From:	Orfano, Joseph E. - Treasurer <orfaje@jea.com>
Sent:	Tuesday, August 20, 2019 1:30 PM
To:	'Bodek, David'
Cc:	Panger, Jeffrey; Zahn, Aaron F. - Managing Director/CEO; Dykes, Melissa H. - President/COO; Wannemacher, Ryan F. - Chief Financial Officer
Subject:	RE: JEA meeting with S&P
Attachments:	Rating Agency Presentation - 2019 Aug- FINAL S&P.pdf

David:

Attached is a PDF copy of the final presentation. We will have hard copies available for our meeting tomorrow afternoon.

Regards,

Joe Orfano

Treasurer

Direct: (904) 665-4541

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Fax: (904) 665-8334

JEA®

From: Bodek, David <david.bodek@spglobal.com>
Sent: Tuesday, August 20, 2019 10:49 AM
To: Orfano, Joseph E. - Treasurer <orfaje@jea.com>; Wannemacher, Ryan F. - Chief Financial Officer <wannrf@jea.com>
Subject: JEA meeting with S&P

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Joe and Ryan,

Because some members of our team will be participating remotely in our meeting with JEA tomorrow, in advance of our meeting, please provide a copy of the presentation materials so that I can circulate them among those who will be participating remotely.

Thanks,

David

David Bodek
Senior Director
S&P Global Ratings
55 Water Street
New York, NY 10041
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Please note that our e-mail addresses have changed
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S&P Global

2019

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RATING AGENCY UPDATE

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S&P

JEA Remains a Superior Electric Utility

So Far This Fiscal Year

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

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

Energy System: Evaluating Scenarios 1 & 2

Current Forecast

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

Scenario 1: Status Quo Baseline

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

Scenario 2: Traditional Response

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

Energy System: Forecast Assumptions

February 2019 – IRP Sales	2019	2020	2021	2022	2023
Sales (MWh '000)	12,200	12,340	12,410	12,474	12,548
Operating Revenues ($'000)	$1,320,510	$1,263,872	$1,282,993	$1,263,772	$1,265,342
OpEx ($'000)	$785,383	$751,800	$765,910	$836,958	$883,667
Net Revenues ($'000)	$535,128	$512,072	$517,082	$426,814	$381,674
CapEx ($'000)	$275,000	$236,000	$146,000	$118,000	$122,000
Debt Service Coverage	2.8	4.2	6.5	6.5	6.2
Total Outstanding Debt ($'000)	$1,870,965	$1,706,875	$1,476,450	$1,344,510	$1,273,110
Liquidity	303	317	317	309	315

February 2019 – Flat Sales	2019	2020	2021	2022	2023
Sales (MWh '000)	12,200	12,000	12,000	12,000	12,000
Operating Revenues ($'000)	$1,320,510	$1,230,360	$1,242,648	$1,217,083	$1,211,387
OpEx ($'000)	$785,383	$739,104	$750,626	$819,270	$863,226
Net Revenues ($'000)	$535,128	$491,256	$492,022	$397,813	$348,160
CapEx ($'000)	$275,000	$236,000	$146,000	$118,000	$122,000
Debt Service Coverage	2.8	4.0	6.2	6.0	5.6
Total Outstanding Debt ($'000)	$1,870,965	$1,706,875	$1,476,450	$1,344,510	$1,273,110
Liquidity	303	314	304	287	282

Current Forecast	2019	2020	2021	2022	2023
Sales (MWh '000)	12,411	12,000	12,000	12,000	12,000
Operating Revenues ($'000)	$1,332,096	$1,211,216	$1,225,830	$1,184,159	$1,234,280
OpEx ($'000)	$805,303	$774,261	$800,728	$855,568	$910,378
Net Revenues ($'000)	$526,793	$436,955	$425,103	$328,591	$323,902
CapEx ($'000)	$280,000	$204,569	$204,759	$175,432	$152,476
Debt Service Coverage	2.8	3.6	3.5	3.1	4.3
Outstanding Debt ($'000)	$1,871,190	$1,748,810	$1,681,045	$1,614,825	$1,562,845
Liquidity	289	314	296	265	253

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

Energy System: Forecast Assumptions

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

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