	$190.07	$147.88	$137.60	$155.47	$135.14	$125.72	$133.43
Debt Service Coverage	2.94	4.52	4.32	4.13	3.56	3.04	2.91	3.02	3.11	3.18	3.08	3.31
Outstanding Debt ($'000)	$1,337,455	$1,282,750	$1,265,315	$1,245,475	$1,221,220	$1,183,130	$1,127,140	$1,068,035	$1,010,525	$953,670	$896,945	$835,215
Liquidity	213	212	221	219	223	217	261	312	336	386	439	482

*Fiscal Year 2019 figures reflect the STAR Plan Phase 2 debt defeasance in Sept. 2019. The timing of the defeasance is subject to Board approval.

Note: Status Quo – Baseline scenario resolves the cash gap with rate increases. Traditional response scenario resolves the cash gap with new revenue initiatives plus operating and capital expense reduction initiatives.


Total Accounts per Employees
#Accts Increase
2001-2018 = 54%, 385K
#Accts/Emp Increase
2001-2018 = 70%, 206
Employee Reduction
2001-2018 = 9%, 228
2008-2018 = 16%, 407
Employees
Accounts
FY Ending Sep 30
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
294
325
352
348
356
369
369
365
408
406
393
400
415
427
431
443
464
501
2419
2598
2191
Total Accounts/Emloyees
Total Employees
Linear (Total Accounts/Emloyees)


Total Accounts per Employee
Over 385,000 customer growth
70% Increase
2001=294 accts/emp
2018=501 accts/emp
Employees
Accounts
FY Ending Sep 30
3000
2500
2000
1500
1000
500
0
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018
2419 2368 2308 2437 2471 2481 2558 2598 2338 2360 2450 2423 2369 2351 2381 2370 2314 2191
294 325 352 348 356 369 369 365 408 406 393 400 415 427 431 443 464 501
711,667
1,096,939
Total Employees
Total Accounts/Employee
Total Accounts
Linear (Total Employees)
Linear (Total Accounts/Employee)

PART 6
Questions & Answers

QUESTION

In past meetings, JEA's representatives have emphasized the electric, water and sewer utilities' positive operational and financial trajectory. However, during the utility's May 28, board meeting, management presented materials flagging a decade-long, downward trend in some key operating metrics. Please reconcile these views for us.

JEA representatives have repeatedly highlighted successes in reducing debt, generating strong debt service coverage and funding capital projects from operations, as indications of future strength and viability. Based on the financial and operational exposures management flagged during the utility's May 28, board meeting, does management still believe the utility has favorable prospects for viability and for perpetuating financial performance consistent with past projections?

The May 28th Board Meeting outlined what we are calling our Status Quo Baseline. This Status Quo Baseline is a tool for JEA to develop a strategy and action plan to succeed in light of market forces. The Status Quo Baseline is not a financial forecast or most likely scenario for JEA, a forecast that reflects potential JEA actions/initiatives, or a substitute for or input into the IRP / IWRP.

Our financial and operational metrics have not deteriorated. Please refer to pages 5 through 13 of this presentation to review our financial and operational highlights year to date.

Some of our forecast assumptions have slightly shifted since we last met. Please refer to pages 55 & 58 to see those changes. Also, as a reminder, neither Scenario 1 nor Scenario 2 should be considered a financial forecast. That being said, please refer to pages 56 & 59 to see how we believe those scenarios (if pursued) would impact our financial and operational metrics as compared to our current forecast for business as usual.

QUESTION

Please describe the utility's fallback plan if it is unable to sell or restructure the utility.

Our fallback plan is to pursue Scenario 2: The Traditional Utility Response.

Scenario 2 is setting the business up to continue to deleverage the balance sheet. Under this scenario JEA is debt free on the electric system by 2030. Under this scenario JEA would still pursue all applicable and possible revenue generating initiatives.

Please refer to the pages that follow for additional information.

Scenario 2: Traditional Utility Response Prepares JEA for Continued Competition

	2018 Actual	2030 SQ Projection	Change vs. 2018	% Change	2030 Traditional Response Projection	Change .vs 2018	% Change
Rates ($ yield per MWh)	62	94	32	52%	78	16	26%
Unit Sales (MWh)	12,364,340	11,382,447	(981,893)	(8)%	Same as SQ	-	-
# of Customers - Energy	466,411	542,502	76,091	16%	Same as SQ	-	-
Rates ($ yield per kgal)	6.45	7.42	0.97	15%	6.36	(0.09)	(1)%
Unit Sales (kgal)	65,646,920	73,695,324	8,048,404	12%	Same as SQ	-	-
# of Customers – Water	348,159	416,470	68,311	20%	Same as SQ	-	-
Total Annual City Contribution	116,620	131,256	14,636	13%	Same as SQ	-	-
Total JEA Headcount (includes temp and supplemental)	2,191	2,191	0	0%	1,617	(574)	(26)%
Total Long-Term Debt plus Contract Debt ('000)[1]	$5,110,000	$4,834,000	($276,000)	(5)%	3,523,690	($1,586,310)	(31)%
Annual O&M and Other Operating Exp.	$393,657[2]	$737,376	$343,719	87%	494,989	$101,322	26%

[1] JEA Long-term debt in October 2019 2018 [2]Actual Maintenance and Other Operating Exp adjusted to exclude SJRPP

- Customer rates increase 52% in SQ1 for the electric system vs SQ2 where rates only increase 26%
- Customer rates increase 15% in SQ1 for the water system vs SQ2 where rates decrease 1%
- $276 million of debt repaid, leaving $4.8 billion of direct + contract debt outstanding in SQ1 vs reduction in debt by an additional $1.3B in SQ2
- Contract debt amortizes through 2062, JEA obligation to pay debt service for all contract debt through 2043

PURSUE REVENUE GENERATION INITIATIVES WITHIN EXISTING CONSTRAINTS

- Expand Electrification
- Optimize Real Estate
- Launch Retail Marketplace
- Implement Residential Solar Application Fee

Month 1	Months 2-3	Month 4	Ongoing
• Assign Champions and project teams for each initiative • Quantify investment needed to achieve revenue	• Finalize detailed business and implementation plans	• Execute Revenue Initiatives	• Review and course correct as needed

QUESTION

Please provide an overview of the statutory or city charter limitations that JEA management views as impeding its business model.

JEA is limited on how it can do business today. There are only so many buttons or levers that a traditional municipal utility can push.

There are four major buckets of legal/public policy barriers that are limiting JEA:

1. Public Policy
2. Public Records
3. City Charter
4. Florida Constitution

Please refer to the pages that follow for additional information.

Opportunity	Can JEA do this Today?
Sell more electric and water services	✗
Cut costs and workforce	✓
Increase customer rates	✓
Investment in R&D and IP for an ROI	✗
Sell alternative new product lines or offerings	✗
Sell equity and retire debt	✗
Acquire new businesses & customers	✗
Reduce investment in capex	✓
Reduce dividend / city contribution	✗
Sell assets	✗
Create partnerships / Joint ventures	✗

SUMMARY OF TIME, COST AND PROBABILITY OF SUCCESS

OVERARCHING PUBLIC POLICY QUESTION:

Should government compete against the private sector?

	TIME	COST	PROBABILITY
FLORIDA CONSTITUTION	3–5 years	$10–12M	<5%
PUBLIC RECORDS	2 years	$250k	<20%
CITY CHARTER	4–6 months	$250k	50%

QUESTION

Please review with us the rationale for each of the several preconditions listed in the invitation to negotiate a sale or restructuring of the utility. What is the likelihood that these preconditions can be satisfied?

Please refer to the process timeline on page 66 of this presentation for additional information.

QUESTION

Please review the approvals from the city and the electorate necessary to proceed with a sale.

Our Board of Directors will review our final findings and recommendations. The tentative date for that review is March of 2020. After review, the Board will have the opportunity to vote on any recommendations presented. If a recommendation is selected by the Board, it will be sent to the City for approval.

In the event that City Council approves the recommendation sent to them by the Board the public will have the opportunity to vote on the Board and City Council approved recommendation. We anticipate a public referendum to take place 2020.

Please refer to the process timeline on page 70 of this presentation for additional information.

QUESTION

Please describe the projected impacts of JEA's proposals on the city's finances. Also, please provide insights into whether JEA expect the city to support its bid to remake the utility.

It is important to first note that a minimum requirement for any selected recapitalization event is that a $3 billion cash payment would be made to the city.

Mayor Lenny Curry has been quoted by various media reports since news of JEA's recapitalization investigation. Per The Jacksonville Daily Record, "[Mayor] Curry wants to use the money to eliminate $1.1 billion in general and enterprise debt and $1.1 billion in Better Jacksonville Plan debt. The mayor said Thursday that eliminating the debt would free up $232 million in annual debt service payments and "more than replace" JEA's annual contribution to the city — projected at $118 million in fiscal year 2019-20. Curry said the remaining $800 million could be "thrown into a lockbox" with interest becoming another revenue source for the city."

QUESTION

What percent of each of the operating budget is the utility devoting to the restructuring efforts, the MEAG litigation and negotiations with the city relating to transfer payments?

Year-to-date, JEA has realized actuals in the amount of $1,053,000 in relation to restructuring and strategic planning efforts (McKinsey Consulting). This is approximately 0.06% of total appropriations across all systems for FY2019. Total appropriations for FY2019 (as adopted June 19,2018) total $1.82B.

For FY2020, JEA has budgeted $3,000,000 for corporate transformation and strategy consulting services. This is approximately 0.17% of total appropriations across all systems for FY2020. Total appropriations for FY2020 (as adopted June 25, 2019) total $1.75B

Year-to-date, JEA has realized actuals in the amount of $4,860,866 in relation to MEAG litigation and negotiations. This is approximately 0.27% of total appropriations across all systems for FY2019. Total appropriations for FY2019 (as adopted June 19,2018) total $1.82B.

For FY2020, JEA has budgeted $10,000,000 for MEAG litigation and negotiation. This is approximately 0.57% of total appropriations across all systems for FY2020. Total appropriations for FY2020 (as adopted June 25, 2019) total $1.75B

QUESTION

Will JEA renew its transfer payments to the city in 2023 if the utility is not sold?

If a recapitalization event does not occur, JEA will pursue Scenario 2 as a strategic alternative. Under Scenario 2, the Water System would and could continue on with a city contribution payment. For the Energy System, one of two options would be pursued: 1. a 26% rate increase with a continued city contribution payment or 2. a 13% rate increase with no city contribution payment past 2023.

Please refer to page 50 and 52 in this presentation for additional information.

QUESTION

Please discuss the effects of a sale on utility franchise fees and service taxes.

Per the February 2019 PFM Report, “As a municipal utility, JEA does not pay property taxes on its land and assets; as an alternative JEA pays an annual contribution in lieu of taxes. Should a private entity take the place of JEA, the taxable assessed value of property in Duval County could increase by approximately 10% (the addition of ~$5bn net capital assets on the City’s ~$50bn taxable base). Based on current millage rates, this increase in assessed value will equate to approximately $100 million of additional property taxes receipts, of which roughly $60 million would go the City of Jacksonville General Fund. Most of the remainder would go toward funding public schools.”

Per the February 2019 PFM Report, “JEA’s pays a 3% Franchise Fee. Many municipal utilities do not pay a franchise fee. It is more commonly assessed on investor-owned utilities, and in amounts up to 6%. The City could establish the new franchise fee at a level that is designed to preserve revenue to the City, and avoid having the franchise fee serve as a driver of higher rates.” Assuming a 6% franchise fee, the City could receive an additional ~$39 million per year for a total franchise fee of ~$78 million annually.

2019

Building Community®

RATING AGENCY UPDATE