
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

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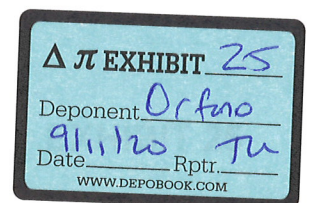
From: Bodek, David <david.bodek@spglobal.com>
Sent: Tuesday, August 20, 2019 10:49 AM
To: Orfano, Joseph E. - Treasurer <orfaje@jea.com>; Wannemacher, Ryan F. - Chief Financial Officer <wannrf@jea.com>
Subject: JEA meeting with S&P

[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
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Please note that our e-mail addresses have changed
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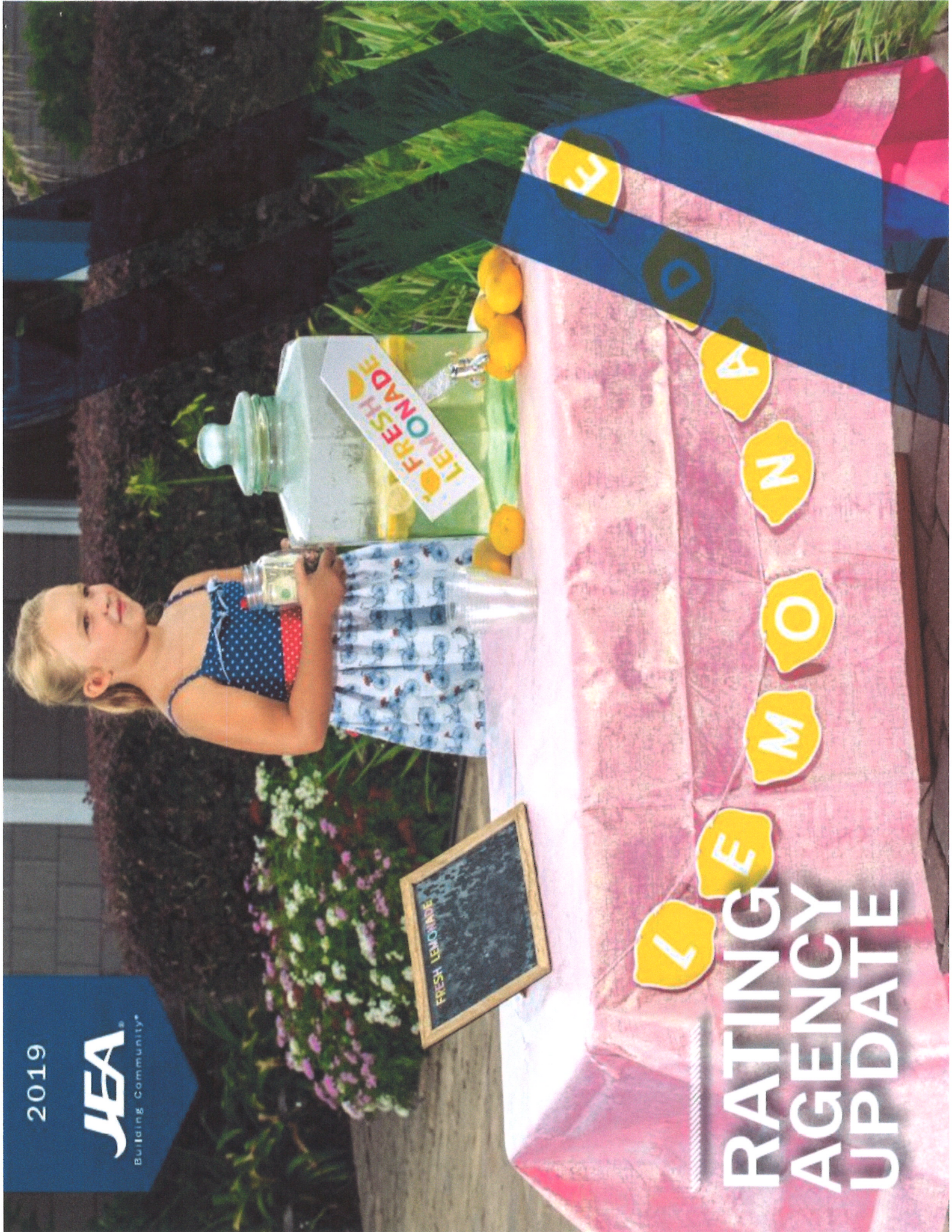
S&P Global

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2019

JEA
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RATING AGENCY UPDATE

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S&P

So Far This Fiscal Year

JEA Remains a Superior Electric Utility

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

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

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 1.2 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

	2019	2020	2021	2022	2023
February 2019 – IRP Sales					
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					
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					
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.