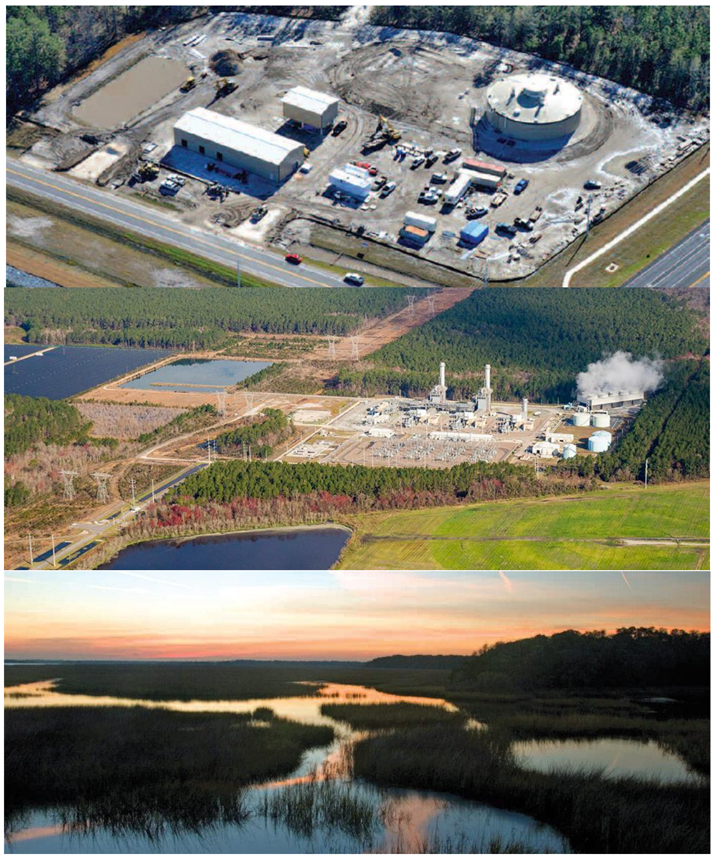
RESPONSE TO INVITATION TO NEGOTIATE
JACKSONVILLE ELECTRIC AUTHORITY
ITN #127-19 FOR STRATEGIC ALTERNATIVES



October 7, 2019

Respondents:

American Public Infrastructure

ARGO INFRASTRUCTURE PARTNERS

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1. COVER LETTER

April Green
Board of Directors Chair
Jacksonville Electric Authority
21 West Church Street
Customer Center
1st Floor, Room 202
Jacksonville, FL 32202 USA

Dear Mrs. Green,

American Public Infrastructure ("***API***") and Argo Infrastructure Partners ("***Argo***" or, together with API, "***we***", "***our***" or "***us***") are pleased to jointly submit this proposal as a consortium in response to the Invitation to Negotiate ("***ITN***") #127-19 for Strategic Alternatives for the electric, water, wastewater and district energy systems (the "***System***" or "***Project***") of the Jacksonville Electric Authority ("***JEA***") and the City of Jacksonville ("***City***" or, together with Client, singularly or collectively, "***Clients***").

Pursuant to your request, please find the following information on API as prime Vendor:

1. For any questions or clarifications please do not hesitate to contact Rade Ray Kljajic, Managing Director at API by email, rkljajic@ameri-pi.com, or phone, +1-312-961-4512.
2. On behalf of API, John Miller has executed #127-19 Attachments 1 (Respondent Certification) and 2 (Conflict of Interest Certificate) as well as signed below.
3. The legal name of the company is American Public Infrastructure LLC with its principal office located at Two Chase Plaza, 20 South Clark Street, Suite 400, Chicago, IL 60603-1903.
4. API was formed as a limited liability company on March 13, 2015 by the filing of a Certificate of Formation with the Secretary of State of the State of Delaware pursuant to and in accordance with the Delaware Limited Liability Company Act, as amended from time to time. API is primarily engaged in financial services specifically targeting asset management activities.
5. Federal Employer Identification Number: 47-3740037

We stand ready to transparently negotiate with JEA and would look forward to discussing our submission in further detail at your convenience. Please do not hesitate to let us know if we can clarify any aspect of our proposal.

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John D. Miller

2. EXECUTIVE SUMMARY

American Public Infrastructure ("***API***") and Argo Infrastructure Partners ("***Argo***") are pleased to have the opportunity to submit this proposal to JEA and the City of Jacksonville that we believe demonstrates a path to a new and transformational ownership model and a successful, long-term partnership with the City, JEA's employees and the growing community of northeast Florida. The API-Argo proposal retains and supports JEA's core mission of service to its customers and maintains its proven management team and experienced workforce, while transitioning JEA's business to a new ownership model (the "***model***") owned by U.S. public pension funds and state sovereign wealth funds (collectively, "Public Plans") – thus, preserving a core element of JEA's decades-long success: *"public stewardship of public assets for public benefit"*. Our proposal ensures that JEA remains a public asset, maintaining its access to attractive financing and avoiding the potential value destruction associated with privatization – we have estimated that losing JEA's preferential tax status represents over $1 billion of lost value to JEA's stakeholders.

Compared to traditional "privatization" structures, our proposal can unlock significant operational and financial value for all JEA stakeholders:

- Higher upfront payment to the City (at least ***$1 billion*** in incremental total value compared to privatization);
- Lower rates to consumers (at least ***15% lower*** than privatization);
- Greater investment in JEA's system and thus higher reliability for the households and businesses of northeast Florida; and
- Maintaining JEA as an independent electric and water utility company, headquartered and operated in Jacksonville, Florida.

Coupling Argo's depth of experience in managing essential utility infrastructure businesses with API's expertise in creating efficient and innovative public sector financial structures, we believe our proposal demonstrates better value than traditional "privatization" structures and provides the City with an optimal long-term partner in operating JEA as an independent northeast Florida utility. Both Argo and API have long experience in working hand-in-hand with communities across the U.S. in building, operating, and financing critical infrastructure assets:

- Argo Infrastructure Partners is an independent asset manager focused on infrastructure investments. As a steward of essential assets, we understand the critical role of municipal utility companies in linking together their communities. Across Argo's managed portfolio of U.S. equity infrastructure assets, we provide electric, water and wastewater services to over 615,000 utility customers, manage 2 gigawatts of power generation, and operate 1 gigawatt of electricity transmission and energy storage capacity. Argo's investors include some of the largest public pension plans in the world.
- The American Public Infrastructure team is a fusion of public finance, asset management, and public pension plan experts, who have together developed an innovative governance

and tax model to address the many challenges facing state and local governments, including their municipal utilities and pension plans. Capitalizing on their financing experience spanning several decades, API's professionals understand the challenges and opportunities of working on complex projects as contemplated by the ITN and have demonstrated experience in doing so. API's collaboration with public pension plans, representing some $1 trillion of assets under management, offers strong, long-term partners for JEA and the City.

Together with JEA management, API and Argo will transform JEA into a more dynamic utility, while meeting or exceeding all of the requirements outlined in the ITN while providing a broader set of services and products and expanding its customer universe both regionally and nationally. We propose to do so while maintaining JEA as an independent, local utility business, headquartered in Jacksonville and with a focus on northeast Florida. With our model of ownership by U.S. public pension funds and state sovereign wealth funds (collectively, "Public Plans"), JEA will continue to be owned by the public, preserving financing benefits that have been reserved by law and regulation for governmental entities created to serve the public.

As Environmental, Social and Governance (ESG) considerations are increasingly crucial to Public Plan owners and are an integral part of Argo's investment and asset management process, our proposal commits to fully support JEA and the City's sustainability initiatives, renewable energy goals and maintenance of an equitable workforce. As demonstrated below by the commitment of our existing portfolio companies to their local communities, our proposal further seeks to foster a relationship with the Jacksonville community and to support local initiatives whenever possible. Our proposal will also enable JEA's management to continue its track record of superior customer service as the business is positioned to meet the challenges of becoming a utility of the future. Our proposal will also result in enhanced financial stability by accessing long-duration capital able to fully support the growth investments of JEA.

We believe our proposal can achieve and exceed all of the requirements included in the ITN at the most competitive lifecycle cost to customers. We believe that our extensive history of successful ownership and operation of electric and water utility assets and experience structuring efficient, innovative and transparent public-private partnerships are demonstrative of our ability to deliver maximum customer, community, environmental and financial value over the long term for JEA and the City. We look forward to discussing with you our history of delivering results to communities across the U.S. and our ability to create significant value for the future of JEA, its customers, and the citizens of Jacksonville for generations to come.

3. STATEMENT AND INTEREST OF QUALIFICATIONS

JEA has been a highly efficient and cost-effective provider of water and power for decades. While able to charge attractive and competitive rates, it has nevertheless been able to generate significant free cash flow from operations. JEA also serves a growing and important economic service territory. Consequently, JEA is a valuable asset, both to its current owner and customers and to other utilities seeking growth to help manage the pressures of changing customer demand.

Large operating utilities are not the only investors that see strategic value in JEA. Financial investors such as private equity investors likewise see an attractive investment opportunity. The API - Argo model proposed below is a third alternative that meets all of the requirements of JEA and the City, while delivering the most competitive lifecycle cost to customers. We propose to acquire JEA in its entirety (both the Electric System and Water and Wastewater Systems) and not to split up or sell units of the company without the expressed desire of JEA management and the City of Jacksonville. Moreover, we intend to retain the management team at JEA and to preserve the strong and talented workforce that has been assembled over many years. Accordingly, questions of operational history and financial strength are best reflected in an assessment of the current JEA organization with the added benefit of capitalization resources provided by Public Plans.

U.S. Public Plans seek to invest in long-lived, stable infrastructure investments; however, in the U.S., states and municipalities are the predominate owners of core infrastructure which they finance with tax-exempt debt under very favorable terms. Many of these governments face growing financial challenges – infrastructure under investment, unfunded pension liabilities, and budget imbalances – many are *"asset rich, cash poor."* Key to our model and proposal to JEA is to marry the investment goals of Public Plans with the need to address these growing municipal government challenges, thereby introducing an *"asset in-kind contributions"* as a cost effective and well aligned strategy for two natural partners – municipal pension fund sponsors and Public Plans. We have a proven ability to access and manage Public Plan capital through a wide arc of public pension funds, potentially including those of the City, with the appropriate long-duration investment horizon, pricing and structure that aligns fully with the Public Plan ownership model and will enable the successful management of JEA going forward.

We believe that the starting point in evaluating choices should be determining which new ownership structure that meets the threshold criteria can be implemented at the lowest possible lifecycle cost. In other words, JEA must determine which change in ownership has the least transactional friction such that the inherent value of JEA can be allocated fairly among the current owner, customers and the proposed Public Plan investors. In our opinion, it is of utmost importance to undertake a comprehensive value-for-money approach in assessing potential options for the implementation of the new management approach for the JEA system. This value assessment should consider all-in lifecycle costs for managing the System operations over a long-term time horizon. Conducting a robust value-for-money analysis concurrent with the procurement process, where proposals for multiple delivery methods are evaluated, will ensure that the Clients transparently demonstrate to all System stakeholders that the cost of service of any preferred implementation option translates into the most competitive lifecycle cost possible and therefore the most competitive rate structure for the 466,000 electric, 359,000 water and 270,000 wastewater customers of JEA. As an example of this analysis, please consider the publicly available Value-for-Money analysis completed for the City of Saint John, New Brunswick's Safe Clean Drinking Water Project.[1]

Ownership by Public Plans allows for the existing JEA tax-exempt debt to remain outstanding. This lowers funding needs and avoids the cost of defeasance. Public Plans are also seeking comparatively low risk, long-term infrastructure investments and require a return commensurate with this risk profile. Together, this funding strategy creates a low-cost capital structure for a full transfer away from pure municipal ownership.

The best alternative arising from this ITN process must consider not only the upfront payments to the current stakeholders but also the quality and cost of water and power going forward. Any provider will confront the challenges that JEA has identified in the traditional business case. So the question is: who is best situated by virtue of experience and vision to create the most effective new utility to service the Jacksonville community?

JEA management has outlined a compelling case for transitioning JEA from a traditional municipally owned authority to a new energy utility of the future. The strategy is not without risk, but it looks with eyes wide open at the disruptive changes confronting the enterprise and posits a method of harnessing the power of those changes to improve the customer experience such that the business prospers in spite those changes. Consequently, as we believe in this vision, we are willing to enable JEA management to operate the business on behalf of the Public Plan investors with a true alignment of interests.

It is of utmost importance that the negotiation phase of this process is thorough and transparent as we are proposing a unique ownership model which can allow JEA the operating flexibility to implement its strategy for the utility of the future. JEA has substantial value but the City and JEA have embraced a commitment to several important stakeholder groups, including employees, customers, the community and the environment in addition to the City and JEA itself. The right balance of value allocated to each group will be a defining characteristic of this process.

Therefore, you should think of us as a facilitator to help implement the new plan for the future. We offer a model which achieves the operational freedom demanded in the JEA strategy and fund the transformation of the organization at a comparatively low lifecycle cost. We believe that

[1] https://www.saintjohn.ca/site/media/SaintJohn/SCDWP%20VFM%20v4%201apr16.pdf

we would create significant value by implementing our new ownership model and would be the ideal partner to both the new JEA and the customers in the broader Jacksonville community.

4. ORGANIZATIONAL OVERVIEW

- **Financial Advisor**

API, incorporated in Delaware, was founded to create a new infrastructure investment model for U.S. Public Plans to invest in public infrastructure. These plans are exempt from federal taxation, and as investors in public infrastructure, they may qualify as government instrumentalities eligible for tax-exempt debt financing. In addition to the tax advantages offered by API's innovative structure, there are equally important governance and execution aspects that can enhance the transfer of government-owned, public assets, e.g., toll roads, airports, municipal utilities, telecommunication assets, public facilities, etc.

API's team is a fusion of public finance, asset management, and Public Plan experts. The principals of API have collectively financed over $80 billion in municipal debt and $5 billion of enterprise value for P3s. Key members of our utility team are Holly Koeppel, who has significant experience leading the utility operations and as the former CFO of AEP and Managing Partner of Citigroup's infrastructure fund and John Miller, the Former Head of the Citigroup Global Markets Public Power Group. Please see our firm biographies included in Attachment 3.

Pursuant to the ITN please find the following description of our business and organization including:

1. **Organizational Structure**
    - API is structured as a LLC in Delaware
2. **Operations Details**
    - See 7 below
3. **Financial Details**
    - See 7 below
4. **Number of Current Electric and Water Customers**
    - See 7 below
5. **Existence of Unions**
    - See 7 below
6. **Economic Development Activities**
    - See 7 below
7. **Other Relevant Information**
    - Privatizing existing public assets is often politically challenging, and that is especially true in the case of public power assets and municipal water and wastewater utilities. Three highly charged obstacles are:

- **Cost of Capital** – Shifting from tax-exempt borrowings that are low cost with very attractive financing terms, including 40-year amortizing debt with 10-year par calls, to higher cost debt with less attractive terms
- **Governance** – Loss of control of prized public assets is a high hurdle to overcome and there are opponents across the political spectrum; however, such opposition is generally muted with regard to Public Plan ownership and stewardship, especially where stakeholder concerns are carefully and thoroughly incorporated in the overall plan
- **Execution** – Assets transfers to Public Plans are effectively government-to-government transfers and may include *"asset in-kind contributions"* (AIKs), whereby a municipality can contribute an infrastructure asset of value to its pension fund to reduce unfunded pension liabilities – API, working with pension counsel has developed strict protocols to fully address the "prohibited transaction" rule under Section 503(b) of the Tax Code

- API has forged a strong collaboration with more than a dozen leading Public Plans that invest in infrastructure and these plans have a strong desire to take a more active role in acquiring U.S. public infrastructure, particularly core assets like public power and municipal water and sewer utilities. This collaborative group represents some $1 trillion of assets under management and these plans are active infrastructure investors.
- Because of the tax advantages of the government model as well as the public concerns surrounding loss of control, prized assets like JEA are rarely, if ever, transferred. But these are the very assets that address many of the infrastructure investment needs of U.S. Public Plans:
  - Extends asset life portfolio to match long duration of pension liabilities
  - Reduced risk due to essentiality of utility services in a defined service area
  - No real sovereign risk
  - Earn predictable returns consistent with low volatility real assets
  - No currency risk
  - Provide attractive inflation protection
  - Low correlated investment returns relative to more volatile capital market
  - Can enhance overall portfolio performance and stability
  - Commitment to energy and water sustainability is key to achieving ESG goals

- **Asset Manager:**

1. Organizational Structure:

Argo Infrastructure Partners is an independent infrastructure investment firm. Our sole focus is on the core infrastructure sector with an emphasis on utilities, power generation, energy storage and water. Argo's principals comprise a highly experienced team with a substantial track record in electric utility acquisitions and operations. The breadth of our team's experiences ranges from public company take-private transactions to an array of asset acquisitions and joint ventures with strategic partners. Our team members have been involved acquiring and managing many utility businesses including DLC, SourceGas, Cleco, Puget Energy, Summit Utilities, Electricity North West (ENW), Southern Water, CSCC, HTP, Path 15 Project, DLC and Michigan Electric Transmission Company.

We currently manage over $2.5bn of equity via our "collaborative" investment model, and our investors include some of the largest pension funds in the U.S. and Europe. Our managed utilities serve over 615,000 customers and include both electric and water utility businesses. In addition, our assets comprise 1 gigawatt of electricity transmission and energy storage capacity and 2 gigawatts of power generation. Argo's team of senior infrastructure investment professionals have led or managed over $35 billion in infrastructure equity investments during their careers with leading firms such as ABB, Brookfield, The Carlyle Group, ConEd, General Electric, Highstar Capital, J.P. Morgan, and Macquarie. Our investment focus is on long duration contracted and regulated assets with an emphasis on utilities. Argo has a long-term investment horizon with an operating model that targets assets and businesses that generate sustainable long-term cash flows backed by strong management teams, contracts and partners. We have earned a reputation for effectively and efficiently executing transactions as demonstrated by our completion of 11 transactions (including 2 pending regulatory approval).

2. Operations Details

Argo manages in excess of $2.5 billion in equity capital invested in North America. Our portfolio includes investments in the electric utility, power generation and water and wastewater space: (i) the Cross-Sound Cable Company ("**CSCC**"); and (ii) Hudson Transmission Partners ("**HTP**"), both vital links in the Northeast power grid transmitting 990 MW of electricity; (iii) a 200 MW natural gas-fired power plant ("**Colorado IPP**"); (iv) Duquesne Light Company ("**DLC**"), a regulated electric transmission and distribution utility in Southwestern Pennsylvania; (v) two water and wastewater concessions with the City of Bayonne, NJ ("**Bayonne Water**") and the Borough of Middletown, PA ("**Middletown Water**"); (vi) Oneta Energy Center ("**Oneta**") a 1,127 MW natural gas-fired power plant in Oklahoma (SPP), (vii) Carville Energy Center ("**Carville**") a 516 MW natural gas-fired power plant in Louisiana (MISO South) and (viii) a 120MW commercial and industrial solar portfolio ("**Pearl/Ruby Solar**"), one of the largest in the U.S.

We are intimately familiar with all aspects of utility systems, and can readily marshal the necessary internal and external resources to support JEA in achieving its growth and operational improvement targets. Our team has significant transaction experience in the electric utility and water/wastewater sectors having invested and managed over $25.5 billion in enterprise value of relevant transactions including $15.8 billion in the electric utility industry and over $9.7 billion in the water sector. We have directly invested over $1.1 billion of equity in the electric utility sector and $300 million of equity in the water sector.

3. **Financial Details | Financial Stability of Utility Portfolio Companies**
   - **DLC:**
     - **Senior Debt:** rated A3 (Moody's) / BBB (S&P)
     - **Holdings Debt:** debt rated Baa3 (Moody's) / BBB (S&P)
   - **CSC:** achieved Green Evaluation of E1, first infrastructure project evaluated
   - **Bayonne Water:** Bayonne's success was reflected in Moody's upgrading the system's credit to a rating of A3 from Baa1 within 3 years due to the stability of the solution and upfront payment provided.

4. **Number of Electric and Water Customers:**
   - Our electric, water and wastewater utilities currently serve over 615,000 customers
   - Electric Utility
     - **DLC:** 600,000 customers in Allegheny and Beaver counties, PA
     - **CSC:** 1 customer (Long Island Power Authority); responsible at times for over 6% of load on the system.
     - **HTP:** 1 customer (New York Power Authority); vital link to West side of NYC from PJM grid
   - Water and Wastewater
     - **Bayonne Water:** 12,000 water and wastewater customers
     - **Middletown Water:** 2,700 water and wastewater customers

5. **Existence of Unions**
   - **DLC:** Successful Collective Bargaining Agreement reached in September 2016 with International Brotherhood of Electrical Workers Local 29 Pittsburgh, PA and a mutually beneficial agreement is expected in October 2019. The union relationship is constructive and no issues have occurred since Argo's investment in 2017 and assumed Board role.
   - **CSC:** no unionized employees
   - **HTP:** Siemens operational personnel are unionized with the International Union of Operating Engineers (Local 68) and the relationship is constructive. The employees successfully operate multiple assets (HTP and another asset Neptune) and in multiple locations (Sayreville, NJ; Ridgefield Park, NJ; Long Island).
   - **Bayonne Water:** no unionized employees
   - **Middletown Water:** no unionized employees

6. **Economic Development Activities**
   - Please see Section 6.3 below

7. **Other Relevant Information**
    - **Personnel:** Please see Biographies included in Attachment 4
    - **ESG:** ESG considerations are integral part of Argo's investment selection and screening process, please see Section 6.6 for more details
    - **Regulatory Approvals:** Argo has a demonstrated ability to successfully acquire, manage and operate regulated utility businesses in the U.S. We have previously filed for, and received in a timely manner, all federal and state regulatory approvals in connection with our HTP, CSCC, Colorado IPP, DLC and Peal\Ruby investments. As an experienced owner of regulated assets, Argo understands the ongoing relationship with regulators as well as the need to structure a transaction in a manner that provides appropriate assurances to regulators. For example, Argo successfully completed the acquisition of CSCC in August 2015, a process that was closed in just over five months despite requiring four major regulatory approvals.
    - **References**
        - **Bayonne, New Jersey**
            - **Agency Name:** Bayonne, New Jersey
            - **Contact Person:** Tim Boyle
            - **Title:** Executive Director of Department of Public Works and City Representative to Bayonne Water JV Operating Committee
            - **Address:** City of Bayonne, 630 Avenue C, Bayonne, NJ 07002
            - **Telephone:** 201.858.6070
            - **Type:** Municipality
            - **Dates of Service:** June 2017 – Present

Additional Expertise. We have experience engaging the most competitive and qualified technical partners and subcontractors for multiple North American infrastructure systems. We recognize that the needs of the System will require additional specialized qualifications in order to comply with the performance standards to be specified in an agreement to be negotiated with the Clients. Our firms have a leading network of engineering, procurement and construction firms that we have worked with to manage multiple infrastructure projects in North America. In our experience, it is most effect to engage these third-party resources once the Project scope is fully defined so that we can procure the most competitive and cost-effective partner to meet every performance standard. This approach, combined with the integration of our firms' collective offerings, will translate into the most competitive cost of service for the Client as well as ensure the lowest lifecycle cost for the all stakeholders of the System.

5. PROCESS GOALS

Statement on Meeting the Threshold Requirements.

Our solution will achieve and exceed the following 9 requirements:

- ✓ Generate more than $3 billion in value for the City
- ✓ Make $400 million of Rebate Payments to Customers
- ✓ Preserve base rate stability for 5 years and possibly beyond, subject to achieving the capital structure outlined in our proposal
- ✓ Commitment to develop and provide renewable power to City and Duval County Public School System, though further diligence required to confirm
- ✓ Commitment to develop 40 MGD of alternative water capacity, though further diligence required to confirm
- ✓ Accelerate vesting in pension plans and assume such new pension obligations
- ✓ Provide employees with a 3-year assurance of employment at their current level of compensation and benefits
- ✓ Pay Retention Payments equivalent to one-year base compensation, subject to collective bargaining
- ✓ Commitment to new headquarters in downtown Jacksonville

Under our proposed management approach for JEA, the System will have significant access to debt and equity capital markets, including both investment grade tax-exempt debt and appropriately priced long-duration Public Plan capital allowing it to fund capital expenditures to reach compliance with all threshold requirements noted above, pay debt service and provide stable base rates over the long-term.

6. RESPONSES TO EVALUATION CRITERIA

6.1 PROPOSAL TO ACHIEVE JEA'S GOALS

Strong Legacy of Public Power. We believe that transforming JEA from a strong, reliable municipally owned utility to a consumer services company that is the first-call for a whole host of customer needs is indeed a unique, once-in-a-generation opportunity. It is that rare chance to realign the ever-changing demands of the marketplace with a set of organizational attributes specifically designed to best meet those needs. Moreover, JEA is well positioned to be the preferred provider of highly skilled services to municipal utilities and others given the great disruption in public power and the growing need for water and sewer utility consolidation across America.

JEA has historically been a highly competitive, low cost provider of water and electricity. It also has built one of the Nation's best combined utilities. JEA's strong reputation and creditworthiness are true testaments to its success. Accordingly, JEA was able to access tax-exempt debt during an era of rapidly growing demand that required an ever-increasing investment in physical assets. The combination of low cost capital in a period of comparatively high interest rates, exemption from Federal income and other taxes, and sound business practices provided a solid foundation for building highly efficient operating utilities capable of producing very low customer rates.

New Realities. JEA has come to realize that reliable load growth is no longer a realistic predicate upon which to build a "future-proof" business. Rather, all evidence suggests that the decade long trend of greater energy efficiency, which has led to lower customer utilization, will continue if not accelerate. So despite an increasing number of customers, lower usage per account will decrease aggregate demand, based on current technology even without regard to the recent pattern of dramatic improvements in efficiency. Consequently, JEA's traditional business, as currently constituted, will continue to shrink.

As in so many businesses, the generational disruption of the utility industry is led by an exploding array of technological and societal changes. Renewables a decade ago were a fanciful ecological alternative the benefits from which were only available at multiples of the cost of fossil generation. Today, in many locales and applications, renewables are the low-cost source of energy. Consequently, cleaner energy is available at a lower cost and without the significant risks of development, construction or operations.

Likewise, the utility customer experience is rapidly changing – once again driven by choice and options for control. Smart meters can help control usage and individual customers can often now customize the source and type of energy they buy. Energy consumers have become customers and not simply captive accounts. Pure municipal ownership, is a potential impediment to growth in this environment.

Real Opportunities. JEA with its infrastructure and core customers is an ideal platform to unlock growth and new revenue sources from both the water and electric sides of the business. A history of exceptional operations combined with thoughtful and forward-looking management, puts JEA at the forefront of potential utility companies looking to excel in this new market environment. JEA clearly recognizes the coming unbundling of utility services and has outlined a detailed strategy to accelerate the development of innovative products and services for both front-of-the-meter and behind-the-meter. This tailoring of services to customer needs is what a good company does, but it conflicts with the more regimented service model generally associated with municipal utilities.

JEA has developed a strategy to offset its shrinking native load with a broad array of opportunities to capture the market potential created by the disruptive trends unsettling the traditional utility business. This may include:

- New products that touch and improve customers' lives
- More cost effective and reliable means of generating electricity and meeting the communities water needs
- Opportunities to partner for more efficient operation
- Ways to aggregate load to better utilize the expertise and scale of JEA
- Stronger financial performance bolstered by generating new fee for service income from municipal utilities needing JEA's experienced management and lower unit costs created by leveraging JEA's talented workforce in Jacksonville

All of these elements create a compelling plan to guide the growth of JEA. Ownership by the City of Jacksonville and the attendant limitations inherent in public oversight create, however, and almost unassailable speed bump blocking execution.

Avoiding Value Destruction. Public ownership has been fundamental to JEA's economic success, and when change is needed as it is now, it is important to focus on "what is broken and save what is great." JEA needs to become a more dynamic, customer-oriented enterprise with an unbounded reach for growth to generate greater earnings and to avoid job cuts and rate hikes. However, JEA should seek to preserve the key benefits of its public ownership model, particularly the strong public stewardship dedicated to protecting public benefits and its preferential tax status.

Shifting to a pure private model can result in significant value destruction in the form of wasted dollars on bond defeasance costs, swap termination payments, and Federal income and other taxes. Additionally, customers may experience higher rate requirements if JEA discards its "cost of service" rate setting regime for a pure rate base model with a higher average cost of capital overseen by the utility commission.

Alternatively, by shifting from municipal to U.S. Public Plan ownership, JEA can transform itself into a more dynamic utility, providing a broader set of services and products and expanding its customer universe both regionally and nationally. And, with JEA continuing to be owned by the public, it preserves the tax benefits reserved in the law for those governmental entities created to serve the public. We believe our proposed model will conservatively unlock over $1 billion of additional value for the Clients.

Moreover, under Public Plan ownership, a combined utility, like JEA, can actually capitalize on its service model to enhance the multi-utility platform and its earnings potential. And being "*capitalized*" with long-duration capital from long term, Public Plan investors, does not require JEA to split up its combined utility platform into product specific industries, i.e., electricity, gas, water and sewer, and district energy.

Competing Priorities. The impediments of pure governmental ownership are real. But are they so irreconcilable with JEA's proposed strategic plan that only a privatization works? And, other than the financial payments, which must meet the threshold criteria, does a privatization best meet the four corporate measures that JEA has set out to judge value?

JEA is to be commended for publicly acknowledging the difficult task of balancing the important but often competing goals of providing low cost service to customers, protecting the environment, serving the community all the while maintaining a sound financial condition. A careful reading of JEA's strategic plan reveals how management has honored its commitment to each of these varying constituencies. Also, the ITN seeks new and innovative approaches for "fixing what is broken, and saving what is great." We propose to do just that.

Why Public Plan Ownership? We propose to transform the City's municipal utilities into more dynamic and innovative business enterprises, while retaining strong public stewardship by Public Plan owners for the benefit of customers and the public. Like other such investments by Public Plans, the new JEA will be managed by our consortium's professionals, but unlike other acquisitions, we have determined that JEA's current management team is best suited to guide JEA into the future and transforming its utility operations into even higher performance driven enterprises.

Our proposal has the ability to:

- Deliver a new infrastructure model that preserves public governance
- Capitalize on the powerful tax benefits reserved for public assets and bestowed upon those that serve the public interest
- Transform public assets into high performance-driven enterprises

As a result, one of the central elements of our proposal is that the existing JEA management be retained to implement the plan they have outlined. This is important because we believe that the new JEA board will be motivated to incentivize success.

JEA is an ideal investment for U.S. Public Plans, as such institutional investors across the globe value the benefits of owning core U.S. infrastructure assets, particularly municipal utilities. Such infrastructure assets offer important investment portfolio benefits as mentioned in Section 4 on Page 9.

Commitment to energy and water sustainability is key to achieving ESG goals. This is an opportunity to create a new paradigm for U.S. public power and Public Plan investment. Just as JEA is seeking a new operating business structure, U.S. Public Plans are seeking to invest directly in American public assets in the same way as their foreign counterparts do in public asset abroad. Outside the U.S., where governments do not generally benefit from reduced funding costs on infrastructure investments and lack the very attractive financing terms provided by the U.S. municipal bond market with over $3 trillion of debt outstanding.

Our proposed model is clearly a hybrid: adopting best practices and best features from a number of different established business models. JEA has many goals in this process. All four corporate measures must be respected and honored. All of the threshold obligations protect important constituencies. But perhaps more than any other, our proposal allows JEA to be JEA – to prosper and have the opportunity to prove that the strategic plan indeed is the road to growth.

6.2 EXPERIENCE AND CUSTOMER COMMITMENT

JEA management has a superior track record of customer service as demonstrated in JEA ranking 5th in the 2018 J.D. Power Electric Utility Residential Customer Satisfaction Study in the South Region: Midsize Segment receiving a score of 737 out of 1,000. Our approach would enable JEA management to continue this unparalleled commitment to customer service and further equip management to continually ensure customer service is maintained during the transformation of JEA into a utility of the future.

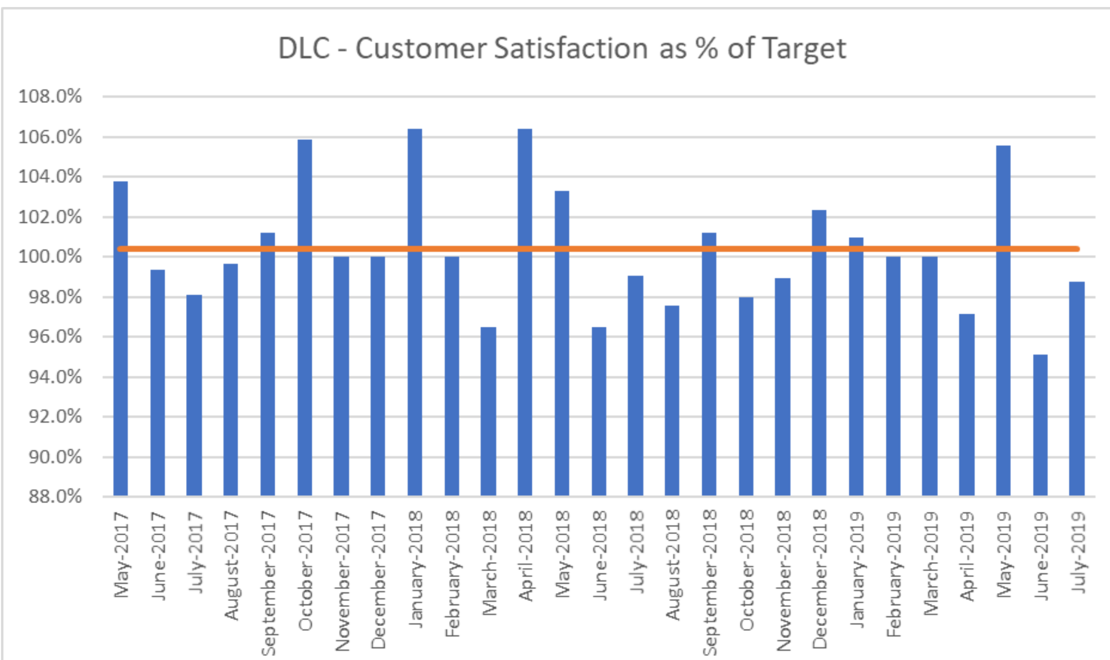
Argo's utility portfolio companies include superior customer satisfaction since our ownership and continued investment and operations support to provide improved customer service:

- **Duquesne Light Company:**
  - **Longevity of Utility Operations (Over 5 Years):** operated privately over 12 years, since 2007
  - **Rate Stability**: Duquesne Light Company rates for customers are determined by filings made at the Pennsylvania Public Utility Commission (PUC). The entire filing is called a tariff. The tariff contains transparent rules and regulations as well as the schedule of rates and riders for electric service as approved by the Pennsylvania PUC. A history of our rate filings and tariffs is available on the company's website.[2] As a private utility, we have the ability to take a long horizon on rate adjustments to earn a justified regulated return on equity over the long-term not impacted by daily stock price movements or a short-term exit window.
  - **Corporate Culture:** DLC has a customer-centric service culture, while focusing on diversity and inclusion. DLC's culture revolves around five core values:
    - Energized to shape the future;
    - Bold in our thinking and exploration of new possibilities;
    - Collaborative in our approach to all challenges;
    - Responsible in our commitment to safety, management of our assets and finances, and interaction with others;
    - Selfless in serving the community, both on the job and through volunteerism.
  - **Reliability and Disruption Minimization:** Providing safe and reliable power to all customers is a core value at DLC as is making it easier to do business with the

[2] https://www.duquesnelight.com/service-reliability/service-map/rates/tariff-resources/tariff-history

company. DLC accomplishes this through several key priorities such as creating a customer-centric service culture; embracing customer feedback to become a trusted energy partner, and delivering on the products and services that the customer truly wants and needs.

- **Customer Service, Relations and Outreach:**
  - DLC received the J.D. Power award ranking it ***highest*** in the East Midsize segment of the J.D. Power 2018 Electric Utility Business Customer Satisfaction Study. In addition, the company achieved the highest score in four study factors including Billing & Payment, Power Quality & Reliability, Communications and Customer Service. According to the 2018 Electric Utility Business Customer Satisfaction Study, electric customers gave DLC a Customer Satisfaction Index score of 785 on a 1,000-point scale.
  - Since acquiring DQE in May 2017, the company has achieved 100.4% on average of the customer satisfaction target (as of July 2019), see the graph below:



- **Bayonne Water:**
  1. **Longevity of Service (Over 5 Years):** over 6 years since concession inception in 2012
  2. **Rate Stability:** Bayonne Water has transparent framework included in the concession agreement with the City to establish a rate path over the term of the concession based on demographic metrics and pre-agreed adjustments.
  3. **Corporate Culture:** Bayonne's operator Suez maintains a corporate culture embodied by the Bayonne operations employees as they are part of a global organization

focused on corporate social responsibility (including a commitment to improve and maintain the environment), giving back to communities and providing competitive benefits.

4. **Reliability and Disruption Minimization:** Since implementing the Automatic Metering Infrastructure ("***AMI***") system in Bayonne water meters are now read electronically, in real-time, which allows leaks to be detected in homes or businesses quickly and helps to protect budgets.
    - Data and consumption reports enable dedicated customer service team to show and tell homeowners exactly how much water they're using and automatically detect if their usage appears to be abnormal.
    - With real-time data from the new advanced meters, are able to detect water leaks or anomalies and quickly inform the customer of the need to take action to prevent a bill spike or worse — property damage that may result from a broken pipe.
5. **Customer Service, Relations and Outreach:** the AMI system implementation led to improved customer service as run daily reports on abnormal consumption instead of previously waiting 90 days, the normal billing cycle. Specific customer Service Improvements include:
    - 11,000 smart meters installed to date covering 95% of the City's residents and businesses
    - 800 customers alerted about leaks in first few months after installation
    - Total City demand decreased 4.4%

JEA's self-assessments demonstrates a clear understanding of the importance of benchmarking and the need to strengthen the organization's culture through stronger management for performance. Under the proposed ownership model, we will work closely with JEA management to build on the work that they have already done so well including the culture of *"continuous improvement."* As important as it is to support change and improvement at JEA, it is even more important to continue to build on what JEA already does well. Conversely, as JEA embarks on its bold transformation plan, under our proposed model we will work with and support management to focus on the priorities and opportunities that are consistent with the organization's core competencies.

As JEA transforms itself, it will be important to be thoughtful and efficient – *"fix what's broken, save what's great*." We will work with management on identifying and considering partnering arrangements with established providers of new and innovative services and products with an aim of reducing risk and costs, while delivering meaningful change and choice to customers sooner.

6.3 ECONOMIC DEVELOPMENT AND BENEFITS TO JACKSONVILLE

We are deeply committed to helping JEA meet its mission to support the community of Jacksonville. This commitment runs from fostering the continued investment of time, money and expertise to help Jacksonville grow to specifically meeting the threshold criteria of guaranteeing JEA employment, paying retention bonuses, topping off pension liabilities and agreeing to keep the corporate headquarters in downtown Jacksonville.

Argo's portfolio companies contribute to the regional economies in which they operate which demonstrates our ability to follow through on our commitment to economic development in Jacksonville. These contributions, commitments and initiatives include:

- **Duquesne Light Company:**
  - Property Taxes: Paid $59.4 million in local taxes in 2018
  - Economic Development: several programs in Pittsburgh and Allegheny County to contribute to quality of life and contribute to the region's economic growth including lighting projects, economic development and community development organization, educational organizations and community services. The light project initiatives encompass the promotion of economic vitality, safety and security including successful partnerships include the architectural lighting of Penn Avenue in downtown Pittsburgh and the Roberto Clemente Bridge, safety lights installed on Smallman Street in Pittsburgh's Strip District, and the various community ball fields and recreation areas that have received grants to help install lighting.
- **Cross Sound Cable:** currently pays property taxes in Connecticut and New York
- **Hudson Transmission Partners:** currently pays property taxes in New York City and New Jersey
- **Bayonne Water**: invested over $19 million in the City since 2013
  - Upfront Payment: made a $150 million upfront payment to the City that was used to pay down $130 million in debt (over half of the City's total debt at the time) and fund initial capital expenditures for upgrades including Automatic Metering Infrastructure ("***AMI***") system
    - The commitment to guaranteeing reliable, safe, and clean drinking water in Bayonne has become imperative to attract new business and build a smart city for future generations. As the SPV (Argo and the operator Suez) continues to improve infrastructure, the city continues to grow its customer base and expand its economic development program without finding additional sources of supply.
  - Annual Concession Payment: make annual concession payments totaling $31 million over the term of the concession

- **Middletown Water:**
  - Upfront Payment: made a $43 million upfront payment to the Borough that was used to pay down debt
  - Annual Concession Payment: makes annual payments to the Borough with a total of $45m expected over the contract

The most important commitment to economic development is to avoid the trajectory or arc forecast in the JEA traditional business model. The business as usual or do-nothing case costs over 500 jobs, eliminates the economic impact of the new headquarters and most importantly diminishes or perhaps even destroys JEA's ability to provide reliable, cost effective water and power. A smaller, less resilient utility will impede growth as it becomes known that service is not only expensive but unreliable and not well constituted to meet the needs of an increasingly aware and more demanding residential and industrial customer base.

JEA has charted a strategic journey routed through a series of innovations to ensure they remain at the center of their customer's experience. This is not the path well-traveled. Rather it is a bold new course traversing the landmines of change driving the present utility business.

The traditional model was built around an environment of stability. Costs were known, growth was consistent and public power had a real (and persistent) economic advantage in how they could access and deploy capital. Low rates and predictable service was the norm.

Today the utility industry is anything but stable. JEA faces an unprecedented sea change of forces seemingly flooding the traditional model on all sides. The economics of the supply stack are changing as a result of both new technologies and differing fuel costs. Equipment technology advances are making management of electric usage more effective compounding the decline in demand produced by greater efficiencies in everything from appliances to light bulbs. Societal mandates and customer preferences are pushing for better forms of generation that have less deleterious effects on the environment. And customers are demanding a say in their service in ways ranging from the source of their energy to control over how and when it is used. The traditional business model is swamped and sinking from a lack capacity to adapt to this tsunami of change.

In contrast, JEA has developed a vision for the utility of the future. The initiative is comprehensive and bold. The strategy is built around the notion of embracing and harnessing the power of change rather than fighting it. Central to the plan is the creation of both a business and systems operation model which can capture and deliver the benefits of new technology directly to customers through a new market design. Utility-scale batteries to supplement or replace generation, electric smart charging, new sources of renewables and the creation of mini-grids capture both environmental and cost advantages from new technology. Acting as an aggregator and partnering with other utilities exploits the economies of scale. Providing new services and new billing schemes combined with new, more granular and efficient market designs to improve service and lower costs to consumers. JEA's energy utility of the future is grand in scope. It is exciting. But it is also complex and outside the bounds of the current legal framework of JEA.

Many utilities have sought to buy customers and new service territories as their way of offsetting similar loses in demand. This pattern has driven market values to very high levels, so in some ways the timing of a sale is good. But a sale also leaves the outcome to chance and trades an up-front payment for an unknown energy future. The City of Jacksonville has benefited from owing a utility dedicated to serving both the community and its customers. That legacy and continued commitment should have value.

We are dedicated and committed to retaining JEA, empowering management to create their energy utility of the future and thereby provide for the best possible electric and water service. Quality service and a clear focus on meeting the needs of customers is the best incentive for economic development. JEA needs to induce development in Jacksonville and having the best source of power, delivered reliably in the manner it is needed at the lowest cost is the only way to do that.

We can facilitate the creation of the utility of the future by:

- Protecting and maintaining JEA
- Encouraging the migration of the business to a new more responsive, client focused organization
- Maintaining the existing low cost capital structure and avoiding value destruction in the transition away from traditional municipal ownership
- Creating an unbounded enterprise to greatly expand the reach of the new JEA
- Incentivizing management and employees to achieve the goals and potential inherent in the new strategy
- Insisting that change drive an improved customer experience such that they will not only want to do business with JEA, but will see JEA as their preferred provider

By creating this utility of the future, Jacksonville's reputation for the (re)location of businesses and recognition as a global hub of innovation and commerce will grow, therefore leading to robust economic development and job creation over the long-term. We look forward to delivering direct economic development to the City through the commitments mentioned in Section 5, including but not limited to upfront value to the City and customers as well as 5 years of base rate stability that would serve to buttress the competitiveness of local businesses in the near term.

We are confident that we can deliver the lowest lifecycle cost for a new JEA free from the legal and regulatory constraints inherent in the current ownership. Low costs, including at least a 15% base rate advantage to competitors, combined with a forward-looking vision embracing change as a tool to improve and expand service is a recipe to attract customers. That set of product attributes will powerfully incent new economic development as well as reward current customers and the entire Jacksonville community for years to come. We have an unparalleled track record in raising infrastructure capital in excess of $2.5 billion, acquiring and managing utilities and advising on the financing over $85 billion in municipal and P3 transactions that uniquely positions us to partner with JEA and the City to achieve these critical economic development goals over the long-term.

6.4 EMPLOYEE RETENTION AND BENEFITS

Although the first and only responsibility of Public Plan investors is their fiduciary obligation to the beneficiaries, their focus is on making long-term, sound investments and they are not preoccupied with quarterly earnings and daily stock prices. Accordingly, Public Plan investors see an experienced and talented workforce as a core asset and nurturing the development of stronger and more dynamic teams, dedicated to a culture of continues improvement as the path to better and more stable long-term returns.

Statement about our Intention to Retain JEA Management. We believe that our approach is congruent with the retention of JEA management and would look forward to a partnership with JEA management to define a path forward. In addition, we would be open to partner with other strategic partners either from the process or outside engagement to the extent that it compliments and furthers JEA's plans (this is congruent with our ability to mobilize Additional Expertise as described in Section 4).

Argo's existing track record with managing the retention and benefits of employees is outstanding. Our operating employees in the electric utility and water utility industry include 1,530 employees out of Argo's total operating employees at all portfolio companies of nearly four thousand. As stewards of assets providing essential services to customer and communities, we understand the key role that our operating employees play in delivering these services and therefore strive to create workplace environments where employees are enabled, given opportunity for advancement and benefits are competitive and market-based.

These operating employees often possess specialized skillsets in order to deliver critical services, the mobilization of network of these unique skillsets is a key differentiator in the resources that would be brought to bear to implement the continued reliable operations of the JEA Systems after their transfer.

- **Argo | Portfolio Operational Employees**

Asset	Operating Employees
CSC	12
Colorado IPP	24
DLC	1,500
Bayonne	19
Middletown	11
Pearl\Ruby Solar	127
HTP	14
ONroute	2,188
Carville	25
Oneta	28
Total	**3,948**

We fully intend to meet the requirements of the ITN with respect to employee retention. We will:

- Provide full protection of the specified employee retirement benefits outlined in the ITN;
- Guarantee employment and compensation for three years for the employees identified by JEA;
- Pay 100% retention payments to all full-time JEA employees, as subject to collective bargaining.
- Retaining JEA employees is important to the Jacksonville community, certainly to the employees themselves, but to no one more so to us. We will, as we do on our other utilities, serve as fiduciary manager for our investors' capital, nearly all of which are Public Plans. We will foster and support JEA's talented employees.

Our intention is to assist JEA in the generational transformation from a purely, municipally owned utility to a customer focused, socially conscience, high performance-driven enterprise. We bring the ability to retain the existing tax-exempt debt and augments the new capital structure with long-duration capital from Public Plan investors. This will assure JEA the low-cost capitalization as well as lower rates for customers, all of which is fully aligned with meeting the threshold criteria set forth in the ITN. Our analysis based on publicly available information provided to date indicatively shows that we can meet all required obligations while **maintaining current rates for 5 years**, possibly longer depending on the ultimate terms of any agreement and additional information during detailed due diligence. In addition, we estimate in our analysis that the rate structure of this tax exempt entity would have base utility rates that are at least **15% lower** than a comparable privatization structure by 2030 assuming the tax-exempt transaction structure is effective in 2021. The risk profile of infrastructure investment that JEA represents allows for stable rates while meeting all the required obligations.

Our forecast of operations depends, of course, on two fundamental factors. One, retention of the JEA employees to operate the new enterprise. And two, current management's willingness and ability to create their Energy Utility of the future. To help facilitate this performance, we intend to create an incentive compensation plan which directly links total compensation to results. Executing the new JEA business strategy is essential to aligning the interests of all stakeholders and to provide the necessary level of service, of meeting the value goals of JEA, providing the needed economic engine to help the community grow and important to us and JEA – meet the realistic financial expectations set forth by JEA upon which our model is based.

Our proposal creates a new innovative new paradigm for operating a utility. The ownership model is built on well-established business principles and its tax law underpinnings have been reviewed by nationally recognized bond counsels. We intend to enable and align ourselves with JEA management to execute its plan as designed. Most importantly, the Public Plan investors are share in the risks of this new enterprise with their long-duration capital investment. The benefits of our model are:

- City of Jacksonville receives fair value and preserves public stewardship for public benefit;
- Asset transfer avoids value destructions, while supporting JEA management to grow the enterprise for the benefit of customer, citizens, employees, and investors;
- JEA management is empowered to execute their strategic plan to create a *future-proof* utility;
- Public Plans gain an opportunity to invest in a low risk, long-lived domestic infrastructure asset;
- Customer rates can be kept steady; and
- Jacksonville community gains a newly effective, highly competitive, customer focused local utility that can provide even better service and act as a beacon for new economic growth.

6.5 INNOVATION PLAN

Great Rethink. Before diving into the world of the possible and the challenges of growing your business, it is important to acknowledge that JEA management has taken the first and most important step towards "future-proofing" Jacksonville's utility business. Instead of taking an axe to its work force and significantly raising rates, it did the unthinkable, it chose to "rethink." The list of private companies that did not rethink and have gone out of business or have been acquired is exceedingly long, but in government there has always been the customers and the taxpayers to pick up the tab. So, change has generally come very slowly in the public sector despite pressing economic realities.

In this rethink, JEA has done the second most important thing – "benchmarking" its business. How do you know how well you are doing, if you have no true industry performance metrics?

Benchmarking not only enables you to assess performance, it enables you to build a culture of "continuous improvement," where taking the initiative for excellence is a habit and extraordinary performance is well reward in promotions and compensation.

So before focusing on new revenue channels, it is important to rethink every aspect of the current organization – its mission, its current products and services, its delivery systems and more. And then ask, if we were to start this business today, is this what we would be doing and how we would be doing it or is there a better way. These are hard questions for any organization, but those are the first priorities of our team. Given what JEA management has already done, we are confident that our collaboration will be robust and will greatly benefit its customers and new investors.

New Municipal Utility Partnerships. The economic and business realities confronting JEA are not unique to Jacksonville, and in many respects are not as dire as the challenges facing other communities across the Country. There is no shortage of states and municipalities struggling with declining demand, stranded assets and growing infrastructure needs. Moreover, many also are confronted by crushing unfunded pension obligations that are crowding-out resources for other programs and public investments. We believe that our proposed ownership model addresses all these challenges and creates a transparent new enterprise that the general public can trust and have confidence that this trust will not be breached.

In the U.S., public power accounts for some 60% of the electric utilities, and of the over 60,000 water and sewer utilities, more than 85% are municipal. No major public power utility has been privatized in modern history, yet change is afoot. New York transferred management control of Long Island Power Authority to PSEG, Puerto Rico is seeking contract management proposals for Puerto Rico Electric Authority and South Carolina passed legislation to take proposals for the sale or contract management of its state electric utility, Santee Cooper. Had JEA been permitted to pursue these opportunities, it would have been competitive and the revenues generated would have added to both its top line and bottom line.

As an illustration of the profile of opportunities that JEA may pursue, we note that PSEG is paid $70 million annually for their management of LIPA; if JEA were to pursue a similar approach under similar terms and conditions it would be even more beneficial. If Jacksonville transfers ownership of JEA to our Public Plans, the opportunity to partner with other public power utilities across the Country are numerous and will grow with time, the value creation of which for the Clients is immense and cannot be fully quantified today.

The case is similar for municipal water and sewer utilities. Given our decades of experience in this space, we believe there are a number of larger municipalities that would welcome discussions and possibly active collaborations with JEA. These range in size from $500 million to over $10 billion in enterprise value, and financial opportunities for JEA are most attractive and accretive over the long-term.

6.6 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We strongly support and commit to achieve JEA's renewable goals and sustainability initiatives under our proposed ownership model. It is important to note the JEA's sustainability initiatives will generate significant interest among the Public Plans as most of them are seeking ESG qualifying investments. We believe in JEA management and their ability to transform JEA into the energy utility of the future.

Our investment in this undertaking is based on the belief that the JEA strategic plan embraces the benefits of a more socially responsible and environmentally friendly resource mix. Consequently, we are pleased to commit to JEA's goals and requirement to:

- Provide 100% renewable energy to the City of Jacksonville and the Duvall County Public School system by 2030, and
- Execute its current plan to meet the future objective of delivering 40 million gallons per day of water from new, alternative sources of supply by 2035.

We expect these goals to be well within the capability of JEA.

At Argo, as stewards of assets and businesses providing essential services to customers and communities, we believe in coupling sound investment return with responsible investing. ESG risk and performance is one of the key focus areas prior to making an investment and is monitored post-acquisition at the asset level, with reporting back to relevant stakeholders on our ESG performance. In addition:

- We have been a full participant in GRESB, the global ESG benchmark for real assets, since 2015 and are also association members of the Global Infrastructure Investment Association and the Long-term Infrastructure Investors Association.
  In the 2019 GRESB ESG review, Argo's largest managed fund was ranked #1 in our Peer Group among all diversified private equity in the Americas.
- Argo has adopted the UN Global Compact's 10 principles for responsible investing. Consistent with UN's Sustainable Development Goals, all of Argo's managed assets promote access to sustainable, modern energy.
- ESG characteristics of Argo's Portfolio Companies include the following which demonstrate our ability to follow through on the ESG commitments our proposal makes:
  - **Cross Sound Cable:** 1st infrastructure investment to receive an E1 (highest) Green Evaluation from S&P due to "considerable decarbonization being achieved" in Long Island due to the existence of this transmission line
    - Cross-Sound Cable reduces CO2 emissions on Long Island by 4.5 to 5.0% per annum

        - 600 MW of wind capacity would be required to achieve the same CO2 savings as Cross-Sound Cable[3]
    - **Pearl\Ruby:** high efficiency "C&I" solar projects serving utilities, municipalities, school districts and gov't institutions
    - **Colorado IPP:** dual-turbine combined-cycle projects acts as a critical load balancing and fast starting facility in Pueblo County as intermittent solar and wind power is becoming increasingly prevalent
    - **Bayonne Water:** Public-private partnership to support investment in water infrastructure awarded partnership of the year by American Water Summit
    - **Carville & Oneta:** highly efficient combined-cycle projects contribute to the retirement of higher CO2 emitting facilities, including coal, oil and less efficient gas – reducing overall emissions in the region

In many instances – and particularly in the case of JEA – renewable power can be purchased or generated at a cost lower than that produced by historical central station hydrocarbon facilities. There is a new alignment of forces underlying much of the change in the electric utility business. The increasing awareness of the risk of global warming has led to an emerging preference of customers (and not just policy decision-makers) for renewable energy in order to be societally responsible at exactly the moment that the choice of renewable power at longer means a sacrifice or higher cost. The dramatically lower prices of (particularly solar in the case of JEA) renewables has aligned the needs of the planet with the wishes of the consumer. The energy provider of the future can – and must – pivot to this new framework for both generating energy and meeting customer needs.

JEA's strategic plan is a roadmap for managing this transition: from a high capital cost, central station, fossil burning, carbon emitting generator to a diversified, decentralized intermediary funneling renewable energy from many sources to customers looking to more directly control the type and nature of power that they use. The plan is not rooted in defending the past, but defining how the best of new technologies can capture the changes in cost to provide new and better service to customers.

JEA does have many untapped opportunities that our proposed organizational model transformation can help facilitate. Our proposal is to build a business free of both the legal and organizational constraints of the pure municipal utility of the past. To seek growth through harnessing the power of new technology and market design to provide not only a better customer experience but one that is fundamentally more environmentally conscience.

JEA has outlined a wide range of non-traditional business opportunities that fit this new business framework: (1) encouraging the development of a wider array of distributed generation, (2) accelerating fuel-switching by encouraging electrification and providing full access to public vehicle charging, (3) facilitating greater usage of smart technology to manage usage, (4) pushing

[3] Per ESAI Power LLC

creation and adoption of methods of use available digital information to more efficiently manage power demand.

JEA has outlined a broad array of strategies for use both in front-of-the-meter and behind-the-meter. These options and business alternatives have been presented as ways to reverse the trend towards lower sales and lower revenue. They do just that. But they are also rooted in reimagining how energy is made and used. In nearly every case some significant efficiency is employed. This new business approach then indirectly supports the green initiatives under the ITN. Lower costs of generation, more tailored delivery and greater efficiency in usage all support the environmental goals of JEA. And we believe that this is one of the key investment attributes that makes JEA attractive and we look forward to partnering with JEA and the City to ensure that all ESG initiatives are achieved.

6.7 COMMUNITY STEWARDSHIP

Our proposal for a new ownership model commits to JEA establishing a new headquarters and housing employees in downtown Jacksonville, while being outstanding stewards of the local community by making every effort to participate in volunteer activities and make charitable contributions whenever possible. We would also look to establish an ongoing community relationship and storm responsiveness plan in recognition of our critical role in the local community by providing essential services that are relied upon to sustain everyday life.

As a steward of electric and water utilities, Argo's portfolio companies have significant experience conducting volunteer activities, charitable contributions and storm responsiveness plans that succinctly demonstrate our track record and commitment to be outstanding stewards of the Jacksonville community. Specific activities at our utility portfolio companies include:

- **Duquesne Light Company**
  - **Volunteer activities:** Employees have volunteered more than 3,000 hours of community service in 2017.
  - **Charitable contributions:** In 2017, the company donated nearly $1.7 million to 40 organizations across Allegheny and Beaver counties. Duquesne Light awarded more than $300,000 in Educational Improvement Tax Credit Grants to nonprofit community organizations that provide scholarships or help fund innovative school programs.
  - **Storm responsiveness plans:** DLC has a comprehensive Storm Plan that allows it to quickly mobilize personnel and equipment to respond to storm damage. As soon as it becomes evident that a major storm is approaching, the following actions start immediately:[4]
    - DLC's Storm Team is activated

[4] Link to DLC's Storm Plan: https://www.duquesnelight.com/outages-safety/storm-plan

    - Administrative and field personnel are alerted to begin planning for crew reassignments and additional support staff
    - Supplies are checked and additional materials are secured

- **Bayonne Water:**
  - **Volunteer activities:** Each year, you'll find the employees of the SPV's operator SUEZ participating in Earth Day, the Friends of Special Children's Annual Picnic, the Chamber of Commerce Food Drive and the Mayor's Concert Series. SUEZ proudly supports WomenRising of Hudson County, a non-profit that provides supportive counseling, crisis intervention, workforce development and job placement, shelter for victims of domestic violence, outreach, advocacy and referrals.
  - **Charitable contributions:** The project is a committed stakeholder in Bayonne's continued development. SPV through its payment takes pride in its community involvement, sponsoring the Bayonne Bike Program, youth soccer and baseball teams through the Police Athletic League (PAL) and volunteering in community projects.

Community is one of the core measures by which JEA benchmarks value. JEA's contribution to the Jacksonville community is one of the key foundations of value upon which all of the stakeholders agree. We would like to ensure that JEA continues to get high scores on this critical indicium of performance.

First, our proposal is to maintain JEA as an operating entity placed squarely on the path to executing the strategic plan outlined by the current management to the Board of Directors fashioned as the non-traditional approach. We believe that the new proposed organizational structure will facilitate the transition to the new Energy Utility that will among other things maintain current employment levels, allow for development of the new center city headquarters and preserve the capacity to provide the essential services upon which the community depends.

Second, the current JEA has a long history of community service – both on behalf of the employees and the utility itself. Many hours have been volunteered for community-based activities and JEA has a consistent history of charitable giving, directed principally at neighborhood community endeavors.

Third, low rates and high-quality service have acted as a powerful lure to incent economic development. Management's plan to improve service, expand product choices and tailor service options to individual customers should prove an even more significant attraction to new business.

Fourth, JEA has a history of providing very reliable and low-cost utility service. With the new ability to expand its service territory, JEA can serve as an aggregator of load on the water and possibly on the electric side of the business. Utility service in Florida is often fragmented. JEA may be able to bring its expertise and the benefits of scale to many of the smaller jurisdictions. This has the potential to be as good for the many small systems as it would be for JEA itself.

Fifth, JEA's vision is to improve lives by accelerating innovation. The Mission quite simply is to provide the best possible service by becoming the center of the customer's energy and water experience. Realization of these objectives while well within the grasp of JEA, will require change. It requires a new operating latitude that only new ownership can provide. We believe that we can create and facilitate that change while still allowing – indeed encouraging – JEA to implement its plan and change the arc of public power forever. We look forward to building the trust of all System stakeholders and becoming a steward of the local Jacksonville community for the long-term.

6.8 FINANCIAL STABILITY

JEA today generates over $1.79 billion in operating revenue and has some of the highest available credit ratings on its $4.0 billion of outstanding debt. This includes AAA (S&P, water and wastewater revenue bonds), AA (Fitch, electric and water & sewer revenue bonds), and A2 (Moody's, electric and water & sewer revenue bonds).

Our proposed ownership model maintains JEA as an entity as well as its preferential tax status, its assets and liabilities, and its management. The addition of Public Plan capital is in lieu of new project debt and it is subordinated. Accordingly, JEA's creditworthiness will remain high and its access to one of the world's best infrastructure financing markets, the over $3 trillion U.S. municipal bond market, will remain strong.

JEA and its customers, under our proposed ownership model gain direct access to low cost capital from U.S. Public Plans, which are some of the largest investors in one of the deepest pools of institutional capital in the world. Our Public Plan ownership model, which preserves tax-exempt debt financing, will provide JEA with significant access to debt and equity capital markets to fund capital expenditures for JEA's growth initiatives and to ensure strong System reliability and stable base rates over the long-term.

Argo has a proven ability to access and manage Public Plan capital with the appropriate long-duration investment horizon, pricing and structure to enable the successful management of JEA going forward. Argo has developed a collaborative, new partnership model under which it manages over $2.5 billion for some of the leading and largest U.S. and European pension funds. We believe that our model is the ideal match for JEA's long term needs, including our ability to manage a portion of Jacksonville's pension plans, and API's proposed transaction structure for the system.

This approach for the future management of JEA would mobilize Public Plan assets to promote public benefit by building on JEA's stable and proven financial structure to:

- permit the lowest lifecycle costs possible to all stakeholders by unlocking at least **$1 billion** of value

- lower the base rates significantly (favorable by at least **15%** compared to the traditional privatization alternative)
- foster strong long-term relationships with Public Plans that can support JEA's future organic and inorganic growth initiatives

Growth investment management. Argo has significant experience managing the capital expenditure programs that informs our ability to manage growth investments for the JEA System that would be enabled by the access our proposed model beings to aligned debt and equity capital. These programs at our utility portfolio companies including the following:

- **Duquesne Light Company:**
  - **Capital Expenditures:** as part of our commitment, DLC is investing more than **$2.6 billion** in infrastructure and technology upgrades between 2010 and 2020
  - **Acquisitions:** recently we elected to reinvest a full quarter of distributable capital in a strategic energy efficiency and sustainability acquisition to support management's plans for growth
- **Bayonne Water:** commitment to manage and fund $165 million in water and wastewater capital expenditure improvements over concession term
- **Middletown Water:** commitment to fund $83 million in water and wastewater capital expenditure improvements over the concession term

Our proposal lays out a governance and tax model on which JEA management and we with our Public Plan model can build a "future-proof," performance-driven enterprise. We expect that the ITN process will bring forth many creative ideas and identify numerous partnering opportunities. We believe that our proposed model will result in the lowest lifecycle cost for all stakeholders, while creating economic growth and ensuring the support of growth initiatives are realized over the long-term.

Attachment 1 | Respondent Certification

127-19 APPENDIX A – RESPONSE FORM

Company Name: American Public Infrastructure LLC

Company's Address Two Chase Plaza, 20 South Clark St., Suite 400, Chicago IL 60603

Phone Number: 3129614512 FAX No: ______________ Email Address: jmiller@ameri-pi.com

☑ **I have read and understood the Sunshine Law/Public Records clauses contained within this solicitation. I understand that in the absence of a redacted copy my proposal will be disclosed to the public "as-is".**

RESPONDENT CERTIFICATION

By submitting this Response, the Respondent certifies that it has read and reviewed all of the documents pertaining to this Solicitation, that the person signing below is an authorized representative of the Respondent Company, that the Company is legally authorized to do business in the State of Florida, and that the Company maintains in active status an appropriate contractor's license for the work (if applicable). The Respondent also certifies that it complies with all sections (including but not limited to Conflict of Interest) of this Solicitation.

We have received addenda

1 through 4

______________________________ 10/7/2019

Handwritten Signature of Authorized Officer of Company or Agent Date

John D. Miller, Managing Director

Printed Name and Title

Attachment 2 | Conflict of Interest Certificate

CONFLICT OF INTEREST
CERTIFICATE

JEA IFB No. 127-19

Bidder must execute this form, if applicable, relative to Florida Statute 112.313. Failure to submit this form, if applicable, shall result in rejection of this bid.

I hereby certify that the following named JEA official(s) and employee(s) having material financial interest(s) (in excess of 5%) in this company have filed Conflict of Interest statements with the Supervisor of Elections, 105 East Monroe Street, Jacksonville, Duval County, Florida, prior to bid opening.

Name	Title or Position	Date of Filing
none		

Signature

American Public Infrastucture
Company Name

John D. Miller
Name of Certifying Official
(type or print)

Two Chase Plaza, 20 S. Clark St.
Business Address

Chicago, IL 60603
City, State, Zip Code

Attachment 3 | Financial Advisor Biographies

Over 75 years of combined experience and have advised on the placement of over $80 billion in municipal debt and advised on P3s totaling $5 billion in enterprise value

HOLLY KOEPPEL	▪ Former Managing Partner at Citigroup infrastructure fund and head of all utility operations at AEP and rose to the role of CFO. Led the largest U.S. utility equity offering (to date) of $1.6 billion ▪ Currently on the Board of the AES Corporation. Previously served on the boards of NYSE listed Integrys Energy Group, Inc., Reynolds American Inc. and Citigroup's $3.4 billion infrastructure fund in addition to being Managing Partner
FRANCIS Y. CHIN	▪ Former Public Finance Department Head at Citigroup ▪ #1 underwriter in 16 of 20 years; served as member and Chair of the Municipal Securities Rulemaking Board and Vice Chair of Municipal Bond Market Association, Municipal Division (now SIFMA)
JOHN D. MILLER	▪ Former Head of the Citigroup Global Markets Public Power Group from 2001 to 2018. ▪ Served as a Municipal Financial Advisor for 20 years – first as President of James J. Lowery & Co. and then as a Managing Director of Public Financial Management, Inc. ▪ Served as a lender, advisor, underwriter or investor in most major electric generating facilities constructed by a publically owned utility – advising or underwriting the placement of over $50 billion of municipal debt.
R. RAY KLJAJIC	▪ Former Public Finance Regional Head at Citigroup ▪ Advised on over $30 billion in debt largely for infrastructure, including toll roads, highways, transit, public power, airports, public facilities and venues. ▪ P3 experience includes Chicago Skyway ($1.8 billion), Indiana Toll Road ($3.8 billion), and P2P's like McCormick Place Hotels ($575 million) and Indianapolis Water & Sewer sale to Citizens Energy ($1.9 billion)
CHARLES H. DUFRESNE, JR	▪ Former Managing Director, Sciens Capital and founding partner of Tiedemann Investment Group ▪ Previously practicing securities lawyer: M & A and capital allocation transactions in alternative investments.
ANDY DILLON	▪ Executive Director, Head of Conway MacKenzie's Municipal Financial Advisory Practice. ▪ Specialties in restructuring/turnaround of underperforming organizations including transaction advisory, performance improvement, creditor advisory and M & A services. ▪ Former Treasurer, State of Michigan, Speaker of the Michigan House (State Rep from 17th District).

Attachment 4 | Asset Manager Biographies

Over 125 years of combined infrastructure experience and have invested and managed over $25.5 billion of enterprise value in the electric utility and water and wastewater sectors including:

- **Electric Utility Experience:** electric utility transaction experience totaling over $15.8 billion of enterprise value
- **Water Experience:** water transaction experience totaling over $9.7 billion of enterprise value

JASON ZIBARRAS	▪ Managing Partner, Argo Infrastructure Partners and former CIO at JPMorgan's Global Infrastructure Fund ▪ **Electric Utility Experience:** ▪ Former board member for Electricity North West, a major electric utility in the U.K. Oversight of Argo investments in CSC, HTP and DLC. ▪ **Water Experience:** Board member and Chair of Audit committee for Southern Water ($7 billion enterprise value). Oversight and management of Argo investments in Bayonne and Middletown
RICHARD KLAPOW	▪ Managing Director, Argo Infrastructure Partners and former Managing Director at Macquarie Capital ▪ **Electric Utility Experience:** Led Argo's acquisition of Cross-Sound Cable and serves as Chairman. Led acquisitions and serves on board of Duquesne Light and Hudson Transmission Partners ▪ **Water Experience:** Led Argo's acquisition of Bayonne and Middletown acquisitions and currently serves on the Board**.** Led the negotiation, regulatory strategy and transition of the Aquarion Water, the largest private water utility in New England in Connecticut and New Hampshire, acquisition by Macquarie with enterprise value over $800m
MICHAEL MADIA	▪ Senior Director, Argo Infrastructure Partners and former COO, ConEd Development; prior roles with ABB, Bechtel, Guggenheim Partners ▪ **Electric Utility Experience:** Primary oversight of the operations of CSC and serves on the board. Serves as a Director on the Board of HTP and Duquesne Light. ▪ **Water Experience:** Primary oversight of the operations of Bayonne and Middletown concessions and serves on the Board. Led technical due diligence efforts to acquire Bayonne and Middletown concessions.

HUGH AU	▪ Prior roles at Yankee Atomic, J.P. Morgan and Citigroup ▪ **Electric Utility Experience:** ▪ Led financial analysis, structuring, technical and financial diligence for Duquesne Light. Led financial analysis and valuation, alongside structure and financing activities, for CSC and HTP.
ANDREW ZAROULIS	▪ Prior Macquarie Capital VP, infrastructure experience since 2005 ▪ **Electric Utility Experience:** Advised on Puget Energy ($7.5 billion) and Cleco Corp ($4.7 billion) acquisitions. Principal valuation and financing team lead on Argo's acquisition of Colorado IPP and Pearl/Ruby Solar. Transaction team member and ffinancing work for CSC.
KENNETH BONN	▪ 21 years at J.P. Morgan and Deloitte including 9 years in infrastructure, Original member of JPMorgan's Global OECD Infrastructure Fund ▪ **Water Experience:** Leads asset management responsibilities for Bayonne and Middletown Water concessions. Member of J.P. Morgan's Southwest Water transaction team and asset transition team, a water and wastewater utility in Texas and California with an enterprise value over $600 million. Prior management and divestment of water utility in Greater Denver, Colorado.
BRICE SOUCY	▪ Prior roles at Brookfield Infrastructure, Director of Business Development and Finance at Brookfield's water portfolio company and J.P. Morgan's Global OECD Infrastructure Fund ▪ **Water Experience:** Team member for implementation and management and deal team member for sale of the $1 billion Carlsbad Desalination Project, the largest water P3 in the United States. Director of Finance for Huntington Beach Desalination Project in California. Asset management team member for Bayonne and Middletown Concessions.
JACQUELINE REES	▪ Prior roles at Accenture/Schlumberger as a consultant in the energy sector and at Wood Group and Exxon as specialist engineer ▪ **Electric Utility Experience:** Team member oversight of the operations, reporting and risk management at CSC ▪ **Water Experience:** Asset management team member for Bayonne and Middletown Concessions