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STRICTLY CONFIDENTIAL

November 26, 2019

Sent via email

John McCarthy
Vice President / Chief Supply Chain Officer
JEA

Jenny McCollum
Director of Procurement Services
JEA

StrategicAlternative@JEA.com

Re: Revised Reply to JEA's Invitation to Negotiate #127-19

Dear Mr. McCarthy and Ms. McCollum,

Macquarie Infrastructure and Real Assets Inc. ("MIRA Inc."), the U.S. operating company of Macquarie Infrastructure and Real Assets ("MIRA") and wholly-owned indirect subsidiary of Macquarie Group Limited ("Macquarie"), is pleased to submit this revised Reply (the "Revised Reply") to JEA's Invitation to Negotiate #127-19 ("ITN") for strategic alternatives (the "Transaction") in relation to the potential acquisition of JEA (the "Proposed Transaction").

MIRA believes it is the ideal partner for JEA, which is comprised of its electric utility ("Electric System") and water and wastewater utilities ("Water and Wastewater System"),¹ and the City of Jacksonville (the "City"). Beyond our ability to satisfy the "Evaluation Criteria" (as we described in our original "Reply" and attached hereto in Attachment A) and exceed the minimum requirements of the ITN (as we describe in this Revised Reply), the Proposed Transaction with MIRA would allow JEA to remain a locally-based and managed utility, retaining JEA's unique brand, organizational culture and community presence. Macquarie has a significant presence in Downtown Jacksonville – including an office with over 270 employees – and so we appreciate the positive impact the Proposed Transaction could have on the Jacksonville and Northeast Florida communities.

This Revised Reply is being made on the basis of the information provided via the virtual data room including the confidential information presentation (the "CIP"), financial model (the "Respondent Financial Model"), and other supplementary materials (collectively, the "Due Diligence Materials"). This Revised Reply is being provided in compliance with the requirements set forth in the Revised Reply Instructions for the Project Scampi Invitation to Negotiate, dated October 29, 2019 (the "Process Letter"). For convenience, this Revised Reply is structured in accordance with the outline in the Process Letter.

¹ Electric System also includes the dark fiber network ("Communication Infrastructure") and St. Johns River Power Park ("SJRPP"). Water and Wastewater System also includes the local district energy facilities ("District Energy System").

i. Identification of the Respondent

The “Respondent” is MIRA Inc. MIRA Inc. is the U.S. operating company of MIRA, Macquarie’s alternative asset management division, and is a wholly-owned indirect subsidiary of Macquarie. MIRA Inc.’s headquarters is in New York.

Macquarie

Macquarie is a diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities. Founded in 1969, Macquarie employs over 15,700 people globally, with its headquarters in Sydney, Australia. Macquarie’s U.S. headquarters are in New York, with a local presence in Jacksonville, Chicago, San Francisco, Austin and Houston, among other U.S. cities. Macquarie has \$148.7 billion² in assets and is listed on the Australian Securities Exchange with a market capitalization of \$31.0 billion². Macquarie has a robust balance sheet, reflected in its strong credit rating of BBB/Positive from Standard & Poor’s and A3/Stable from Moody’s Investors Service. Macquarie’s shareholders that have a greater than 5% of ownership are Blackrock, Inc. (5.8%), Macquarie (5.7%) and The Vanguard Group, Inc. (5.0%).² Macquarie’s shareholding primarily relates to employee share plans.

Macquarie Infrastructure and Real Assets

MIRA is the world’s largest infrastructure asset manager and owner of infrastructure, real estate, agriculture and energy assets. Today, more than 100 million people each day rely on the infrastructure companies that MIRA owns and manages.

MIRA manages more than \$129 billion of assets under management for investor clients such as pension funds, insurance companies, and other institutions worldwide, who in turn manage the long-term savings of millions of employees, communities and other investors.

MIRA is one of the world’s most experienced acquirers of large water and energy utilities. Over the past 25 years, we have held controlling or otherwise substantial ownership interests in 7 water utilities, 9 electric utilities and 15 gas utilities, collectively serving over 76 million customers.

In North America, MIRA has owned more than 36 discrete infrastructure companies including utilities, power generation facilities, port terminals, toll roads, telecommunication towers, and waste collection and disposal businesses. Regulated utilities and energy assets have been core to MIRA’s investment strategy in the U.S. and have comprised 40% of MIRA’s invested capital. Examples of these investments in the U.S. include Aquarion Company (“Aquarion”), Cleco Corporation (“Cleco”), Puget Sound Energy (“Puget Energy”), and Duquesne Light Holdings (“Duquesne Light”). MIRA was the lead investor in all of these transactions with certain of our clients acquiring minority stakes alongside us.

MIRA intends to participate in the Proposed Transaction through one or more infrastructure investment funds that are controlled by MIRA as Manager and General Partner. We may also participate in the Proposed Transaction through a direct investment funded by Macquarie. We anticipate that MIRA will also invite a limited number of other partners to participate in the Proposed Transaction (see “vi. Financing Sources” below), in each case, in accordance with MIRA Inc.’s Confidentiality Agreement with JEA, dated as of November 5, 2019 (the “CA”). We note that MIRA has an exceptionally strong record of successfully leading such consortia to acquire large infrastructure businesses, both in the U.S. and internationally (see “ix. Prior Acquisitions / Investments” below).

² Based on market data, company filings and, if applicable, AUD/USD exchange rate as of 11/25/2019

Schedule of assets and operations in Florida

The following MIRA portfolio companies have assets and operations in Florida:

- Atlantic Aviation FBO Holdings, LLC operates one of the largest networks of fixed base operations ("FBO") across the U.S. FBOs primarily serve the corporate and private jet segment of the general aviation industry, providing fuel and fuel related services, de-icing, aircraft parking, hangar rental, catering, and other services primarily to general aviation (non-commercial) aircraft owners and operators. Atlantic Aviation owns seven bases in Florida, which are located in Boca Raton, Orlando (two bases), Miami, Palm Beach, St Augustine and Stuart;
- Ceres Terminals Incorporation ("Ceres") is one of North America's premier stevedoring and terminal operating companies. Ceres performs a mix of container, cruise, and roll-on/roll-off stevedoring services in Jacksonville, Port Canaveral, Port Everglades, Miami and Tampa;
- WCA Waste Corporation ("WCA") is a vertically integrated, non-hazardous solid waste management company. WCA owns four transfer stations, two construction & demolition landfills, and associated collection operations in Florida. The transfer stations are located in Bradenton, Sarasota, and Gainesville, and the landfills are located in DeSoto and Fort Meade; and
- Wheelabrator Technologies Inc. ("Wheelabrator") is one of the largest U.S. waste-to-energy businesses. Wheelabrator owns or operates two waste-to-energy facilities in Florida, which are located in Tampa and Fort Lauderdale.

Importantly, if MIRA is successful in acquiring all or part of JEA, MIRA's ownership and operations of JEA will be independent from the companies listed above and JEA will be a stand-alone independent investment.

Other than MIRA, Macquarie performs a range of activities in Florida which do not represent a commercial conflict with JEA. For example, Macquarie has an office in Jacksonville with over 270 employees working in Macquarie's finance, risk management, human resources and information technology teams. We continue to grow our Jacksonville office, having increased the number of employees by 38% over the past year with local hires representing 85% of new employees hired. Macquarie has hired graduates and offered internships to students from the University of North Florida and Jacksonville University, and is working directly with them on local workforce development programs. Last year, Macquarie was awarded the 2018 International Company of the Year by JAXUSA Partnership in recognition of its growth and contribution to the local community.

ii. Gross Proceeds

MIRA is prepared to acquire all or part of JEA in any of the following Proposed Transactions, with "Gross Proceeds" defined per the JEA provided calculation in ITN Addendum 4 – Attachment 14:

1. Acquisition of JEA for **Gross Proceeds of \$9.0 billion**; or
2. Acquisition of the Water and Wastewater System only for **Gross Proceeds of \$3.9 billion** provided that JEA immediately (i) facilitates dialogue between MIRA and another suitable party interested in acquiring the Electric System, with whom a joint bidding agreement can be put in place; or (ii) confirms that the ITN will henceforth be limited to the sale of the Water and Wastewater System. MIRA's acquisition of the Water and Wastewater System is not contingent on its acquisition of the District Energy System to the extent the District Energy System is ultimately retained by the City, sold separately or to another acquiror of the Electric System; or
3. Acquisition of the Electric System only for **Gross Proceeds of \$5.1 billion** provided that JEA immediately (i) facilitates dialogue between MIRA and another suitable party interested in acquiring the Water and Wastewater System, with whom a joint bidding

agreement can be put in place; or (ii) confirms that the ITN will henceforth be limited to the sale of the Electric System. MIRA's acquisition of the Electric System is not contingent on its acquisition of the Communications Infrastructure or SJRPP to the extent the Communications Infrastructure or SJRPP is ultimately retained by the City, sold separately or to another acquiror of the Water and Wastewater System.

MIRA is also prepared to enter into a long-term concession agreement of JEA, under which the City retains ultimate ownership of JEA. MIRA believes such concession, which structured appropriately may allow the existing JEA debt to remain in place, would result in greater than \$3 billion of net value to the City but would be less than the net value to the City under Proposed Transaction 1 above (i.e., Acquisition of JEA). To the extent JEA wishes to further evaluate a concession, MIRA would be willing to work with JEA's advisors to provide an estimate of Gross Proceeds based on a prescribed structure, rate design, term and other operating parameters.

In Proposed Transactions 1 and 3 above (i.e., the Proposed Transactions in which MIRA would acquire the Electric System), we prefer "Adjusted Scenario B" (the "Respondent Preferred Scenario"), as defined in the Process Letter and in the Due Diligence Materials. Adjusted Scenario B is the Respondent Preferred Scenario because it is a clear and practicable Transaction structure that ensures JEA customers' bills include only the cost of utility services they consume, and also avoids the prospect that the buyer of JEA may be required to bear a potentially large and uncapped liability. For the avoidance of doubt, the Gross Proceeds proposed above assumes that the eventual Proposed Transaction accords with the Respondent Preferred Scenario.

We are also prepared to proceed with Proposed Transactions 1 or 3 above under the following "Adjusted Scenarios":

- "Adjusted Scenario A" with Gross Proceeds reduced by \$200 million provided that JEA can provide assurance that the proposed separate line item charge reflecting the full amount of Legacy JEA's costs under the Vogtle PPA will not be subject to or adjusted, directly or indirectly, under the jurisdiction of the Florida Public Service Commission ("FPSC"); or
- "Adjusted Scenario C" with no reduction in Gross Proceeds provided that JEA can demonstrate that this is a practicable course of action that does not subject MIRA to risk of adverse treatment by the FPSC.

MIRA believes that the "Current Pro Forma Scenario" is very challenging due to both the likely tax consequences associated with the "MEAG Power" debt related to the Vogtle PPA and the risk to the buyer of accepting liability under the Vogtle PPA that might potentially be uncapped and unrecoverable from customers. We would require additional information regarding the estimate of total construction costs, recoverability in rates, the potential tax consequences associated with the MEAG Power debt and ongoing litigation in order to assess whether we would be willing to proceed with a Transaction under the Current Pro Forma Scenario and, if so, estimate potential Gross Proceeds under that scenario. We would expect the Gross Proceeds to be materially lower than what has been offered in the Proposed Transactions above.

The Gross Proceeds in all cases would be paid in cash at closing and is expressed in U.S. dollars. In addition, we confirm that our Gross Proceeds assumes the following as requested in the Process Letter:

- Valuation date as of September 30, 2020;
- Assets acquired on a debt-free, cash free basis;
- There is a tax step-up; and
- Assets acquired with zero working capital.

iii. Material Conditions, Terms or Assumptions

MIRA and its comprehensive team of advisors (see “x. Advisors / Contact List” below) have performed a detailed financial, commercial, and technical evaluation of JEA and its operating environment based on public information and the Due Diligence Materials provided to date by JEA. This Revised Reply reflects the following key assumptions:

- a. Valuation Methodology: This Revised Reply has been prepared utilizing a long-term discounted cash-flow valuation;
- b. Key Changes: Assumptions are largely consistent with those in the CIP and the Respondent Financial Model, except for:
 - i) In order to imply an equivalent rate projection excluding Vogtle (the “Adjusted Committed Rates”) during the first three years (the “Committed Rate Stability Period”), we have adjusted the base revenue to exclude the Vogtle related revenue (consistent with the “Management projections: vogtle revenue” line item in the Respondent Financial Model) and the delivered load to include the Vogtle load (consistent with the “Default Case” assumption for load in the Respondent Financial Model). We note that this results in slightly lower base rates and revenue during the Committed Rate Stability Period. In order to assume the same base revenue that is in the Respondent Financial Model, MIRA would need to understand why base rates include Vogtle related revenue since Vogtle related revenue is recovered separately through an additional charge to customers. We would also need to understand why load has been adjusted to exclude Vogtle load, since the load associated with Vogtle would still be delivered through JEA’s transmission and distribution system. For the avoidance of doubt, this change applies to all three Adjusted Scenarios (A, B and C);
- c. Key Future Operational Changes: We believe the operational improvements described in the CIP are achievable based on our prior utility investment experience. However, before submitting a best and final offer (“BAFO”), we would need to fully review the impact that these operational changes have on operations and maintenance (“O&M”) expense as reflected in the Respondent Financial Model;
- d. Key Community Engagement Factors: MIRA’s investment and ownership will strengthen JEA’s commitment to Jacksonville and Northeast Florida, protect and preserve JEA’s role as a key employer and long-time community partner, and ensure that JEA will continue to provide safe, reliable, affordable and sustainable electric and water and wastewater service to its customers. We believe we can leverage our experience investing and owning water and electric utilities in the U.S. to enhance JEA’s existing levels of:
 - i) Community engagement: MIRA believes that utilities are best run by experienced local management teams with knowledge of the communities in which the utilities operate. MIRA will operate JEA as an investor-owned utility led by a local management and will remain in Downtown Jacksonville. We would expect the chief executive officer, senior management, and managers of corporate support functions would all live in the greater Jacksonville area. Additionally, MIRA expects the JEA Board would consist of investor representatives, JEA’s CEO and several independent, local Jacksonville community members and business leaders. MIRA’s emphasis on appointing local and independent directors will ensure long-term strategies are well-informed and consider the best interests of JEA’s customers, employees and the community. MIRA’s successful and responsible ownership of Aquarion, Cleco, Puget Energy and Duquesne Light demonstrates that MIRA’s approach benefits all parts of a community served by one of our utilities;

- ii) Interagency coordination on emergency operations: MIRA recognizes JEA is an essential part of the City's emergency preparedness program and unified emergency operations command. MIRA has deep experience addressing severe weather events and working closely with local, state and federal officials in coordinated emergency responses from its investment and ownership of other water and electric utilities. For example, Cleco constantly ensures that its storm preparation plans are updated and strengthened accordingly. Ahead of Tropical Storm Barry, Cleco secured an additional 800 line mechanics and 395 vegetation specialists to augment existing Cleco crews. As a result of these preparations, Cleco had rapid response times to power outages. Cleco also worked with the community to ensure that customers were equipped with information to prepare for the storm.

MIRA is aware of recent challenges Jacksonville has experienced with storm-related power loss and stands committed to working closely with community stakeholders on storm preparation and hardening initiatives consistent with recent Florida law changes and new FPSC rules that will apply to JEA as an investor-owned utility;
 - iii) Environmental stewardship: MIRA will strengthen JEA's role as an industry leader in environmental stewardship, particularly the health of the St. Johns River and its tributaries. MIRA has a demonstrated history of investing in important environmental initiatives and is committed to increase investment in septic tank conversion to sewer connections and working with JEA management to reduce nitrogen levels in the Lower St. Johns River Basin; and
 - iv) Other relevant community programs: MIRA's investment in JEA would expand Macquarie's existing commitment to Northeast Florida, which already includes over 270 employees located in Downtown Jacksonville. Since our office opened in 2016, our Jacksonville staff have donated over 2,700 hours of volunteer service, assisting over 800 individuals in the greater Jacksonville area. In addition, since January 2019, the Macquarie Foundation (the philanthropic arm of Macquarie) and our staff have donated over \$210,000 to local organizations in Jacksonville including a multi-year grant to Take Stock in Children to establish a college division and program;
- e. Rates: Key changes made to the Respondent Financial Model have already been described in "iii. b) Key Changes" above. The key assumptions made beyond the Committed Rate Stability Period are described below:
 - i) Rate base: Starting rate base and rate base growth consistent with Respondent Financial Model;
 - ii) Targeted equity layer and return on equity ("ROE"): Equity layer and ROE consistent with Respondent Financial Model;
 - iii) Debt capitalization and cost of debt: Debt capitalization consistent with Respondent Financial Model and consistent with comparable water and electric utilities at the same expected credit rating of the JEA operating companies. MIRA has also assumed the Proposed Transaction is partially-funded with holding company debt, which would be ring-fenced from the debt raised at the JEA operating company. MIRA has assumed a cost of debt for the operating and holding company debt consistent with current pricing levels of comparable water and electric utilities based on a detailed assessment of expected credit ratings;
 - iv) Customer demand: Growth in demand consistent with Respondent Financial Model;

- v) State and local taxes other than income taxes which should include the Respondent's anticipated property taxes: Consistent with Respondent Financial Model;
- vi) O&M expense: Consistent with Respondent Financial Model;
- vii) Anticipated amount and timing of proposed O&M savings: MIRA has assumed an amount of non-fuel and non-labor O&M savings consistent with our prior experience in owning and managing investments in water and electric utilities to be achieved in time to mitigate potential rate impact to customers beyond the Committed Rate Stability Period;
- viii) Capital expenditures by functional area and utility system: Consistent with Respondent Financial Model;
- ix) Expected base revenue requirement: Based on a detailed cost of service model assuming rate-making practice consistent with precedent rate cases approved by the FPSC and using the targeted equity layer, ROE and cost assumptions outlined in this Revised Reply. We have not assumed large increases in rates immediately after the Committed Rate Stability Period, which otherwise might be implied by FPSC ratemaking;
- x) Dispatch costs and drivers including fuel and purchased power: Consistent with Respondent Financial Model except Vogtle-related costs which are assumed to be passed through to customers on an Avoided Cost basis consistent with Adjusted Scenario B;
- xi) Anticipated amount and timing of any fuel or purchased power savings: MIRA anticipates working with its advisors to build a detailed dispatch model to estimate future fuel and purchased power costs. Based on a preliminary review of JEA's current generating portfolio, it is anticipated that there is an opportunity to reduce JEA's fuel and purchased power costs through the building (or contracting with) new solar facilities to replace natural gas and coal facilities as they are retired, with declining solar installation costs potentially accelerating the timing of economic retirement;
- xii) Estimates of forward commodity prices: Consistent with Respondent Financial Model; and
- xiii) Franchise taxes: Consistent with Respondent Financial Model.

iv. Minimum Requirements

MIRA believes our Proposed Transaction allows JEA to exceed the minimum requirements outlined in the ITN. By way of example, Proposed Transaction 1 (i.e., the acquisition of JEA) would result in the following:

a. Financial

- i) MIRA offers a Gross Proceeds amount that would result in an estimated \$4.7 – \$5.2 billion of Net Proceeds to the City, or \$1.7 – \$2.2 billion of incremental net proceeds over the \$3 billion minimum requirement, in addition to fulfilling the other requirements outlined in b, c and d below;³

b. Customers

- i) MIRA offers a Gross Proceeds amount that would allow for \$400 million of value to be distributed to customers based on \$350 to each JEA account and \$1,400 for JEA customers with electric, water, sewer and irrigation accounts. To the extent JEA believes it would result in the highest and

³ Net Proceeds to the city defined as Gross Proceeds less \$3,500-\$4,000 million of defeasance cost, other liabilities not assignable and transaction costs, \$165 million of employee retention payments and \$132 million of employee pension protection per the calculations in ITN Addendum 4 – Attachment 14

best value to the constituents and customers of JEA, MIRA would be willing to have JEA distribute greater than \$400 million of value to customers and adjusting the net value to the City proportionally while maintaining the minimum requirement for \$3 billion of net value to the City;

- ii) MIRA commits to three years of contractually guaranteed base rate stability for customers, as presented in the Respondent Financial Model;

c. Environmental

- i) MIRA commits to develop and provide the City and the Duval County Public School system with 100% renewable electricity by the year 2030 at a price equal to the applicable tariff rate;
- ii) MIRA commits to work with JEA management to identify the most cost effective and prudent way to develop and provide 40 million gallons per day of alternative water capacity for Northeast Florida by the year 2035 at a price equal to the applicable tariff rate;

d. Community Impact

- i) MIRA commits to protect certain employee retirement benefits pursuant to legislation passed by the City Council on September 24, 2019. In addition, we commit to honor all existing collective bargaining agreements and would seek to work with JEA management and union representatives to ensure requirements are met for employees under collective bargaining agreements, as applicable;
- ii) MIRA commits to maintain substantially comparable employee compensation and benefits for three years;
- iii) MIRA commits to provide retention payments to all full-time employees equal to 100% of current base compensation;
- iv) MIRA commits to maintain the new JEA headquarters and employees in downtown Jacksonville, contributing to the economic development of the community;
- v) In addition to the minimum requirements set forth in the ITN, MIRA is willing to discuss the merits of other high-impact community initiatives we have implemented in our other U.S. utility investments such as:
 - establishing a charitable foundation;
 - establishing an economic development fund; and/or
 - appointing local representatives on the JEA Board.

As described in “ii. Gross Proceeds” above, MIRA is prepared to pursue a Proposed Transaction for part of JEA’s operations (i.e., Proposed Transactions 2 and 3). We confirm our willingness to partner with another suitable party to allow JEA to achieve the ITN’s process goals and its minimum requirements, subject to JEA immediately facilitating dialogue between MIRA and such other organization, with whom a joint bidding agreement can be put in place.

v. Feasibility

We believe the Proposed Transaction is feasible based on our due diligence to date. However, we require more information and access to relevant stakeholders (and JEA’s consent to do so in accordance with the CA, as applicable), which we anticipate to be provided in the next stage of the “Negotiation Phase”, to be able to definitively state whether any structural, legal, political or financial modification is required to ensure the feasibility of the Proposed Transaction.

We note that the CIP proposes the Transaction structure as the sale of assets to a new entity. We will need to confirm that JEA’s assets can be adequately identified and that no restrictions on such a transfer exist.

1. The Transaction is unique and has no recent or relevant example to follow. Based on our in-
2. person meeting with the staff of the FPSC, critical questions remain as to how JEA will
3. transition to an investor-owned utility structure. We would expect that further discussions with
4. the FPSC will provide answers to those questions, and that those regulatory requirements will
5. be incorporated as conditions precedent to the close of the Proposed Transaction.

6. Despite recent polls that indicate that a sale does not yet enjoy the support of the majority of
7. voters, we believe that a highly considered and well communicated Proposed Transaction
8. would gain the support of the majority of voters and prevail in a referendum vote. To confirm
9. this belief, we would seek to conduct our own polling and focus groups as soon as practicable,
10. subject to receiving consent from JEA, in order to provide us with greater clarity on the
11. potential outcome of the voter referendum.

12. As described in "ii. Gross Proceeds" above, we would be open to explore the potential for a
13. long-term concession, to the extent JEA believes that would be a more feasible path to a
14. successful Transaction.

15. vi. Financing Sources

16. We anticipate financing the Proposed Transaction with a combination of equity and debt
17. funding based on JEA maintaining an investment grade capital structure. We expect to provide
18. JEA with binding debt and equity commitments for the Gross Proceeds at the time the
19. Proposed Transaction is signed. We note our strong operating history of providing committed
20. financing to support large utility transactions of the size and nature of this Proposed
21. Transaction (see "ix. Prior Acquisitions / Investments" below). We would propose to use the
22. same approach here that we have used in our long history of successfully investing in large
23. utility assets in the U.S. and globally, such as Aquarion, Puget Energy, Cleco, Duquesne Light,
24. Thames Water, Cadent Gas and Endeavour (see "ix Prior Acquisitions / Investments"), where
25. we invested over \$24.4 billion of equity using our committed infrastructure investment funds
26. and Macquarie's own funds to anchor the investment, partnered with one or more of our
27. investor clients who make large, direct investments into these transactions alongside us.

28. MIRA has long standing bank relationships, having raised over \$10.8 billion of debt financing
29. for its acquisition of U.S. utilities. We have had discussions with, and received indicative
30. support from, several prospective bank lenders (each of which was included on Annex B of the
31. CA) including [REDACTED]

32. [REDACTED] (collectively, the "Prospective Lenders").
33. These Prospective Lenders are some of the most prominent and experienced utility lenders
34. active today and have provided support letters for the Proposed Transaction (attached hereto
35. in Attachment B). These letters confirm that the Prospective Lenders are highly supportive and
36. confident in their ability to arrange, place, and/or underwrite their multibillion-dollar financing
37. commitments, on an individual basis, to support MIRA's acquisition of JEA and fund its future
38. capital expenditure and liquidity requirements.

39. As noted above, MIRA anticipates that binding equity commitments would be provided by a
40. consortium of MIRA managed investment funds, Macquarie and selected co-investors and
41. partners (collectively, the "Prospective Equity Partners"). We have had substantive discussions
42. with a number of the experienced strategic and financial partners listed in Annex A of the CA
43. (under back-to-back confidentiality agreements) and have received indications of interest
44. exceeding the equity funding required to consummate the Proposed Transaction.

45. vii. Internal Approvals Process

46. This Revised Reply is made with the support of the relevant members of MIRA's investment
47. committees, comprised of the Global Head of MIRA and the most senior executives with
48. responsibility for MIRA's investments in the Americas.

Submission of a BAFO and the execution of a definitive agreement would be subject to the receipt of internal approvals, the finalization of a definitive agreement acceptable to MIRA and the satisfaction of the other conditions referred to in this Revised Reply. These internal approvals will be sought once we have completed satisfactory due diligence. Final underwritten debt and equity financing commitments will be obtained prior to entering into a definitive agreement.

We have retained a comprehensive team of advisors (see “x. Advisors / Contact List”) and would commit the resources necessary to finalize our due diligence, obtain the necessary confirmations from the rating agencies, obtain debt and equity commitments and negotiate a mutually acceptable definitive agreement in order to enter into a definitive agreement for the Proposed Transaction. Subject to receiving all necessary information in a timely manner, we are confident this can be completed by March 2020, conforming to the anticipated timeline presented at the JEA Board meeting on October 22, 2019.

viii. Regulatory / External Approvals and Conditions

Subject to ongoing due diligence, we believe the closing of the Proposed Transaction will be subject to the receipt of several necessary approvals from governmental bodies, including:

- i) approval of the Adjusted Committed Rates for both the Electric and Waste and Wastewater System under Florida Law, as suggested by JEA in the Process Letter;
- ii) approval of the Adjusted Committed Rates and the establishment of an estimated rate base, which will be used in annual filings to affirm that JEA is not overearning during the Committed Rate Stability Period, by the FPSC;
- iii) the FPSC granting a Certificate of Authorization for JEA's Water and Wastewater System;
- iv) approval from the Federal Energy Regulatory Commission (“FERC”) under Section 203 of the Federal Power Act (“FPA”);
- v) expiration of the Hart-Scott-Rodino waiting period;
- vi) pre-approvals of license transfers with the Federal Communications Commission; and
- vii) a voluntary notification to the Committee on Foreign Investment in the United States (“CFIUS”) under Section 721 of the Defense Production Act.

Based on the Due Diligence Materials, it is not clear whether approval from FERC under Section 205 of the FPA would be required for JEA's transmission assets. MIRA would expect such approval to be completed within the 60-day statutory timeframe and in parallel to Section 203 of the FPA.

Regulatory Approval Strategy

As an experienced investor in U.S. regulated utilities, MIRA is attuned to the need to address the concerns and requirements of customers, regulators, local community representatives, credit rating agencies and other stakeholders during and after a Transaction. We believe that our ability to do this is demonstrated by our successful history of obtaining approvals to acquire regulated utility businesses in the U.S. including Aquarion, Cleco, Puget Energy, Hawaii Gas and Duquesne Light from FERC and seven U.S. state public service commissions (Connecticut, New Hampshire, Massachusetts, Louisiana, Washington, Hawaii and Pennsylvania). Understanding and addressing stakeholder concerns has been critical to our success, and our operating history demonstrates our flexibility and commitment to completing transactions such as the Proposed Transaction.

We would intend to work closely with JEA management to develop a package of proposals addressing the specific interests of JEA stakeholders and to facilitate the FPSC approval/certification processes. We look forward to working with JEA management and interacting collaboratively with the FPSC and other stakeholders to effectively communicate the benefits of the Proposed Transaction. Through investment in JEA, our ownership will

provide many benefits to the City, JEA and its customers and communities. We will provide access to long-term investment capital to improve and grow the City's infrastructure, provide extensive experience in the stewardship, management and governance of regulated utilities, to the betterment of JEA and the City and its infrastructure through greater employment opportunities and investment.

FERC Review Under Section 203(a)(4) of the FPA

We expect that FERC would approve the Proposed Transaction under Section 203(a)(4) of the Federal Power Act ("FPA") as we believe it will find the Proposed Transaction in the public interest and will not result in any inappropriate cross-subsidization or pledge or encumbrance of utility assets.

We expect that FERC will conclude that the Proposed Transaction is consistent with the public interest as it will not have an adverse effect on:

- i) competition, in Florida and the Southeast:
 - a. MIRA and its affiliates own or control only about 88 MW of generation in the relevant markets;
 - b. neither MIRA nor any of its affiliates owns or controls any electric transmission in the relevant markets; and
 - c. neither MIRA nor any of its affiliates owns or controls any inputs to electric power generation in the relevant markets and we believe FERC will conclude the Proposed Transaction does not raise horizontal or vertical market power concerns;
- ii) jurisdictional rates: FERC's primary concern is the protection of wholesale ratepayers and transmission customers. We are not aware of the Proposed Transaction involving wholesale transmission rates or customers, therefore it will not have an adverse effect on wholesale ratepayers or transmission customers; and
- iii) the manner or extent to which FERC or any state may regulate the Proposed Transaction parties or their affiliates: As a result of the Proposed Transaction, JEA may be subject to expanded scope of regulation by the FPSC, and there may also be expanded FERC regulation, to the extent that any of JEA's transmission or generation is sold at wholesale. We expect that FERC will view changes of this nature in a positive light.

FERC has stated that the concern over cross-subsidization is principally about the effect on captive jurisdictional ratepayers. Because none of the parties to the Proposed Transaction is a traditional public utility under the FPA that has captive ratepayers in the U.S., we believe that the Proposed Transaction is within the scope of the safe harbor for transactions in which no franchised public utility with captive customers is involved in the transaction. Therefore, it does not raise any issue with respect to cross-subsidization. In addition, as the structure of, and method of financing for, the Proposed Transaction does not provide for the pledge or encumbrance of utilities, it does not raise any issue with respect to the pledge or encumbrance of utilities.

MIRA expects to obtain any necessary FERC Section 203 approval within the statutory period of six months from the filing date and based on preliminary advice from FERC counsel believes it is highly unlikely that FERC will require any mitigation as a condition of such approval. MIRA has obtained timely approval from FERC under Section 203 of the FPA for several transactions, including the recent acquisition by MIP IV of Wheelabrator Technologies Inc. (FERC Docket No. EC19-14), MIRA affiliate Cleco's acquisition of South Central Generation (FERC Docket No. EC18-63), acquisition by MIP III of Cleco Corporation (FERC Docket No. EC15-110), acquisition by MIP of Puget Energy (FERC Docket No. EC08-40), and acquisition by MIP of Duquesne Light (FERC Docket No. EC06-160).

CFIUS Experience

Based on extensive prior experience, MIRA expects the CFIUS process to proceed smoothly and without delay. MIRA is well-known to CFIUS and has a successful history of obtaining CFIUS approvals. Since 2006, MIRA-managed funds have obtained CFIUS approvals for 13 infrastructure transactions, including Aquarion, Duquesne Light, Cleco and Puget Energy. This approval process would begin immediately following the execution of a definitive agreement, and we believe that we would receive clearance from CFIUS within the first 45-day review period.

ix. Prior Acquisitions / Investments

Summarized in Table 1 below is a list of certain investments and acquisitions MIRA has completed in North America over the last five years.

Table 1 – Prior completed acquisitions over the last five years

Company	Closing Date	Description
NYK Ports	2/19/2015	NYK Ports conducts container terminal and stevedoring operations in North America
GFL Environmental	2/1/2016	GFL Environmental is a Canadian diversified environmental and waste services company
Lordstown Energy Center	4/6/2016	Lordstown Energy Center is a 940 megawatt power generation facility located in Cleveland, OHIO
Cleco Corporation	4/13/2016	Cleco is a vertically integrated electric utility in Louisiana
InSite Wireless Group	7/29/2016	InSite owns, operates and manages wireless telecommunications tower site facilities and distributed antenna systems across North America and Australia
Maher Terminals	11/16/2016	Maher Terminals is the largest terminal in the port of New York and New Jersey
Aligned Energy	4/20/2018	Aligned Energy is a leading data center provider offering colocation and build-to-scale solutions
Lagoon Water Solutions	9/7/2018	Lagoon Water Solutions provides produced water solutions to oil and gas producers in the Anadarko Basin
Tunnel Hill Partners	2/8/2019	Tunnel Hill partners is the largest U.S. integrated waste-by-rail company
Wheelabrator Technologies	2/12/2019	Wheelabrator Technologies is a leading owner and operator of waste-to-energy facilities
Centauro Energia	3/27/2019	Centauro Energia is a portfolio of solar power generation facilities in northern Mexico
Bluebird Network	8/30/2019	Bluebird Network provides high bandwidth network solutions within rural and urban areas throughout the U.S. Midwest
Netrality Properties	8/30/2019	Netrality owns and operates facilities that act as data connectivity hubs throughout the U.S.
Long Beach Container Terminal	10/24/2019	Long Beach Container Terminal is the largest automated terminal on the U.S. West Coast

Of particular note is MIRA's long history of successfully investing in infrastructure assets through its infrastructure investment funds along with one or more of our investor clients who seek to make large, direct investments into our transactions. We have used this approach successfully to acquire and manage utilities of similar size to JEA, as summarized below:

- Cadent Gas: MIRA led a global investor group in its acquisition of Cadent Gas, formerly known as National Grid Gas Distribution Limited for an enterprise value \$17.4

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- **Thames Water:** MIRA led an investor group in its acquisition of Thames Water for an enterprise value of \$14.9 billion (£8.0 billion). Thames Water is the largest water and wastewater company in the U.K., serving 15,000,000 customers in London and the Thames valley;
- **Puget Energy:** MIRA led an investor group in the acquisition of Puget Energy for an enterprise value of \$7.4 billion. Puget Energy provides electric and gas services to 2,037,000 customers to Washington State and owns 4.7 GW of generation capacity;
- **Endeavor Energy:** MIRA led a global investor group in its acquisition via a privatization of a controlling interest in Endeavor Energy, with the New South Wales government retaining the remaining interest. The transaction's enterprise value was \$7.2 billion (A\$9.8 billion). Endeavour has a 99-year concession over an electric distribution network that serves 1,018,000 customers in New South Wales;
- **Cleco:** MIRA led an investor group in the acquisition of Cleco, a vertically integrated electric utility in Louisiana. Cleco was acquired for an enterprise value of \$4.7 billion;
- **Duquesne Light:** MIRA led an investor group in the acquisition of Duquesne Light, a Pennsylvania-based utility company. The acquisition had an enterprise value of \$3.2 billion. Duquesne serves 590,000 customers in Pennsylvania; and
- **Aquarion:** MIRA led an investor group in the acquisition of Aquarion for an enterprise value of \$0.9 billion. Aquarion supplies water to 226,300 customers in Connecticut, Massachusetts, and New Hampshire.

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Workstream	Advisor	Primary Contact

xi. Due Diligence

Our due diligence to date has been limited to the review of publicly available information regarding JEA and the Due Diligence Materials. The submission of a BAFO and execution of any definitive agreement would be subject to the satisfactory completion of commercial, operational, market, political, regulatory, legal, tax, accounting, insurance, technical, human resources and pension, environmental and other due diligence by internal resources and external service providers. We anticipate that this would include, but not be limited to:

- Customary review of all material financial records and business, strategic and regulatory plans;
- Legal due diligence by external legal counsel, including review of all pending or threatened legal actions and all material contracts and agreements;
- Regulatory due diligence by external counsel and regulatory advisors in Florida;
- Accounting and tax due diligence by an independent accounting firm;
- Actuarial review of pension and other post-employment benefit programs;
- Engineering and operational due diligence by an independent engineer;
- Due diligence concerning information technology, intellectual property and human resource management issues by consultants and external counsel;
- Review of occupational health and safety and insurance matters by consultants and external counsel;
- Additional diligence in relation to real estate and environmental matters by an independent environmental firm;
- Polling and focus groups of constituents within Jacksonville area, subject to receipt of JEA's consent;
- Credit rating evaluation; and
- Additional management presentations and interviews with key staff members and site visits.

We and our advisers are prepared to move forward immediately to perform and complete the required due diligence in a timely manner to allow us to enter into a binding definitive agreement by March 2020, provided all necessary diligence materials and data is made available in a timely manner.

xii. Other Information

MIRA confirms its understanding of JEA's expectation that JEA and MIRA would develop a comprehensive transition plan that will detail the coordinated communication and efficient transfer of JEA's assets, operations and customers. We are encouraged by this expectation as we firmly believe that our successful history in acquiring utilities is driven by our ability to work with the target utility companies to jointly develop mutually acceptable plans and approaches to the regulatory, political and social issues that arise as a result of transactions.

MIRA believes it is the ideal partner for JEA and the City and that our Proposed Transaction would resonate with JEA's key stakeholders and customers. Messages we would expect to highlight are:

- Our Proposed Transaction exceeds the minimum requirements of the ITN;
- MIRA would allow JEA to remain an independent utility, based in Downtown Jacksonville, guided by a Board with local representatives, led by local management team, all focused on the needs of the community;
- MIRA would retain JEA's unique brand, organizational culture and community presence;
- MIRA is already a community partner with strong local presence and commitment to Jacksonville and Northeast Florida;
- MIRA has a strong history of investing in, and strengthening, independent regulated utilities in the U.S. and infrastructure assets around the world; and
- MIRA's approach provides a stable source of long-term capital focused on creating long-term value.

We are an experienced investor in U.S. regulated utilities and have outlined our perspectives on our approach to regulatory strategy and successfully obtaining approval from FERC and U.S. state public commissions (see "viii. Regulatory / External Approvals and Conditions"). In addition, we have retained experienced local advisors who would work collaboratively with JEA and can be made available to share their ideas on how JEA and MIRA would communicate the significant benefits of this Proposed Transaction.

This Revised Reply expresses our current intentions only. It is not an offer capable of acceptance and, other than as expressly set forth in the Confidentiality Agreement executed by MIRA Inc. and JEA, shall not otherwise give rise to a binding contract. This Revised Reply does not constitute a commitment by any MIRA entity, including the undersigned, to acquire, underwrite, place and/or distribute any assets or financing in relation to the Proposed Transaction or with respect to any other matter and does not create in favor of any person or entity a right to seek any remedy against any MIRA or Macquarie Group entity for failure to pursue or consummate the Proposed Transaction or any other matter. Unless and until a definitive agreement is entered into regarding a Proposed Transaction, no MIRA or Macquarie Group entity will be under any obligation whatsoever with respect to the Proposed Transaction or otherwise. Any Proposed Transaction will be subject to the satisfactory outcome of further due diligence, approval of MIRA's Investment Committee, and the negotiation and execution of mutually agreed definitive documentation by all parties thereto.

MIRA considers the Proposed Transaction to be a very attractive opportunity for JEA, the City and its customers, employees and the communities it serves. We have a history of being able to move swiftly to execute transactions of this sensitivity and magnitude, and would welcome the opportunity to engage in further discussions in the next stage of the Negotiation Phase.

Yours faithfully,

Macquarie Infrastructure and Real Assets Inc.

A handwritten signature in blue ink, appearing to be 'DF' followed by a stylized flourish.

David Fass
Chief Executive Officer

A handwritten signature in black ink, appearing to be 'AR' followed by a long horizontal stroke.

Aaron Rubin
Vice President

Attachment A

Original ITN Reply

Attachment B

Prospective Lender Support Letters