Discussion Materials

February 15, 2018

Morgan Stanley

EXHIBIT 25

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Morgan Stanley Team for Jacksonville Electric Authority

- Morgan Stanley welcomes the opportunity to work with the Jacksonville Electric Authority ("JEA") and the City of Jacksonville to consider potential strategic alternatives for both the electric and water utility

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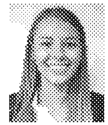

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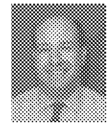
Privatization Expertise



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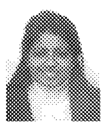

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Morgan Stanley

Team With Unparalleled Transaction Experience

Power & Utility Execution and Coverage Team

Scott Beicke

Managing Director

Years in Banking: 13
Years at Morgan Stanley: 13

- Scott joined Morgan Stanley in 2004 as part of the Global Capital Markets Division and has worked on a range of strategic advisory and financing assignments in the conventional generation and clean energy sectors
- Scott received a B.A. in economics from Cornell University and an M.B.A. (with high honors) from the University of Chicago Graduate School of Business

Select Recent Transactions

- Sale of Ares / EIF's 322 MW Pio Pico CT to institutional investors
- Sale of IFM's 1.8 GW Essential Power gas generation portfolio to Carlyle
- Sale of ENGIE's 8.7 GW conventional generation portfolio to Dynegy
- Sale of ENGIE's 1.2 GW northeast pumped storage / hydro portfolio to PSP
- Sale of MACH Gen's 2.5 GW CCGT portfolio to Talen
- Dynegy's acquisition of ECP's 6.3 GW EquiPower Resources and Brayton Point
- PPL's spin / RMT merger with Riverstone's conventional generation portfolio to create Talen Energy (first ever private-to-private RMT)
- Sale of Capital Power's 1,050 MW northeast U.S. gas generation portfolio to Emera
- Sale of Harbert's 530 MW GWF Energy CA gas generation portfolio to Highstar

Power & Utility Execution and Coverage Team

Todd Giardinelli

Managing Director, Head of Power & Utility M&A

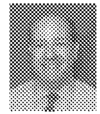
Years in Banking: 21
Years at Morgan Stanley: 18

- Todd joined Morgan Stanley in 2001. He has over 20 years of investment banking experience and has executed a broad range of strategic advisory, financing assignments and corporate/shareholder defense assignments across a variety of industry sectors
- Chairman of Morgan Stanley's Fairness Committee
- Todd earned his M.B.A. from the University of Chicago Graduate School of Business and his B.A. in English from Kenyon College cum laude with distinction

Select Recent Transactions

- Sale of TerraForm Power to Brookfield
- Sale of AES (IPALCO) to CDPQ
- Sale of PNM (First Choice) to Direct Energy
- Sale of SCANA to Dominion
- Sale of Duke Midwest to Dynegy
- Sale of Dominion Assets to ECP
- Sale of Capital Power NE Assets to Emera
- Sale of Teco to Emera
- Sale of PEPCO to Exelon
- Sale of ITC to Fortis
- Sale of UIL to Iberdrola
- Sale of Dynegy to Vistra
- Sale of Sun Edison to MEMC
- Sale of OptiSolar to First Solar
- Sale of USPowerGen to Tenaska
- Sale of Sunpower AVSP to MidAmerican
- Sale of Recurrent to Sharp

Privatization Expertise



Ray Spitzley

Managing Director, Privatization Expert

Years in Banking: 30
Years at Morgan Stanley: 30

- From 1993-2000, Ray headed Morgan Stanley's Power and Energy banking efforts in Asia Pacific via postings in Hong Kong, Singapore, and Sydney. In 2001, Ray returned to New York to take responsibility for Morgan Stanley's coverage efforts with generation-focused power and utility clients in North America
- Ray is a graduate of Denison University and received his Masters in Public and Private Management from Yale University

Select Recent Transactions

- South Australia electricity industry restructuring and privatization
- Advisor to the City of Calgary for the proposed privatization of Enmax
- Advisor to Southern Nevada Water Authority for the proposed purchase of Nevada Power
- Republic of Singapore generation sector privatization
- People's Republic of China Power Generation IPOs
  - Huaneng Power International
  - Shandong Huaneng Power
  - Beijing Datang Power
- Republic of Indonesia, IPO of P.T. Telkom
- Electricity Generating Authority of Thailand, IPO of EGCO
- Republic of the Philippines privatization of geothermal operator PNOC – EDC
- Advisor to the Hong Kong Government for the Port and Airport Development Strategy

Executive Summary

- Given our vast experience and expertise, we believe Morgan Stanley is uniquely qualified to execute the potential privatization of JEA
  - #1 Utility M&A Franchise on Wall Street – advised on 8 of the 11 most recent and relevant utility transactions
    - Longest tenured utility group on Wall Street (Average 30 years in banking / Managing Director)
  - Unparalleled track record of not only achieving outsized valuations for clients but also structuring transactions to maximize deal certainty
  - Leader in investment grade acquisition finance, which could aid deal competition for and enhance value of JEA
  - World leader in privatization transactions
- We are confident JEA can execute a sale transaction within 12 months
  - Upfront and recurring coordination with key constituents critical to transaction success
  - Benefits of privatization must be advertised prior to deal launch ("Initial Rate Reduction")
- We recommend preserving the option for buyers to bid for the water and electric utilities separately but believe you do not need fully separated information (i.e. audit) prior to launching the process
  - While separating the electric and water utility has the potential to enhance value, utility multiples are currently trading at a premium and likely to trade lower going forward as rising interest rates pressure utility valuations
- We recommend that in order to maximize valuation of electric utility that the operation be sold as a "clean" company (i.e. without exposure to Project J)
  - We considered a number of strategies to address the Project J PPA
- DCF suggests valuation of $4.4Bn - $5.2Bn for electric and $4.2Bn - $4.9Bn for water utility
  - Tremendous strategic and financial sponsor interest in recent transactions will support a competitive process
- Morgan Stanley is pleased to offer a fee construct which aligns objectives
  - Base fee below historical precedents
  - Tiered fee schedule incentivizes us to maximize value and certainty of transaction completion

Four Pillars for Successful Privatization

- Benefits to the City and Residents of Jacksonville:
  - ✓ Initial rate reduction
  - ✓ Over $5Bn of excess proceeds to the City of Jacksonville
  - ✓ No involuntary job cuts

Four Pillars for Successful Privatization

1 Clearly Articulated Public Benefits / Protections

- JEA and constituents supporting privatization must have a clear message to the public regarding potential benefits
  - Size of customer savings
  - Potential surplus to the government and use of proceeds
  - JEA employee guarantees
  - HQ guarantees

2 Speed to Market (2018 Process)

- Time is often the enemy of privatizations
  - Inertia favors status quo
- Additionally, market favors 2018 process
  - Rising interest rates to pressure utility valuations
  - Infrastructure Funds cashed up and looking for sizeable, quality transactions
  - Federal infrastructure initiatives could compete for future investment dollars

3 Robust Competition

- Value will be maximized by getting robust competition between a number of well qualified strategic and financial buyers
- To entice such bidders to spend time and money, they need to see
  - Vocal support / leadership from Mayor & Key City Council Members
  - Level playing field for out of state / financial bidders
  - Straightforward / typical path to regulatory approval

4 Process Integrity

- Opposition to privatization ultimately leads to criticisms of the process itself
- JEA must work with all constituents throughout all steps of the process regularly and provide a clear trail of documentation for how decisions were made
  - Transparency of decisions
  - Reputation of financial advisor
  - Audit trail

Morgan Stanley

Section 1

Why Morgan Stanley?

Morgan Stanley – Unparalleled Experience

All Electric / Combined Utility Transactions | 2014 – Current

	Acquiror	Target	Size ($MM)	Morgan Stanley Role	JEA MS Team Executed
★	Sempra Energy	Oncor	$18,800	• Buyside advisor to Sempra; $4.0Bn committed bridge financing; lead book runner on $4.6Bn of equity and $5.1Bn of debt	✓
★	Iberdrola	UIL Holdings Corporation	$17,800	• Sellside advisor to UIL	✓
★	Dominion Energy	SCANA	$14,600	• Sellside advisor to SCANA	✓
★	Great Plains Energy	Westar Energy	$12,200	• Buyside advisor to Bidder D	✓
★	Exelon	Pepco Holdings, Inc.	$12,000	• Sellside advisor to Pepco	✓
★	Fortis	ITC	$11,300	• Sellside advisor to ITC	✓
★	Emera	TECO	$10,400	• Sellside advisor to TECO	✓
	WEC Energy Group	Integrys	$5,700		
	Hydro One	Avista	$5,300		
★	Macquarie Bank	Cleco	$4,700	• Buyside advisor to Party C	✓
	Algonquin Power & Utilities Corp.	Empire	$2,300		

★ **Morgan Stanley Advisor**

WHY MORGAN STANLEY?

Morgan Stanley – Track Record for Deal Certainty

- As sellside advisor, Morgan Stanley has successfully balanced the needs of all of its clients' constituents in order to successfully complete transactions

Represents the highest regulated utility premium and multiple paid at that point in time

Recent Morgan Stanley Sell-Side Transactions

Target / Aquiror	Aggregate Value ($MM)	% Premium to Unaffected Share Price	Acquistion FY1 P/E	Shareholder Approval?	Regulatory Approval?	Social Considerations
FORTIS / ITC	$11,300	33.0%	21.3x	✓	✓	**Headquarters:** For 10 years after close, ITC will maintain its headquarters in Novi, MI and the subsidiaries' regional headquarters **Employees:** For 3 years, no voluntary workforce reduction, employee restructuring or job elimination programs or initiatives permitted
Emera / TECO	$10,400	48.3%	23.3x	✓	✓	**Headquarters:** Preservation of existing FL and NM headquarter locations **Employees:** For 2 years, all employees not covered by union contracts will receive aggregate compensation comparable to before the transaction **Board:** Operating boards established in FL and NM with local representation on both boards
IBERDROLA / UIL HOLDINGS CORPORATION	$17,800	24.6%	21.7x	✓	✓	**Headquarters:** The combined company will retain corporate offices in CT and MA as well as the current Iberdrola USA offices in ME and NY **Employees:** For 12 months, employees will be provided with aggregate compensation comparable to before the transaction **Board:** Comprised of 12 members, of which 3 will be from UIL
Exelon / Pepco Holdings Inc	$12,000	N / A	22.5x	✓	✓	**Customer Impact:** $306MM dedicated to rate credits, low income customer assistance programs, and energy efficiency programs **Headquarters:** Regional headquarters retained in Mays Landing, NJ; Newark, DE; and Washington, D.C. **Employees:** For 2 years, Exelon shall not permit a net reduction in employment levels of Delmarva and Pepco and maintain compensation / benefits as favorable as before the transaction **Board:** PHI will create a 7 member board, including 3 from the Delmarva, Pepco, and ACE service areas. Post-merger, Delmarva and Pepco will each retain their own boards, to be selected by the new PHI Board

Investment Grade Acquisition Finance Expertise

Morgan Stanley is a Leader in Investment Grade Acquisition Financing

- Morgan Stanley has a truly integrated acquisition financing platform with a seamless approach to M&A, committed financing, ratings advisory and debt and equity capital markets

Morgan Stanley: 2017 IFR Americas Loan House of the Year

"For delivering tailored financings and leading game-changing transactions… Morgan Stanley is IFR's Americas Loan House of the Year"

Morgan Stanley Structured the US Loan of the Year Winner 4 of the Past 5 Years

$11.3Bn Bridge / Facility Backstop **July 2017**	**$18.0Bn Bridge** **March 2015**	**$9.2Bn Bridge / TL / RC** **June 2014**	**$63.0Bn Bridge / RC** **September 2013**
CROWN CASTLE Acquisition of Lightower Left Lead Arranger	abbvie Acquisition of Pharmacyclics Left Lead Arranger	Tyson Foods, Inc. Acquisition of Hillshire Brands Left Lead Arranger	verizon Acquisition of 45% of Verizon Wireless Global Coordinator

Selected Recent Transactions

$2.5Bn Bridge **January 2018**	**$1.35Bn Bridge / TL** **October 2017**	**$6.5Bn Bridge** **September 2017**
xerox Combination with Fujifilm and Fuji Xerox Joint Lead Arranger	ASSURANT Acquisition of The Warranty Group Sole Lead Arranger	United Technologies Acquisition of Rockwell Collins Left Lead Arranger
$7.12Bn Bridge / TL / RCF **August 2017**	**$11.3Bn Bridge / Backstop Credit Facilities** **July 2017**	**$5.8Bn Bridge / TL / RC** **April 2017**
Sempra Energy Acquisition of Energy Future Holdings Joint Lead Arranger	CROWN CASTLE Acquisition of Lightower Left Lead Arranger	Tyson Acquisition of AdvancePierre Foods Sole Lead Arranger
$3.1Bn Bridge **December 2016**	**$275MM Bridge** **April 2016**	**$6.0Bn Bridge / RC** **August 2015**
Parker Acquisition of CLARCOR Inc. Sole Lead Arranger	spire Acquisition of Sempra's EnergySouth Sole Lead Arranger	CF Industries Acquisition of OCI N.V. Assets Left Lead Arranger

Morgan Stanley – Privatization Credentials

Select Privatizations of Infrastructure Assets

- In addition to Morgan Stanley's U.S. based team of privatization experts, the Firm can draw upon its global privatization expertise to deliver state of the art execution capabilities

Client		Role	Date	Comments
HM British Government		Government Advisor	Ongoing	Financial advisor to the British Government on potential IPO of Urenco
Victoria State Government	Port of Melbourne	Government Advisor	Ongoing	Joint financial advisor on the scoping study and potential privatisation of Port of Melbourne
Greek Government	Greek Port Portfolio	Sellside Advisor	Ongoing	Ongoing privatization of Thessaloniki Ports (sale of Piraeus Port completed in April 2016)
Dong Energy		Joint Global Coordinator & Joint Bookrunner	2016	Joint Global Coordinator and Joint Bookrunner on IPO of Dong Energy
Bidding Consortium		Buyside Advisor	2015	Advised CPP/Borealis and Australia Super on the potential acquisition of Transgrid
New South Wales Government	Port of Newcastle	Government Advisor	2014	Sole financial advisor to NSW on the scoping study, restructuring and privatization of Port of Newcastle
Transurban		Buyside Advisor	2014	Joint financial advisor to Transurban and consortium partners on the acquisition of Queensland Motorways for A$7.1Bn
New South Wales Government	Ports Botany & Kembla	Government Advisor	2013	Sole financial advisor on the scoping study and subsequent privatization of Port Botany and Port Kembla
EnergyAustralia		Buyside Advisor	2013	Sole financial advisor to EnergyAustralia on its acquisition of the Delta West power stations from the New South Wales Government
Ohio State University (OSU)	Parking Assets	Sellside Advisor	2012	Sole financial advisor to OSU for the privatization of its parking assets by QIC for US$483MM
German Government		Buyside Advisor	Ongoing 2001	Strategic advisory on restructuring, capital structure and international operations Strategic advisor to the German Government on the Deutsche Bahn privatization
Nassau County	Wastewater System	Sellside Advisor	2011	Sole advisor to Nassau County (NY) on the privatization of its Wastewater System
City of Pittsburgh		Buyside Advisor	2010	Financial advisor on privatization of Pittsburgh Parking System to JPM / LAZ for US$452MM
Temasek		Sellside Advisor	2008	Sellside advisor on Temasek's privatization of ~$8.3Bn of generation assets (three separate transactions)
Transport for London		Government Advisor	2006	Strategic advisor on the refinancing of the London Underground
MSIP		Buyside Advisor	2006	Sole advisor to Morgan Stanley Infrastructure Partners on acquisition of Millennium Garages from the City of Chicago for $563MM
PSA		Buyside Advisor	2006 1999-2003	Sole financial advisor to PSA on its acquisition of stake in HPH (2006) Strategic advice on privatization options, capital restructuring and credit rating advisory
NSW Government	State Forests	Government Advisor	2003-2004	Financial advisor on scoping study on the potential private sector participation in State Forests' plantation business
Government of South Australia		Government Advisor	2000	Financial advisor to the South Australian Government on the privatization of ETSA Power/Utilities and Electranet

WHY MORGAN STANLEY?

Dominion Energy to Acquire SCANA Corporation

Announced January 3, 2018

- **Morgan Stanley served as lead financial advisor to SCANA**

Lessons Learned from SCANA

- Rate structure designed to address specific issues which could be raised by regulators
  - Substantial givebacks to ratepayers (i.e. $1,000 cash payment for average residential customer and an additional 5% reduction for typical customer bill)
- Proceeds from buyers fungible (to a certain extent)
  - Found balance in order to optimize for all constituents
- Long and evolving process which required careful and detailed planning - upfront preparation required to succeed

Applicability to JEA

- Coordination with constituents required for approval and key to enhancing deal certainty and buyer confidence in process
- Process design should include meaningful input from all constituents
- Buyer likely enhances valuation of JEA with Project J PPA excluded

March | 1 | July | 2 3 | 4 Aug | 5 | Sep 6 7 8 | Oct 9 | 10 11 | Nov

1 **March 29, 2017**
Westinghouse filed for bankruptcy, citing it will not honor its fixed-price EPC contracts to build units 2 & 3 of Nuclear fueled Summer plant

2 **July 31, 2017**
SCANA halted construction of two new 1,117MW reactors at Summer, reactors expected to cost $25.0Bn compared to $11.4Bn approved by regulators

3 **August 1, 2017**
SCANA submitted an abandonment petition seeking approval to recover $4.8Bn in capital costs tied to Summer

4 **August 15, 2017**
SCANA withdrew the abandonment petition, expecting to negotiate a settlement with legislators and regulators

5 **September 5, 2017**
Governor released a 2016 assessment of the Summer project that warned of "fundamental" problems more than a year before the cancellation of the two new reactors

6 **September 21, 2017**
SCANA received a subpoena from the U.S. Attorney's Office for South Carolina

7 **September 26, 2017**
South Carolina officials launched a criminal investigation into SCANA

8 **September 29, 2017**
S&P downgraded SCANA to BBB and placed the ratings on negative watch

9 **October 17, 2017**
SEC opened an investigation on Scana's handling of Summer

10 **October 31, 2017**
SCANA announced that Chairman and CEO Kevin Marsh will retire at the end of the year

11 **November 1, 2017**
Moody's placed SCANA on review for downgrade from Baa3 due to escalating political and regulatory contention that developed following decision to cease construction of Summer

WHY MORGAN STANLEY?

Emera Acquires TECO Energy for $10.4Bn

Announced September 4, 2015

- **Morgan Stanley acted as the strategic and financial advisor to TECO Energy**

Lessons Learned from TECO

- Given Florida is a traditionally regulated market as opposed to a competitive wholesale electricity market, it can be challenging to mitigate market power
  - – Addressed market power issues upfront
- Certainty to close is a key consideration
  - – Competitive process allowed for extremely "seller-friendly" merger contract ("Hell or High Water" on all required and potential regulatory approvals, no cap on damages, etc.)
- Upfront preparation for dealing with potential leaks benefited the process

Applicability to JEA

- We expect a number of local strategics who would face market power issues in Florida to express interest in JEA
  - – Address upfront
- Construct a large competitive process which will better position us to press on key contract terms
- Preparation phase must include planning for dealing with a public process

1 April 28, 2015
TECO Board meets to discuss strategic alternatives including potential sale to a third party

2 May 28, 2015
TECO Board determines it is in the best interest of TECO's shareholders to pursue an initial phase of a sale process

3 June 11, 2015
Official launch of Phase I begins with outreach to potential acquirers

4 July 13, 2015
Emera submitted a letter to TECO expressing knowledge of the sale process and stating it would like to be included

5 July 16, 2015
Spark Spread publishes an article stating that TECO Energy has put itself up for sale and has hired Morgan Stanley to conduct the process

6 July 20, 2015
TECO received indicative nonbinding offers from five parties

7 July 23, 2015
Emera withdraws from the process as a result of TECO not granting exclusivity to Emera as requested

8 July 28, 2015
Phase II begins with three parties. Emera informs TECO they would appreciate the opportunity to rejoin the process, which is granted

9 August 3 – 7, 2015
Management presentations are conducted for the four remaining interested parties

10 August 27, 2015
TECO receives final binding proposals from three parties, including Emera

11 September 4, 2015
Emera announces it has signed a definitive agreement to acquire TECO for $10.4Bn

Apr 1 May 2 3 Jun 4 5 Jul 6 7 8 9 Aug 10 11 Sept

WHY MORGAN STANLEY?

Electricity Trust of South Australia Case Study

A$5.3Bn Restructuring and Privatization of State-Owned Vertically Integrated Electric Utility

ETSA Utilities

- **From April 1998 to October 2000, Morgan Stanley acted as lead strategic and financial advisor to the Government of South Australia regarding the restructuring and privatization of the State's electricity industry**
  - A$5.3Bn raised across six separate transactions
  - Motivated by desire to significantly reduce legacy debt and avoid the commercial risks of deregulated Australian electricity market

Lessons Learned from ETSA

- Despite largely negative publicity and public sentiment, the South Australian government maintained a clear and well articulated agenda, which proved imperative in its efforts to influence perception of its ETSA privatization efforts
- The reality of increased taxes due to deteriorating financial condition of the South Australian government accelerated the discussion and consequent acceptance of ETSA privatization
- Ability to separate ETSA into three generation businesses, a transmission business and a single distribution company broadened the pool of interested investors and resulted in increased interest and value creation

Applicability to JEA

- Deterioration of financial condition that could lead to higher taxes / utility rates is a powerful motivator for public action
- Favorable public sentiment towards ETSA complicated political debate and resulted in strong selection criteria regarding jobs and local headquarters
- Proactive and well coordinated public relations strategy effectively blunted privatization critics and won support necessary for authorizing law

1 February 17, 1998
Premier John Olsen announces decision to sell ETSA

3 March 18, 1998
Premier Olsen introduces legislation to privatize ETSA into State Parliament

5 June 25, 1998
Australian Democrats decide to block the sale of ETSA in the Upper House of Parliament

7 March 2, 1999
Treasurer Rob Lucas announces new tax will be added to electricity bills if the electricity industry is not privatized

9 December 12, 1999
ETSA Utilities is leased for 200 years to Hong Kong based Hutchinson Whampoa group

11 January 28, 2000
ETSA closes on A$3.5Bn transaction with Cheung Kong Infrastructure and Hong Kong Electric

13 September 8, 2000
ETSA closes on A$465MM transaction with NRG Energy

1 2 3 4 5 1998 6 7 1999 8 9 10 11 12 2000 13 14

2 February 24, 1998
Leaked document prepared for the South Australian government revealed privatization options had been considered in 1996

4 April 15, 1998
Morgan Stanley hired as lead adviser to the South Australian government on the sale of ETSA

6 August 17, 1998
S&P claims that the sale of ETSA would be positive for the South Australian government's rating

8 August 3, 1999
Treasurer Rob Lucas announces 100 year lease of Flinders Power to NRG Energy

10 December 15, 1999
S&P upgrades South Australia's credit rating to AA+ in the wake of the lease of ETSA Utilities

12 June 6, 2000
ETSA closes on A$315MM transaction with TXU Australia and A$39MM transaction with National Power

14 October 31, 2000
ETSA closes on A$938MM transaction with Macquarie Bank, ABB and Powerlink and A$35MM transaction with Tarong Energy

Section 2

Process Considerations

Lessons Learned from Previous Privatization Efforts

Summary Overview

- To close a transaction, JEA and any potential buyer(s) will need to garner support from the numerous constituencies with interests in JEA:
  - City Council, customers, the citizens of Jacksonville and state regulators
- Morgan Stanley has been involved in three of the most relevant municipal utility privatizations in North America
  - Financing Provider to UIL Holdings
  - Strategic Advisor to Enmax Corp.
  - Buyside Advisor to the Southern Nevada Water Authority

PGW

UIL HOLDINGS

Description: On March 3, 2014, UIL Holdings Corporation announced a definitive agreement to acquire Philadelphia Gas Works ("PGW"), the nation's largest municipally owned natural gas utility, for $1.86Bn in cash

Reasons for Failed Execution:

- Inability of Mayor to solicit a Philadelphia City Council member to introduce bill to privatize PGW, due in part to a fractured relationship with City Council
- City Council stated the financial and public policy risks associated with the sale proposal outweighed the stated benefits

Takeaways for JEA:

- Supportive municipal government working in concert throughout the sale process is paramount
- Philadelphia community was wary of UIL as an unfamiliar outsider, with City Council expressing the belief that the transaction could subject residents to more frequent rate hikes and endanger relief programs

ENMAX

Description: In July 2001, Calgary City Council voted to entertain offers to sell all or part of its electric utility, Enmax Corp., and received nonbinding bids in September 2001 for up to $2Bn. In October 2001, plans of a sale were put on hold upon the election of a new mayor who campaigned against the sale

Reasons for Failed Execution:

- Deregulation of Alberta in January 2001 caused confusion among customers as to who to blame for abnormally high natural gas bills that resulted from an increase in spot gas prices. Consumers by default became fearful of increases in energy costs with no ability to lobby the City for lower prices
- The City greatly underestimated the level of opposition to potential privatization and mistimed introducing the idea to sell Enmax

Takeaways for JEA:

- Proper timing of introduction and consummation of the process is imperative
- Proper messaging is necessary to clearly articulate plans for privatization well in advance of any action

Southern Nevada Water Authority

Nevada Power.

Description: In August 2002, South Nevada Water Authority ("SNWA"), a cooperative, not-for-profit water utility, submitted an unsolicited offer to purchase Nevada Power ("NP") for ~$3.2Bn; however, NP's parent Sierra Pacific Resources rebuked continual approaches even while on the brink of bankruptcy, and instead eventually received a stay of judgement from the Bankruptcy Court in a highly public process

Reasons for Failed Execution:

- NP voiced concerns over leverage used to finance the acquisition, the revenue disparity between the two firms ($70MM for SNWA vs. $1.5Bn for NP) and ability of SNWA to manage the utility
- The collapse of Enron in December 2001 caused credit agencies to downgrade NP's debt and eventually put NP on the brink of bankruptcy

Takeaways for JEA:

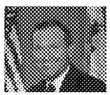
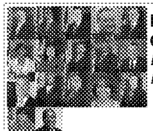
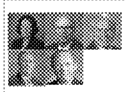
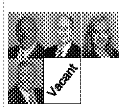
- Managing a highly public M&A process requires a sound and unified public relations strategy

PROCESS CONSIDERATIONS

Precedent Privatization of Scale

Philadelphia Gas Works Then Vs. Jacksonville Electric Authority Now

- Given the lack of precedent privatizations of government owned utilities of scale, we expect many potential buyers to focus on the Philadelphia Gas Works sale process for reference
- We believe that the political landscape in Jacksonville in 2018 is very different than that of Philadelphia in 2014
  - Strong Mayoral leadership
  - Supportive City Council
  - Constructive regulatory environment
- Educating potential buyers on what makes the JEA process different from PGW is critical

Entity	What Happened in 2014?	Why is Jacksonville Different?
 **Philadelphia Mayor** *Michael Nutter* *Democrat*  **Jacksonville Mayor** *Lenny Curry* *Republican*	• Mayor Nutter, despite having served on City Council prior to his election, did not have a particularly positive relationship with the Council; as a result, the Council did not provide support for many of his priorities • UIL's attempted acquisition of PGW was terminated due to then-Mayor Nutter's inability to solicit a single Council member to introduce his bill to privatize PGW	• Mayor Curry has a constructive relationship with City Council as indicated by his ability to usher a comprehensive pension reform bill to Council, which it unanimously approved on April 24, 2017 • Mayor Curry has address Council's desire to explore JEA's valuation by saying: "as a reform-minded mayor, I welcome this challenge and will work with City Council leadership to address these questions", and furthermore that "nothing gets done without this City Council."
 **Philadelphia City Council** *Democrat - 14* *Republican - 3*  **Jacksonville City Council** *Democrat - 7* *Republican - 12*	• After months of inaction following the announcement of an agreement, Council rejected UIL Holdings' bid on October 23, 2014 • Council stated that the financial and public policy risks associated with the sale proposal outweighed the stated benefits citing a Concentric Energy Advisors report that estimated a lower monetary benefit to the City than the Mayor's office projection	• The current Republican controlled Council has indicated an interest in exploring a potential sale of JEA • Current Finance Committee chair, Garrett Dennis has been the most vocal Council Member on the topic of privatization, noting "that he supports taxpayers' voicing their opinions and he will push the discussion to Council chambers."
 **Pennsylvania Regulators**  **Florida Regulators**	• The Pennsylvania Public Utility Commission ("PA PUC") holds all rate regulation authority for PGW pursuant to the Gas Choice Act • The PA PUC consists of 5 commissioners serving 5-year terms; Commissioner selection is achieved via gubernatorial appointment and senate confirmation • In 2014, RRA viewed the regulatory climate in PA as slightly more restrictive than average from an investor perspetive	• The Florida Public Service Commission serves as the rate regulator for electric and water utilities in the State of Florida including five investor-owned electric companies and 149 investor-owned water and / or wastewater utilities • The Commission consists of five members, each appointed by the Governor and confirmed by the Florida Senate • Today, RRA views Florida regulation as quite constructive from an investor perspective • Have recently overseen a favorable regulatory environment

Sources SNL Financial, RRA, PA PUC Website, Jax Daily Record, FloridaPolitics.com

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PROCESS CONSIDERATIONS

Sale of Entire Authority versus Individual Systems

- Morgan Stanley recommends running a process that allows interested parties to evaluate either JEA Electric or JEA Water or both businesses
  - Allows for those focused on only one side of the business to pursue their primary interests
  - Expands universe of credible candidates by decreasing check size (relative to the whole)
  - Does not preclude anyone from pursuing both businesses
- Need to understand issues and timing involved in separating water from electric businesses
  - Timing considerations will be important for the success of the process

	Sale of Entire Authority	Sale of Individual System
Rationale	• Does not entail legal separation of water and wastewater businesses • Simpler transaction structure • Single process for entire authority easier to manage (re: buyer outreach, due diligence Q&A, single owner) • Robust interest from pension / insurance / infrastructure funds for water and electric utilities	• Potential for value uplift as the natural buyers for an electric utility and water utility are not always the same • Flexibility for City to retain one system if buyer interest in one asset is tepid while one is more robust • Expands universe of credible candidates by decreasing check size (relative to whole)
Considerations	• Natural buyers for an electric utility and water utility are not necessarily overlapping • Water utilities trade higher on a P/E basis than electric utilities, implying that they can pay more for an asset	• Would entail legal separation of water and electric utility businesses • Given wider buyer universe for individual systems, the process will be more time consuming due to the number of parties involved

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Sale of All Water versus Water and Wastewater

- Whereas we believe a separation of electric from water may be necessary for value maximization, we do not believe a further bifurcation of the water business would produce materially incremental value

	Sale of All Water	Sale of Water and Wastewater
Rationale	• Demand for opportunities of scale in water / wastewater industry • Both water and wastewater businesses are fully regulated, and likely to attract similar buyers (both strategic and financial) using similar valuation frameworks • Simpler transaction structure • Single process easier to manage	• Smaller prospective buyers may not be able to write check large enough for entire business • Does not preclude anyone from pursuing both businesses
Considerations	• May preclude smaller buyers from participating	• Historical and projected financials would need to be created for each segment • May require asset separation / shared services agreements • Investor-owned water utilities currently own wastewater businesses, which are complimentary to water businesses • No pure-play publicly-traded wastewater companies

JEA Electric Process Recommendation

Project J PPA Strategy Formation

- JEA can also avoid the need for tax-exempt debt remediation at MEAG by assigning or selling the contract to another municipal utility while adhering to: (a) Sec 305 Resale Covenant (b) Sec 306 Sale Covenant
- Given the expected contract price will be greater than current market prices, as well as final cost uncertainties, a potential purchaser may require a sizable upfront payment to lower the contract price to current market levels
- If a Municipal Utility does not acquire the PPA or purchase JEA, the strategies to the right could mitigate risk / costs
- Additional revenue sources can be explored such as special assessments and user fees as might be allowed under current statutes

	Tax-Exempt Remediation Avoidance / Risk Transfer to Rate Payers	
	Franchise Fee Tax	**Special Charge**
Strategy Description	• Sell JEA Electric Systems Assets and Service Territory, except for Project J PPA • JEA will hire energy manager to sell Project J PPA power output to the market under short-term contracts (<3 years) • The City imposes an amount over the current 3% levy on IOU to fund the obligations under the PPA • JEA will use the incremental tax to generate revenue that will "make up" cash flow differences between the PPA's contract price and the resale proceeds; the charge would be adjusted periodically as needed • City may be prohibited from issuing additional debt secured by the tax. The incremental amount of Franchise Fee and power resale revenue would service the PPA for the remaining term of the contract	• Sell JEA Electric Systems Assets and Service Territory, except for Project J PPA • JEA will hire energy manager to sell Project J PPA power output to the market under short-term contracts (<3 years) • JEA acquires a newly formed property right allowing JEA to asses a special charge on the customers of the IOU acquirer of JEA's electric system • JEA will use the special charge to generate revenue that will "make up" cash flow differences between the PPA's contract price and the resale proceeds; the charge would be adjusted periodically as needed • No debt would be issued by JEA. The special charge and power resale revenue would service the PPA for the remaining term of the contract
Rationale	• Project J PPA will continue to stay with JEA and may not require contract renegotiation with MEAG • MEAG will not need to remediate any of its tax-exempt bonds/ BABs since contract will still qualify (no violation of Sec 306 – tax covenant) • Vogtle cost overrun risk / market power price risk will remain with JEA's legacy customers (not the City or IOU acquirer); unchanged from current customer pass-through expectations	• Project j PPA will continue to stay with JEA and may not require contract renegotiation with MEAG • MEAG will not need to remediate any of its tax-exempt bonds/ BABs since contract will still qualify (no violation of Sec 306 – tax covenant) • Vogtle cost overrun risk / market power price risk will remain with JEA's legacy customers (not the City or IOU acquirer); unchanged from current customer pass-through expectations
Considerations	• No State legislation expected as statute exists • No PSC oversight • City and IOU negotiate the terms of the FF tax Agreement and must be approved by City Council • Cap on fee increased with City imposing the tax • JEA will be limited to selling power output of PPA under 3-year contracts or shorter	• Likely requires State legislation to be able to create the special charge (FL law only allows for IOU storm recovery and nuclear decommissioning securitizations or municipal for water and sewer • No PUC oversight • JEA will be limited to selling power output of PPA under 3-year contracts or shorter

Section 3

Suggested Process Overview

Pre-Launch Process Design Considerations

Key Considerations

- Process design driven by objectives of JEA and its constituents
- Separation will introduce additional time to the process and require more upfront preparation
- Conduct process to provide separate audited financials (if not already done) for electric and water
  - Audits not required prior to launch
- Assess viability of providing staple financing on contemplated transaction structure to add competition and enhance valuation
- Establishing upfront "Success Criteria" key to maintaining process integrity and evaluating alternatives
- Market business excluding Project J liability
  - "Clean" electric utility would increase interest in process and enhance valuation
  - Jacksonville rate payers already subject to higher rates from Vogtle exposure
- Conduct a "soft" pre-marketing effort to electric and water strategics
  - Address concerns with potentially skeptical buyers (given PGW failure)
  - Assess interest in whole business versus separation transaction
  - Determine if electric and water strategics prefer to partner / structured alternatives
  - Partnerships will add time later in the process so we recommend addressing upfront
  - Outreach conducted concurrent with initial preparation efforts
- Coordinate upfront with key approval constituents
  - Create efficient subcommittee with membership from key areas (JEA, City Council and Mayor's office)
  - Buy-in on process design and objectives is key to success throughout the process
  - Preview rate making construct with FL PSC staff to get a sense for its view

SUGGESTED PROCESS OVERVIEW

Process Deliverables

1 Needed Prior to Process Launch

- Define Transaction Structure
- Project J Strategy Formation and Implementation
- Financial Model (Prepare In Tandem with Regulatory Consultant) / “Horizontal” Expenses
- Regulatory Consultant to Opine on Proposed Rate Structure
- Phase I Environmental Report
- Marketing Materials
- NDAs and RFQ Agreements

2 Needed Prior to Receipt of Phase I Bids / Launch of Phase II

- Market Power Review
- Data Room Preparation (Legal Contracts, PPAs, Employment Agreements, Environmental)
- Shared Service Agreements
- Staple Bridge Process

3 Needed Prior to Transaction Close

- Audited Historical Financials for JEA Water and JEA Electric
- Real Estate Titles

SUGGESTED PROCESS OVERVIEW

Post-Launch Process Considerations

- We anticipate opposition arguments against privatization to intensify post a formal launch of the process
  - It is essential to embrace transparency by proactively addressing stakeholders' potential concerns through town hall meetings and public Q&A sessions once the privatization plan and timetable have been agreed to

Key Considerations

- We recommend a formal Request for Qualifications ("RFQ") stage in advance of launch
  - Approximately 4 weeks
  - Broad invitation provides greater comfort to the City that it has considered all potentially interested parties
  - Screening pre-NDA provides the City opportunity to exclude any less qualified parties from moving forward
  - Opportunity to convey to prospective bidders social considerations (i.e. jobs, headquarters)
- Post-RFQ, select qualified parties to participate in a two-phase process under NDA
  - Allows all qualified parties to participate and provide value indication, while then down-selecting to a more manageable number of late stage participants requiring extensive time and effort for diligence
  - Approximately 6 weeks for Phase I and 8 weeks (or longer) for Phase II
    - In Phase I, provide information memorandum, three-statement financial projections and "horizontal expense" sheet to supplement publicly-available information
      - Financial model is inclusive of rate making construct reviewed with FL PSC staff
      - Hold market power discussions with interested parties
    - In Phase II, provide comprehensive data room, management presentation, draft asset purchase contract and detailed Q&A
- Post-submission of fully-diligenced proposals that include price and marked contracts, down-select parties for final stage of transaction document negotiation and City approval
  - Could include multiple parties (or even subsequent "best and final" requests) if strong competitive tension exists
  - Timing until document execution will be function of negotiation cadence and the City's approval process, but it could take at least 3-4 weeks

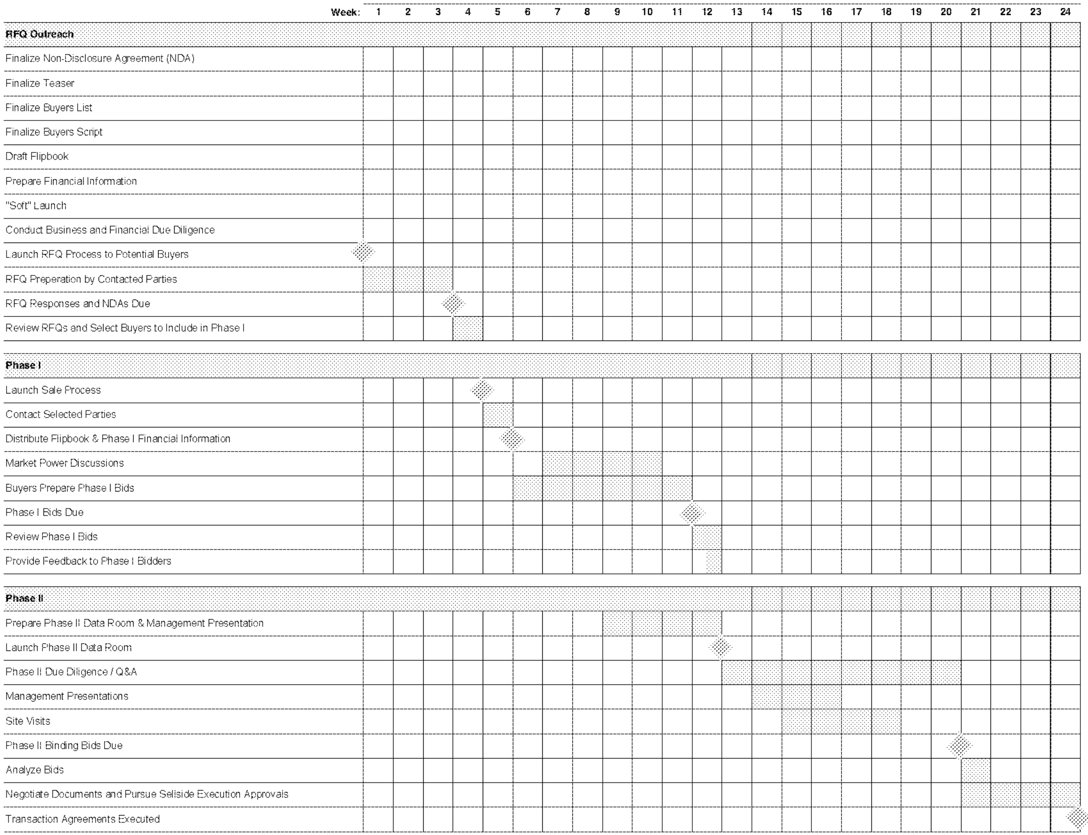
SUGGESTED PROCESS OVERVIEW

Post-Launch Process Timeline

Two Phase Process

- Once pre-launch process preparation is complete, we believe transaction agreements could be executed in as few as 24 weeks

Sale Process Timeline



Key Milestones / Decision Points

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SUGGESTED PROCESS OVERVIEW

Insights Into Managing a Public Process

- In addition to the key pre-launch workstreams identified on the page, we would encourage JEA to hire a full-time public relations consultant to stay ahead of any political tensions that may arise
  - Schedule regular meetings with key government officials to update them on progress and ensure coordinated messaging
- Understand who is driving the opposition and what their arguments are – have factual and easily understood rebuttals prepared
  - "Initial rate reduction"
  - "Immediately upon sale, there will be excess proceeds of nearly $6,000 per citizen"
  - "There will be contractual commitments ensuring no JEA employees lose their job against their will"

Key Insights

Morgan Stanley has substantial experience in both corporate and privatization M&A, and we know how to cater to the unique requirements of government officials and publicly owned enterprises to ensure a successful outcome

- Build consensus from outset
  - Formulate clear objectives
  - Manage process to achieve balanced outcome
  - Privatizations, by their very nature, must be public, at least as it relates to the decision to privatize and the high level aspects of the process
- Consider engaging strategic communications firm that knows the local community and media, can help anticipate issues, and can work to respond rapidly to opposition attacks
  - Effectively communicate the strategic rationale and financial benefits
  - Proactively address all stakeholders' potential concerns through town hall meetings and public Q&A sessions once the privatization plan and timetable have been agreed to – embrace transparency
- Develop official communication channels to deliver process updates and receive feedback
  - Regular process briefings for City Council, Mayor and other key constituents
  - Limit who speaks for the process; ideally just one person is on point in the media, enabling a clear communication of messages and eliminating errors or conflicting statements
  - Scrupulously follow all government procedures and keep a clear written record of the process that leads to key decisions so that no one can legitimately impugn the integrity of the process
- Tightly control sensitive information
  - Because the potential sale or purchase of assets by a corporation is material to its stock price, confidentiality is paramount – must develop contingency plans for managing leaks
  - Limit the number of people who will see the financial analysis and buyer proposals to a very small group to minimize leaks

Purchase Agreement Considerations

- A strong, competitive process will allow JEA to press for stronger contract provisions

Key Considerations

- "Private company" style asset sale contract (including sufficiency of assets representation)
- Post closing adjustments for various items such as debt and / or working capital
- Survival of certain reps and warranties post closing for multiple years subject to indemnification construct
- Seller preserves ability to update schedules during pendency of signing and closing
- Portion of purchase price escrowed to satisfy certain breaches of reps, warranties and covenants
- Limited termination rights
- Very specific agreed conditions for regulatory approvals with commercially reasonableness standard

Section 4

Potential Buyers

JEA®

POTENTIAL BUYERS

Potential Strategic Buyers for JEA

- We believe there will be robust interest from select strategics for the electric and the water sides of the business, and potentially for both

Strategic Buyers

Name	Electric Interest	Water Interest	Commentary
AEP AMERICAN ELECTRIC POWER	✓	✓	• Interested in regulated utilities of material size that have urban footprints • They want to own customers and believe there is better potential for growth in urban areas • Water would not scare them but water multiples might • Expected to show interest and have the financial capacity to transact (market cap >$30Bn)
AMERICAN WATER		✓	• Largest of the publicly-traded water companies • Tax reform may pressure ratings; however, remains focused on generating a competitive EPS growth rate with acquisitions • Regulated operations in the Southeastern U.S. (TN, VA, WV)
AQUA	✓	✓	• Second largest of the publicly-traded water companies, and actively looking for acquisition targets • Focused on M&A as a driver of scale and growth • Expected IBES EPS growth CAGR of 5%
Berkshire Hathaway Energy	✓		• Actively looking to invest >$100Bn of cash; newly-appointed Vice Chairman Greg Abel previously ran Berkshire's energy business • In 2017, lost its pursuit of Oncor to Sempra; in 2014, closed acquisition of AltaLink for ~$3Bn • Publicly states an aversion to auctions, but occasionally does participate
California Water Service Group		✓	• Smaller size (~$2Bn market cap; <$3Bn aggregate value) may require a partnership of some kind • Elevated trading multiple due in part to built-in M&A premium • Future growth likely to be focused around current service territory, in absence of transformative acquisition
CenterPoint Energy	✓		• Attractive trading multiple driven in part due to strong projected growth • Thru 2017, had been focused on optimizing monetization of its ownership interest in Enable Midstream • Now actively looking for regulated acquisition opportunities; not averse to expanding its geographic reach

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Potential Strategic Buyers for JEA (cont'd)

Strategic Buyers (cont'd)

Name	Electric Interest	Water Interest	Commentary
DUKE ENERGY	✓		• Big balance sheet that could help allow for an accretive transaction notwithstanding its below-average trading multiple • In 2016, closed acquisition of Piedmont Natural Gas for $6.7Bn, paying up for gas opportunity in its backyard • Important to consider any potential mitigation requirements associated with its Florida service territory
Emera	✓		• Smaller relative to most other potential strategic buyers, but local Florida opportunities would merit serious consideration • In 2016, closed acquisition of TECO Energy, which doubled company size • Generally looking to delever and strengthen balance sheet
fgua		✓	• Existing municipal entity in Florida, Florida Governmental Utility Authority could facilitate a public to public sale of JEA Water • Provides service to over 80 systems with 120,000 customers in 14 Florida counties through private contract operations. • Has the ability to issue tax-exempt debt to acquire existing public or private water and wastewater systems
NEXTera ENERGY RESOURCES	✓	✓	• Big balance sheet, attractive trading multiple and history of looking for M&A opportunities • In 2016, terminated its plans to merge with Hawaiian Electric and in 2017 terminated its plans to merge with Oncor; may feel pressure to ensure success with its next acquisition pursuit • Important to consider any potential mitigation requirements associated with its Florida service territory
Southern Company	✓		• Vogtle nuclear issues have depressed its stock price; multiple currently trails its peers, whereas it used to be a leader • In 2017, announced sale of Elizabethtown Gas and Elkton Gas for $1.7Bn to help cover nuclear cost overruns • In 2016, closed acquisition of AGL Resources for $12Bn; significantly increased its exposure to gas

POTENTIAL BUYERS

Potential Financial Buyers for JEA

- We believe numerous financial parties would be interested in either side of the business, though some may struggle to compete with motivated strategic bidders

Financial Buyers

Name	Electric Interest	Water Interest	
Blackstone	✓	✓	• In May 2017, announced goal to raise $40Bn fund, anchored by $20Bn investment from Saudi Arabia • Able to deploy single-digit levered cost of equity towards lower-risk investments • No track record to date, but leadership comes from affiliated energy-focused fund familiar with power / utility space
The Carlyle Group	✓	✓	• In process of raising new infrastructure fund with $2.5Bn target and seventh buyout fund with $15Bn target • Infrastructure fund has ability to partner with third-parties or with in-house buyout fund • Expressed interest in water and electric utilities; previously invested in Park Water Company, a regulated water utility in California and Montana
Global Infrastructure Partners	✓	✓	• In January 2017, closed $15.8Bn Fund III • Has long coveted a U.S. utility; internationally owns 20% interest in publicly-traded Gas Natural • Capital cost would be a challenge; targeting 15%+ IRRs as a portfolio, but able to go lower for lower-risk utility investments
Macquarie	✓	✓	• In August 2017, achieved initial $3.3Bn close for its Fund IV; targeting ~$5Bn • Historically a leader amongst financial fund investors in the utility space, with past and present investments in Aquarion, Cleco, Duquesne and Puget • Often takes lead position and partners with like-minded minority interest investors, including Canadian pension funds
OMERS	✓	✓	• Toronto-based Canadian pension fund with nearly C$100Bn in assets, including nearly C$20Bn in infrastructure • Existing investor in Oncor and Thames Water • Active participant in recent regulated utility sale processes
Investissements PSP Investments	✓	✓	• Montreal-based Canadian pension fund with >C$125Bn in assets, and targets a 10% allocation towards infrastructure • Generally looks to partner with other pension funds, including OMERs; ability to form its own consortiums • Internal priority to deploy more capital in U.S., in particularly in regulated utility space where they are underweight

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POTENTIAL BUYERS

Infrastructure Fund Investments in the Utility Space

Financial Buyers Have Shown Appetite for Large Utility Investments

- Pension funds, insurance companies, sovereign wealth funds, and infrastructure funds are low cost of capital financial buyers with an interest in infrastructure / utility investments
- While there has not been any recent announcements of these lower cost of capital buyers acquiring utility assets in the U.S., we have seen tremendous activity in Europe
- Given pension, insurance, and sovereign wealth funds appetite for stable, predictable cash flows – JEA's strong management team already in place creates the opportunity for the management team to stay in place and for the city to keep the utility in local hands from an operating perspective

	Acquirer	Target	Size	Date	Description
North America	John Hancock, bcIMC, Macquarie	CLECO	$4.7Bn	2014	Sale of 100% stake in Cleco Corporation to Macquarie led consortium including BcIMC and John Hancock
North America	bcIMC, Macquarie	AQUARION	$860MM	2007	Sale of 100% of Aquarion to Macquarie led consortium
North America	AIMCo, bcIMC, Macquarie, CPP Investment Board	PSE Puget Sound Energy	$7.4Bn	2007	Sale of 100% stake in Puget Sound Energy to Macquarie led consortium including Canadian pension funds
Europe	Allianz, Macquarie, VER	ELENIA	€3.6Bn	2017	Sale of 100% of Elenia Group to Macquarie Infrastructure, Allianz Capital Partners and State Pension Fund of Finland
Europe	Allianz, CPP Investment Board	gasNatural fenosa	€13.9Bn	2017	Sale of 20% of Gas Natual Fenosa's Spanish gas distribution business to Alianz and CPPIB
Europe	Covalis, Swiss Life, J.P.Morgan	edp naturgas energia	€2.6Bn	2017	Sale of 100% of Naturgas Energia Distribución to a consortium of long-term infrastructure investors
Europe	Caisse de dépôt et placement du Québec, suez	GE Power & Water	€3.2Bn	2017	Sale of 100% of GE Water & Process Technologies to SUEZ Group and Caisse de Dépôt et Placement du Québec
Europe	Groupe Caisse des Dépôts, CNP Assurances	Rte Le réseau de l'intelligence électrique	$4.35Bn	2016	Sale of 49% stake in Le Réseau de L'Intelligence Électrique to Caisse des Dépôts et Consignation and CNP Assurances
Europe	Hermes, Amber, Macquarie	nationalgrid	€2.9Bn	2016	Sale of 61% of National Grid's National Grid Gas Distribution business via tender offer to a consortium of financial buyers
Europe	Global Infrastructure Partners	gasNatural fenosa	$4.3Bn	2016	Sale of 20% in Gas Natural SDG SA to Global Infrastructure Partners
Europe	Gingko Tree, PGGM, EDF	Madrileña Red de Gas	€2.2Bn	2015	Sale of 100% of Madrileña Red de Gas to EDF Invest, Gingko Tree and PGGM

Gas Distribution | Electricity Distribution | Water Infrastructure | Electricity Transmission | Integrated Utility

JEA

POTENTIAL BUYERS

Other Potential Buyers

- Multiple financial players who are limited by the size of the equity check required for either utility may combine to form consortiums
- Smaller strategics may look to partner with financials

Strategics

Dominion Energy, Sempra Energy, PPL, conEdison, Edison International, Xcel Energy, WEC Energy Group, Eversource, Ameren, CMS Energy, DTE Energy, Pinnacle West, Alliant Energy, NiSource, OG&E, Great Plains Energy, IDACORP, Black Hills Energy, PNM, NorthWestern Energy, ALLETE, PGE, El Paso Electric, Exelon, FirstEnergy, Atmos Energy, PSEG, Entergy, Hydro One, Hydro Québec, ATCO, AltaGas, Algonquin, Iberdrola, enel, Fortis, nationalgrid

Financials

3i Infrastructure plc, ADIA, ADIC, AIMCo, Allianz, Allstate, ANTIN, apg, ARGO, AustralianSuper, AXIUM, IMC, BlackRock, CalPERS, CalSTRS, CDPQ, CIP, DIF, CPP Investment Board, EQT, Fiera Infrastructure, Future Fund, GIC, Grosvenor, IFM Investors, John Hancock, Hastings, Icon Infrastructure, I Squared Capital, Northleaf, Oaktree, J.P.Morgan Infrastructure, KKR Infrastructure, Morgan Stanley, QIC, Northwestern Mutual, nuveen, PGGM, TIAA, OPTrust, Ontario Teachers', Rosewood, SteelRiver, StepStone, USS, IIC, UBS, Ullico, Stonepeak, Wren House

Section 5

Preliminary Financial Analysis

How Equity Research Views Acquisitions

Key Components of Equity Research Views of Acquisitions

- Require compelling strategic rationale, appreciating strategies may evolve
- Look for accretion, including with primary valuation metric of forward P/E multiple
- Evaluate growth impact, given differentiated growth may justify differentiated multiple
- Consider financing sources and pro forma leverage / manufactured accretion

Dominion / SCANA

- **Increase Dominion's EPS CAGR** over the 2017-20 period from 6.7% to 7.5%, closer to the top of mgmt.'s 6-8% guidance range
  - Estimate the 100% stock-for-stock deal will be **immediately accretive** and will result in ~$0.10 EPS accretion, or ~2%

Sempra / Oncor

- **Modest accretion (~2%)** using relatively conservative assumptions; potentially breaching SRE's already robust 10-11% LT growth aspirations
- **Key transaction question is reception of new holdco debt** at PUCT given the Commission's prior aversion to levered deals at any level

Emera / TECO

- Acquisition provides access to a future **low-risk growing earnings stream** and a new natural gas utility platform
- Supports 8% **dividend growth** target through 2019 and potentially extends that level beyond
- **Accelerates EMA's regulated earnings mix** to the upper end of targeted

Eversource / Aquarion

- Aquarion assets would allow Eversource to enter into a **lower risk business with nearly the same ROE** with higher rate base and growth at a time when they are exiting the higher risk generation business
- Opportunity to **add as much as 40 bps** to its current long-term 5%-7% **EPS growth projection**

Source Equity Research

Preliminary Financial Analysis Overview

How to Interpret a Football Field

- Buyers use a football field to support valuation, with bids typically determined by discounted cash flow analysis, an intrinsic valuation methodology as well as affordability analysis
- In assessing the precedent transactions analysis range of a football field, it should be taken into account that each of the precedent transactions has an underlying DCF supporting the transaction multiple paid
  - Multiples are "outputs" of valuation rather than "inputs"

Preliminary Financial Analysis Methodologies	
Discounted Cash Flow Analysis ("DCF")	▪ **Intrinsic Valuation Methodology** ▪ DCF Analysis uses future free cash flow projections and discounts them at the company's cost of capital (levered free cash flows discounted at cost of equity; unlevered free cash flows discounted at weighted average cost of capital) ▪ A terminal value is calculated as a proxy for the value of the company post cash flow projection period ▪ Mechanics of a DCF imply the return for a buyer at various points within the DCF range ▪ DCF analysis is very sensitive to the assumptions / forecasts, even small adjustments can cause the DCF valuation to vary widely
Public Comparable Company Analysis	▪ **Relative Valuation Methodology** ▪ Public Comparable Company Analysis is a methodology used to illustrate the value of a company using the metrics of other businesses of similar size in the same industry, or the "peer group" ▪ Value of the company is determined assuming it would "trade" like the peer group
Precedent Transaction Analysis	▪ **Relative Valuation Methodology** ▪ Precedent Transaction Analysis is a financial analysis methodology in which transaction multiples paid for similar companies in the past are considered as an indicator of a company's value ▪ Limitations of this methodology are that each of the precedent transactions shown on a football field would have had their own underlying DCF bar supporting the multiples (i.e. if football field shown has precedent transactions above the upper end of the DCF, it is a result of that transaction having its own football field with a DCF bar supporting the transaction multiple) ▪ Other limitations of the precedent transaction analysis methodology is it is hard to quantify for differences in market conditions during previous transactions compared to the current market (i.e. previous transactions could have taken part in a different part of the business cycle)

PRELIMINARY FINANCIAL ANALYSIS

JEA Rate Base Model Projections

Key Assumptions

- Morgan Stanley constructed a rate base model for the electric utility and water utility
  - Built up to projected revenue using company projections
  - Illustrative rate base build assumes FL PSC approval of proposed revenue requirement on valuation date

Project J PPA Assumptions

- Rate base model projection assumes that the Investor Owned Utility acquires JEA with exposure to the Project J PPA (i.e. liability moved from the City to the IOU)
- Assumes Public Service Commission approves Investor Owned Utility to pass through cost of Project J PPA in revenue requirement build as a purchased fuel cost
  - Potential for IOU to work with commission to get portion of Project J PPA value into rate base

Electric Utility

Rate Base / Financial Projections

- Rate base model based on company projections
- Authorized Equity Capitalization of 43%, ROE 10.31% based on precedent Florida rate cases from 2010 to today
- 21% Tax Rate
- Fuel & Purchased Power, O&M and Other Taxes from company projections
- Property tax assumed to be $60MM in 2019 with annual increase at inflation of 2%
- $1.8Bn of OpCo debt with incremental Capital Expenditures assumed financed with 57% debt 43% equity
  - OpCo cost of debt of 3.66% (assumed 'A' rated OpCo)
- Rate Base estimated using 9/30/18 Net Utility Plant of $2,690MM plus net working capital

Capital Expenditures & Depreciation

- Capital expenditure projection from company projections
- Book depreciation expense assumes legacy depreciation on existing assets (Plant in Service) has remaining useful life of 24.1 years (per 2017 filing)
- Tax depreciation assumes purchase price step-up to ~$4.8Bn depreciated using 20 year MACRs
- Incremental Capex has book useful life of 40 years and for tax purposes assumes 20 year MACRs

Water Utility

Rate Base / Financial Projections

- Rate base model based on company projections
- Authorized Equity Capitalization of 42%, ROE 10.40% based on most recent Utilities Inc. of Florida rate case
- 21% Tax Rate
- O&M and Other Taxes from company projections
- Property tax assumed to be $40MM in 2019 with annual increase at inflation of 2%
- $1.5Bn at the OpCo with incremental Capital Expenditures assumed financed with 58% debt 42% equity
  - OpCo cost of debt of 3.66% (assumed 'A' rated OpCo)
- Rate Base estimated using 9/30/18 Net Utility Plant of $2,701MM plus net working capital

Capital Expenditures & Depreciation

- Capital expenditure projection per company projections
- Book depreciation expense assumes legacy depreciation on existing assets (Plant in Service) has remaining useful life of 27.7 years (per 2017 filing)
- Tax depreciation assumes purchase price step-up to ~$4.5Bn depreciated using 20 year MACRs
- Incremental Capex has book useful life of 40 years and for tax purposes assumes 20 year MACRs

PRELIMINARY FINANCIAL ANALYSIS

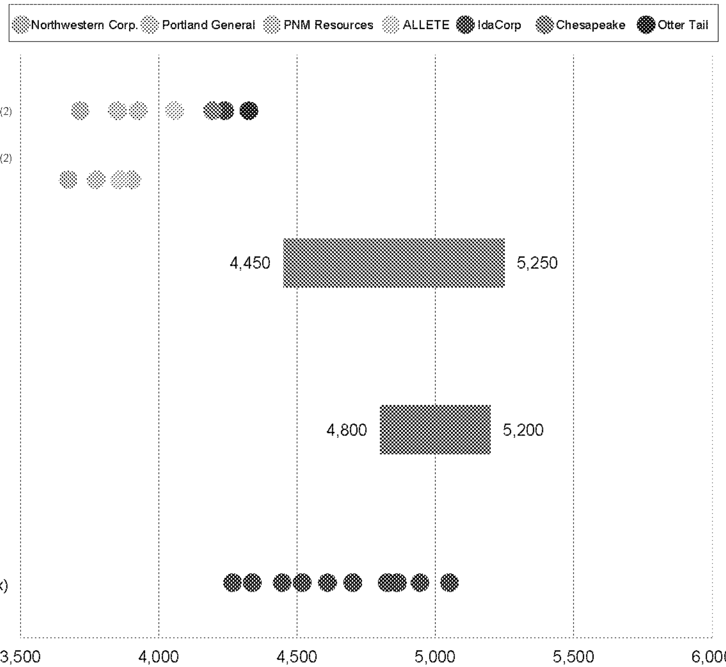
Preliminary JEA Electric Financial Analysis

As of February 13, 2018

- Assumes valuation date of 9/30/18

Preliminary Financial Analysis [1]

Aggregate Value ($MM)



Method	Proceeds to City of Jacksonville [1][6] (MM) – Low	High
Selected Public Comparable Companies Analysis: **2019 P/E Multiples:** (15.0x – 19.8x) [2]; 2019 Net Income: $126MM	$1,150	$1,750
2020 P/E Multiples: (14.7x – 16.6x) [2]; 2020 Net Income: $127MM	$1,125	$1,350
Unlevered Discounted Cash Flow Analysis [3]: **P/E Exit Multiple** [4]: 14.5x – 18.5x; **WACC**: 4.5% - 5.7%; 9-Year (2019 – 2027) Unlevered [5]	$1,900	$2,700
Levered Discounted Cash Flow Analysis [3]: **P/E Exit Multiple** [4]: 14.5x – 18.5x; **Cost of Equity:** 7.0% - 8.0%; 9-Year (2019 – 2027) Levered [5]	$2,250	$2,650
Selected Precedent Transaction Analysis: **FY1 P/E Multiple Paid** (20.1x – 25.7x); FY1 (2019) Net Income: $126MM	$1,800	$2,500

Aggregate Value	3,500	4,000	4,500	5,000	5,500	6,000
Equity Value ($MM) [8]	1,700	2,200	2,700	3,200	3,700	4,200
Implied FY1 Multiple [9]	13.4x	17.4x	21.4x	25.3x	29.3x	33.2x

Source Company Projections

Expected Discharge of Liabilities [1][6]

Face Value of Debt and Defeasement Cost Attributable to Electric Utility	2,800
Underfunded Pension Liability	325
Net Cash from Balance Sheet [7]	(575)
Total	**2,550**

Notes
1. Values rounded to nearest $25MM
2. P/E multiples based on comparable companies
3. Financials based on company projections; assumes OpCo net debt of $1.8Bn as of 9/30/18; Levered DCF assumes ~$500MM in HoldCo debt at 3.81% interest rate (assumes 'BBB+' yield)
4. Exit multiple based on comparable companies 10-year average NTM P/E
5. NTM net income based on 2% growth from 2027 net income
6. Reflective of estimated ~$2.8Bn of defeasance cost and ~$325MM of underfunded pension liability netted against cash from the balance sheet of ~$575MM as of September 30, 2018; assumed non-taxable transaction
7. Includes cash and cash equivalents from operations, debt management strategy stabilization fund, self insurance reserve funds, fuel stabilization fund, non-fuel purchase power stabilization fund, environmental liability reserve, DSM conservation fund, customer deposits, debt service reserve fund, accounts and interest receivable, internal capital fund and unrealized gain / (loss) on investments less construction contracts and accounts payable
8. Equity value = Aggregate Value less OpCo debt
9. Based on 2019 net income of $126MM; not inclusive of HoldCo debt

Morgan Stanley

PRELIMINARY FINANCIAL ANALYSIS

Preliminary JEA Water Financial Analysis

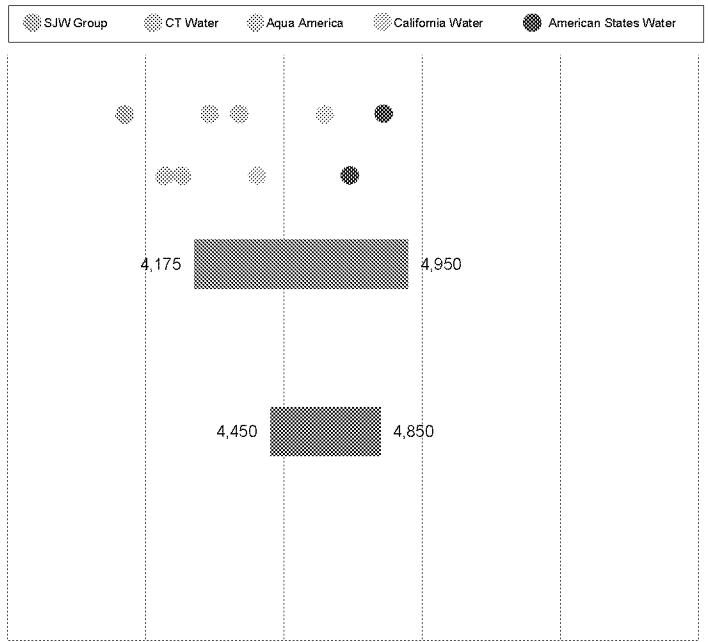
As of February 13, 2018

- Assumes valuation date of 9/30/18

Preliminary Financial Analysis (1)

Aggregate Value ($MM)

Analysis	Aggregate Value ($MM)	Proceeds to City of Jacksonville (1)(6) (MM)	
Selected Public Comparable Companies Analysis:			
2019 P/E Multiples: (19.6x – 27.6x) (2) 2019 Net Income: $123MM		$2,275	$3,275
2020 P/E Multiples: (20.7x – 26.4x) (2) 2020 Net Income: $125MM		$2,475	$3,175
Unlevered Discounted Cash Flow Analysis (3) **P/E Exit Multiple** (4): 19.5x – 23.5x **WACC**: 4.7% - 6.0% 9-Year (2019 – 2027) Unlevered (5)	4,175 – 4,950	$2,550	$3,325
Levered Discounted Cash Flow Analysis (3) **P/E Exit Multiple** (4): 19.5x – 23.5x **Cost of Equity:** 7.0% - 8.0% 9-Year (2019 – 2027) Levered (5)	4,450 – 4,850	$2,825	$3,225



	3,500	4,000	4,500	5,000	5,500	6,000
Equity Value ($MM) (8)	2,000	2,500	3,000	3,500	4,000	4,500
Implied FY1 Multiple (9)	16.3x	20.4x	24.5x	28.6x	32.6x	36.7x

Source Company Projections

Expected Discharge of Liabilities (1)(6)

Face Value of Debt and Defeasement Cost Attributable to Water Utility	1,700
Underfunded Pension Liability	200
Net Cash From Balance Sheet (7)	(275)
Total	**1,625**

Notes
1. Values rounded to nearest $25MM
2. P/E multiples based on comparable companies
3. Financials based on company projections; assumes OpCo net debt of $1.5Bn as of 9/30/18; Levered DCF assumes ~$400MM in HoldCo debt at 3.81% interest rate (assumes 'BBB+' yield)
4. Exit multiple based on comparable companies 10-year average NTM P/E
5. NTM net income based on 2% growth from 2027 net income
6. Reflective of estimated ~$1.7Bn of defeasance cost and ~$200MM of underfunded pension liability netted against cash from the balance sheet of ~$275MM as of September 30, 2018; assumed non-taxable transaction
7. Includes cash and cash equivalents from operations, debt management strategy reserve, environmental liability reserve, customer deposits, renewal and replacement funds, debt service reserve account funds, unrealized holding gain / (loss) on investments and accounts and interest receivable less construction contracts and accounts payable
8. Equity value = Aggregate Value less OpCo debt
9. Based on 2019 net income of $123MM; not inclusive of HoldCo interest

Morgan Stanley

Section 6

Proposed Fee Structure

Proposed Fee Structure

- Morgan Stanley traditionally structures its fee constructs to be aligned with clients with respect to value maximization
  - We appreciate you may have objectives in addition to value maximization
  - The proposal here reflects our typical approach; however, we are happy to work with your team to develop a fee construct that incentivizes Morgan Stanley to help you achieve all of your varied objectives

Proposed Fee Structure

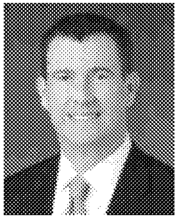
- Morgan Stanley proposes a tiered transaction fee ("Transaction Fee") based on the aggregate purchase price for JEA ("the Transaction Value")
  - $10MM floor on transaction value up to $4.5Bn
  - 28 basis points on transaction value from $4.5Bn to $8.5Bn
  - 38 basis points on transaction value in excess of $8.5Bn
- Transaction Fee to be paid as follows:
  - $2MM at deal announcement
  - Remainder at closing
- Morgan Stanley would propose a quarterly retainer of $250,000 that is fully creditable against the Transaction Fee
- Standard Indemnification
- Reimbursement of reasonable out of pocket expenses

Appendix A

Banker Biographies

Scott Beicke

Managing Director



Scott Beicke
Managing Director
New York, United States
Tel: +1-212-761-8666
E-mail: Scott.Beicke@morganstanley.com

- Scott Beicke is a Managing Director in the Investment Banking Division of Morgan Stanley and part of the firm's Global Power & Utility Group. Scott has worked on a range of strategic advisory and financing assignments in the conventional generation and clean energy sectors, and has covered energy-focused private equity funds, infrastructure funds and pension funds, as well as North American hybrids and independent power producers
- Scott joined Morgan Stanley in 2004 as part of the Global Capital Markets Division, spending several years working in the Project & Structured Finance Group and Credit Advisory Group
- Scott received a B.A. in economics from Cornell University and an M.B.A. (with high honors) from the University of Chicago Graduate School of Business

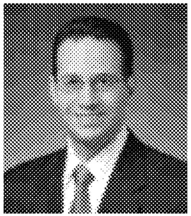
Select Recent Transactions

- 12/2016: Sale of Ares / EIF's 322 MW Pio Pico CT
- 2/2016: Sale of IFM's 1.8 GW Essential Power gas generation portfolio to Carlyle
- 2/2016: $3.3Bn sale of ENGIE's 8.7 GW conventional generation portfolio to Dynegy
- 2/2016: $1.2Bn sale of ENGIE's 1.2 GW northeast pumped storage / hydro portfolio to PSP
- 7/2015: $1.175Bn sale of MACH Gen's 2.5 GW CCGT portfolio to Talen Energy
- 2/2015: $720MM sale of ArcLight's 512 MW Bayonne CT to Macquarie
- 9/2014: Sale of Exelon's 550 MW Quail Run CCGT to Starwood
- 8/2014: Dynegy's $3.45Bn acquisition of ECP's 6.3 GW EquiPower Resources and Brayton Point
- 6/2014: PPL's spin / RMT merger with Riverstone's conventional generation portfolio to create Talen Energy (first ever private-to-private RMT)
- 9/2013: $405MM IPO of Pattern Energy (first pure play public renewable company in U.S.)
- 9/2013: $868MM sale of USPowerGen's 2.2 GW New York City generation portfolio to Tenaska
- 8/2013: $541MM sale of Capital Power's 1,050 MW northeast U.S. gas generation portfolio to Emera
- 12/2012: Mitsui's acquisition of 30% stake in GDF Suez's 730 MW Canadian renewable portfolio
- 10/2012: $607MM sale of Harbert's 530 MW GWF Energy CA gas generation portfolio to Highstar

BANKER BIOGRAPHIES

Todd Giardinelli

Managing Director



Todd Giardinelli
Global Head of Utility M&A, Global Power & Utility Group
New York, United States
Tel: +1-212-761-4271
E-mail: Todd.Giardinelli@morganstanley.com

- Todd Giardinelli is a Managing Director and is Global Head of Mergers and Acquisitions for the Global Power & Utility Group and Chairman of the Fairness Committee, North America
- Todd joined Morgan Stanley in 2001. He has over 20 years of investment banking experience and has executed a broad range of strategic advisory, financing assignments and corporate/shareholder defence assignments across a variety of industry sectors
- Todd earned his M.B.A. from the University of Chicago Graduate School of Business and his B.A. in English from Kenyon College cum laude with distinction

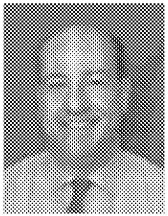
Select Recent Transactions

- Alcatel / **Lucent**
- **Atlantic Power** / Capital Power
- **Bristol-Myers** / Adnexus
- Brookfield / **TerraForm Power**
- Celestica / **Lucent**
- CDPQ / **AES (IPALCO)**
- Chuba / Tyr / **Tenaska**
- Danaher / **BPL**
- **Dassault** / Abaquas
- Direct Energy / **PNM (First Choice)**
- Dominion **/ SCANA**
- Dynegy / **Duke Midwest**
- ECP / **Dominion Assets**
- ECP / Energy Solutions
- Emera / **Capital Power NE Assets**
- Emera / **Teco**
- Exelon / **PEPCO**
- **First Energy** / Allegheny
- First Solar / **OptiSolar**
- Fortis / **ITC**
- **Harris** / Stratex (and Spin)
- **Harris** / Tyco Electronics (Wireless)
- Highstar / **GWF**
- Iberdrola / **UIL**
- MEMC / **Sun Edison**
- MidAmerican / **Altalink**
- MidAmerican / **Sunpower AVSP**
- **Pattern IPO**
- **RRI Energy** / Mirant
- Sharp / **Recurrent**
- **Sempra** / Energy Future Holdings
- **Shire** / New River
- Starwood / **Exelon (Quail Run)**
- **SUNE-TERP** / First Wind
- **SUNE-TERP** / Invenergy
- SUNE-TERP / **Vivint**
- Tenaska / **USPowerGen**
- **TerraForm** / Atlantic Power (wind)
- **UIL** / Iberdrola LDC
- Vistra / **Dynegy**

BANKER BIOGRAPHIES

Ray Spitzley

Managing Director



Ray Spitzley
Privatization Expert
New York, United States
Tel: +1-212-761-8461
E-mail: Ray.Spitzley@morganstanley.com

- Ray Spitzley is a Managing Director in Morgan Stanley's Global Power and Utility Group
- Ray has more than 30 years of investment banking experience with a range of clients in North America, Europe and Asia
- From 1993-2000, Ray headed Morgan Stanley's Power and Energy banking efforts in Asia Pacific via postings in Hong Kong, Singapore, and Sydney. In 2001, Ray returned to New York to take responsibility for Morgan Stanley's coverage efforts with generation-focused power and utility clients in North America
- Ray is a graduate of Denison University and received his Masters in Public and Private Management from Yale University

Select Privatization Transactions

- Partial / Full sale of subsidiaries IPALCO, MASINLOC, SUL
- Capital Power – $541MM sale of assets to Emera
- CIC – $1.6Bn Investment into AES
- City of Calgary proposed privatization of Enmax
- Duke – Strategic advice leading to $2.8Bn disposal of Midwest Gen
- Dynegy – $22Bn AV merger with Vistra
- Electricity Generating Authority of Thailand, IPO of EGCO
- Engie – $4.5Bn sale of Engie U.S. Merchant Portfolio
- Hong Kong Government Port and Airport Development Strategy Advisor
- ITC – $11.3Bn sale to Fortis
- LS Power – Merger and de-merger with Dynegy
- NRG – $4.2Bn acquisition of GenOn
- NRG – $8.3Bn acquisition of Texas Genco
- NRG – Successful defense against hostile bid from Exelon
- Pepco – $1.63Bn Sale of Conectiv to Calpine
- People's Republic of China Power Generation IPOs
  - Huaneng Power International
  - Shandong Huaneng Power
  - Beijing Datang Power
- PPL – Strategic advice leading to spin-merge of PPL Energy Supply with Riverstone Holdings
- Republic of Indonesia, IPO of P.T. Telkom
- Republic of the Philippines privatization of geothermal operator PNOC – EDC
- Republic of Singapore generation sector privatization
- RRI – Merger with Mirant to create GenOn
- South Australia electricity industry restructuring and privatization
- Southern Nevada Water Authority's proposed acquisition of Nevada Power
- TVA – $1Bn John Sevier Lease transaction

Appendix B

Electric Supporting Materials

JEA Electric Projections

Rate Base and Revenue Requirement Build

Key Observations

- As Vogtle Unit 3 has COD in November 2021 and Vogtle Unit 4 has COD in November 2022, retail customers will see an increase in rates as the Project J PPA purchased power cost is passed through to customers

Rate Base Assumptions

($MM, unless otherwise noted)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Net Utility Plant		2,690	2,756	2,741	2,722	2,697	2,764	3,109	3,055	2,996
Depreciation		(233)	(238)	(244)	(250)	(258)	(273)	(279)	(284)	(290)
Capital Expenditures		299	223	225	225	325	618	225	225	225
Ending Net Utility Plant	2,690	2,756	2,741	2,722	2,697	2,764	3,109	3,055	2,996	2,931
Deductions [1]	(146)	(131)	(160)	(194)	(225)	(254)	(279)	(300)	(315)	(333)
Additions [2]	266	257	259	271	283	300	314	321	323	330
Rate Base	2,811	2,882	2,839	2,799	2,755	2,810	3,144	3,076	3,004	2,928
Average Rate Base		2,846	2,861	2,819	2,777	2,782	2,977	3,110	3,040	2,966
Regulatory Equity % of Capitalization		43.1%	43.1%	43.1%	43.1%	43.1%	43.1%	43.1%	43.1%	43.1%
ROE		10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%

Revenue Requirement Build

($MM, unless otherwise noted)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Net Income	126	127	125	123	124	132	138	135	132
Taxes	34	34	33	33	33	35	37	36	35
EBT	160	161	158	156	156	167	175	171	167
Interest	69	74	79	84	89	103	112	113	117
EBIT	229	235	238	240	246	271	287	284	284
Depreciation and Amortization	233	238	244	250	258	273	279	284	290
EBITDA	462	474	482	490	504	544	566	568	574
Other Taxes	62	63	63	64	65	67	70	71	71
Property Tax Payment to the City of Jacksonville	60	61	62	64	65	66	68	69	70
O&M	232	238	231	258	259	259	268	268	282
Gross Margin	816	835	838	875	892	936	972	976	998
Fuel	342	379	400	372	383	394	406	417	429
Purchased Power	110	63	104	155	206	243	247	248	250
Revenue Requirement	1,269	1,277	1,342	1,402	1,482	1,574	1,625	1,641	1,677

Notes

1. Rate Base deductions inclusive of accumulated deferred income tax, accounts and accrued expenses payable, state utility taxes payable, fees payable to the City of Jacksonville, liability for compensated absences due within one year, other current liabilities and customer deposits
2. Rate Base additions inclusive of net accounts receivable, interest receivable, net inventories, fuel inventory and materials & supplies

ELECTRIC SUPPORTING MATERIALS

JEA Electric Projections (cont'd)

Financial Projections

Key Observations

- In the outer years of the projection period, low capex versus D&A leads to a decline in rate base and net income for JEA Electric

Consolidated Financial Projections

($MM, unless otherwise noted)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	1,269	1,277	1,342	1,402	1,482	1,574	1,625	1,641	1,677
Fuel	(342)	(379)	(400)	(372)	(383)	(394)	(406)	(417)	(429)
Purchased Power	(110)	(63)	(104)	(155)	(206)	(243)	(247)	(248)	(250)
Gross Margin	816	835	838	875	892	936	972	976	998
Other Taxes	(62)	(63)	(63)	(64)	(65)	(67)	(70)	(71)	(71)
Property Tax to the city of Jacksonville	(60)	(61)	(62)	(64)	(65)	(66)	(68)	(69)	(70)
O&M	(232)	(238)	(231)	(258)	(259)	(259)	(268)	(268)	(282)
EBITDA	**462**	**474**	**482**	**490**	**504**	**544**	**566**	**568**	**574**
D&A	(233)	(238)	(244)	(250)	(258)	(273)	(279)	(284)	(290)
EBIT	229	235	238	240	246	271	287	284	284
Interest Expense	(69)	(74)	(79)	(84)	(89)	(103)	(112)	(113)	(117)
EBT	160	161	158	156	156	167	175	171	167
Taxes	(34)	(34)	(33)	(33)	(33)	(35)	(37)	(36)	(35)
Net Income	**126**	**127**	**125**	**123**	**124**	**132**	**138**	**135**	**132**
YoY Growth		0.5%	(1.4%)	(1.5%)	0.2%	7.0%	4.5%	(2.3%)	(2.4%)
Rate Base	2,882	2,839	2,799	2,755	2,810	3,144	3,076	3,004	2,928
Capex	299	223	225	225	325	618	225	225	225

Morgan Stanley

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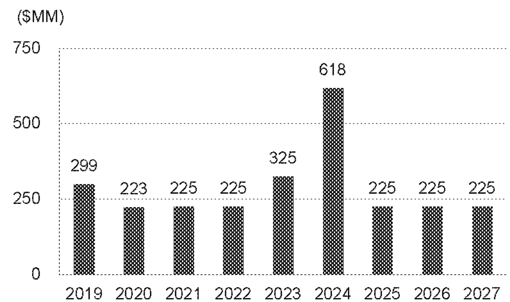
ELECTRIC SUPPORTING MATERIALS

JEA Electric Projections (cont'd)

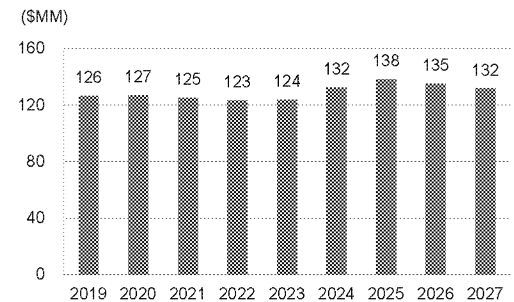
Key Observations

- Significant uptick in capital expenditures in 2023 and 2024 increases rate base materially and thus net income
- Length of DCF used in projection period has impact on intrinsic value

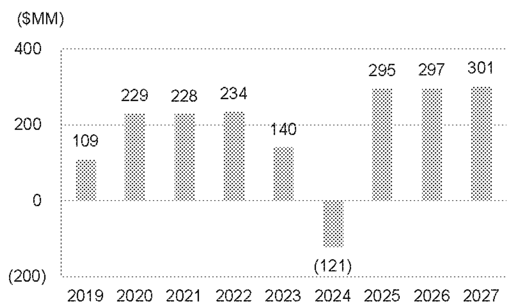
Capital Expenditure Projections



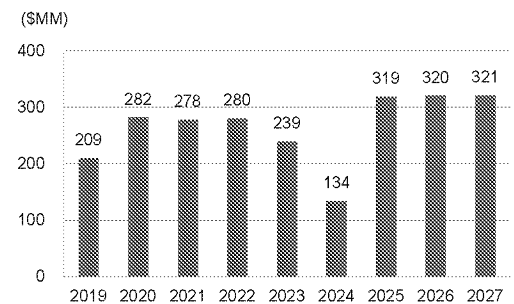
Net Income (1)



Unlevered Free Cash Flow



Levered Free Cash Flow



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Note
1. Does not reflect HoldCo debt

Comparable Companies – Electric

As of February 13, 2018

Comparable Companies Analysis

As of February 13, 2018

Company Name	Price Current 2/13/2018	Market Value $MM	Aggregate Value [1] $MM	Price/Earnings [2] 2019 x	Price/Earnings [2] 2020 x	Price / Book x	Dividend Yield %	5 -Yr Est I/B/E/S EPS Growth %	Total Return [3] %
Electric Utilities [4]									
IdaCorp, Inc.	83.47	4,206	5,855	19.2	NA	1.9	2.8	3.1	5.9
Portland General Electric Company	40.43	3,602	5,890	16.6	15.9	1.5	3.4	3.8	7.2
ALLETE, Inc.	69.45	3,545	4,949	17.8	16.5	1.7	3.2	10.2	13.4
PNM Resources, Inc.	34.95	2,795	5,545	17.0	16.6	1.6	3.0	5.8	8.8
NorthWestern Corporation	51.82	2,560	2,552	15.0	14.7	1.5	4.1	2.0	6.0
Otter Tail Corporation	41.65	1,648	2,234	19.8	NA	2.4	3.2	7.4	10.6
Chesapeake Utilities Corporation	69.15	1,130	1,543	18.9	NA	2.4	1.9	12.8	14.7
Mean		2,784	4,081	17.8	15.9	1.9	3.1	6.4	9.5
Median		2,795	4,949	17.8	16.2	1.7	3.2	5.8	8.8

Low End P/E Multiple High End P/E Multiple

Notes

1. Aggregate Value = Market Value + Long-term Debt + Short-term Debt + Leases + Preferred Stock + Minority Interest - Cash
2. Based on I/B/E/S forward earnings estimates
3. Total Return = Dividend Yield + Long-term Growth rate
4. Market Capitalization in $1Bn - $5Bn range

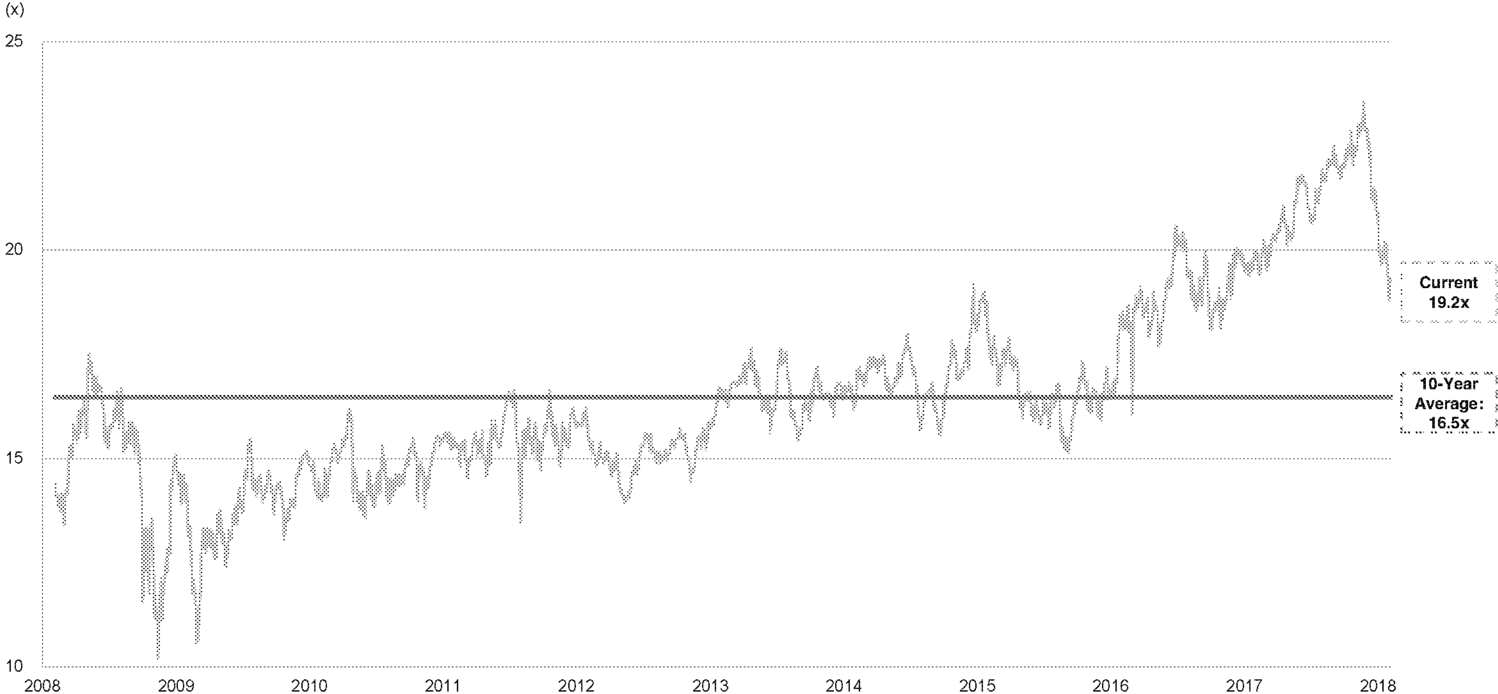
ELECTRIC SUPPORTING MATERIALS

Price / Earnings Multiples Over Time – Electric

Historical NTM Price / Earnings Multiples for Peers Since February 13, 2008

Historical NTM Price / Earnings for Peers [1]

Since 2/13/2008



Source Capital IQ

Note
1. Based on the following comparable companies: IDA, POR, ALE, PNM, NWE, OTTR, CPK

WACC Analysis: CAPM Method

Illustrative Cost of Capital Analysis for JEA Electric Unlevered DCF | February 13, 2018

- Cost of equity for discounting based on CAPM using current 10-year U.S. Treasury rate, median peer Barra predicted beta and Morgan Stanley market risk premium of 6%
  - Peer long-term beta is unlevered at a 35% federal tax rate and "relevered" at expected Debt / Cap. ratio of 37.3% and a 21% federal tax rate

JEA Beta Calculation

Peer Median Unlevered Beta [1]	0.41
Expected Debt / Cap. Ratio [2]	37.3%
Tax Rate	21.0%
Relevered Beta	**0.60**

WACC Analysis: CAPM Method

As of February 13, 2018

		WACC Calculation		
Assumption	**Notes**	**Base**	**Low**	**High**
Market Risk Premium (MRP)	Morgan Stanley estimated market risk premium	6.0%	6.0%	6.0%
Risk Free Rate (Rf)	Spot rate 10-year U.S. Treasury as of February 13, 2018	2.8%	2.8%	2.8%
Unlevered Beta	Industry unlevered beta	0.41	0.41	0.41
Relevered Beta	Based on comparable unlevered betas and expected JEA Electric capital structure [2]	0.60	0.60	0.60
Sensitivity Adjustment	+/- 1.0% from base		(1.0%)	1.0%
Cost of Equity (KE)	**Calculated using Capital Asset Pricing Model**	**6.4%**	**5.4%**	**7.4%**
Pre-tax Cost of Debt (K_D)	Blended rate based on current debt outstanding	3.7%	3.7%	3.7%
Tax Rate (t)	Assumed tax rate	21.0%	21.0%	21.0%
Post-Tax Cost of Debt		**2.9%**	**2.9%**	**2.9%**
Expected Debt / Total Capitalization	Based on expected JEA Electric capital structure [2]	37.3%	37.3%	37.3%
WACC	**KE * E/(D+E) + KD * (1-t) * D/(D+E)**	**5.1%**	**4.5%**	**5.7%**

Sources Company Filings, Capital IQ, Management Projections

Note
1. Based on the following comparable companies: : IDA, POR, ALE, PNM, NWE, OTTR, CPK
2. Based on aggregate value of ~$4.8Bn for JEA Electric and OpCo debt of $1.8Bn as of September 30, 2018

Preliminary Unlevered Discounted Cash Flow Analysis

JEA Electric Segment | 9-Year DCF | Valuation Date of September 30, 2018

JEA Electric Preliminary Discounted Cash Flow Analysis

($MM, unless otherwise noted)

P/E Exit Multiple [1]	14.5x			16.5x			18.5x		
Discount Rate	4.5%	5.1%	5.7%	4.5%	5.1%	5.7%	4.5%	5.1%	5.7%
Present Value of:									
Cash Flows	1,359	1,318	1,279	1,359	1,318	1,279	1,359	1,318	1,279
Terminus	3,517	3,333	3,159	3,698	3,504	3,322	3,880	3,676	3,485
Aggregate Value	**4,876**	**4,651**	**4,438**	**5,057**	**4,822**	**4,601**	**5,238**	**4,994**	**4,764**
Net Debt	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Equity Value	**3,076**	**2,851**	**2,638**	**3,257**	**3,022**	**2,801**	**3,438**	**3,194**	**2,964**
Terminal Value Percentage									
% Value in Terminus	72.1%	71.7%	71.2%	73.1%	72.7%	72.2%	74.1%	73.6%	73.1%
% Value in Cash Flows	27.9%	28.3%	28.8%	26.9%	27.3%	27.8%	25.9%	26.4%	26.9%
Implied Multiples									
2019 Net Income	24.3x	22.6x	20.9x	25.8x	23.9x	22.2x	27.2x	25.3x	23.4x
2020 Net Income	24.2x	22.4x	20.8x	25.6x	23.8x	22.0x	27.1x	25.1x	23.3x
Implied Terminal Growth Rate									
Perpetual Growth Rate	1.2%	1.8%	2.4%	1.4%	2.0%	2.6%	1.5%	2.1%	2.7%

Note

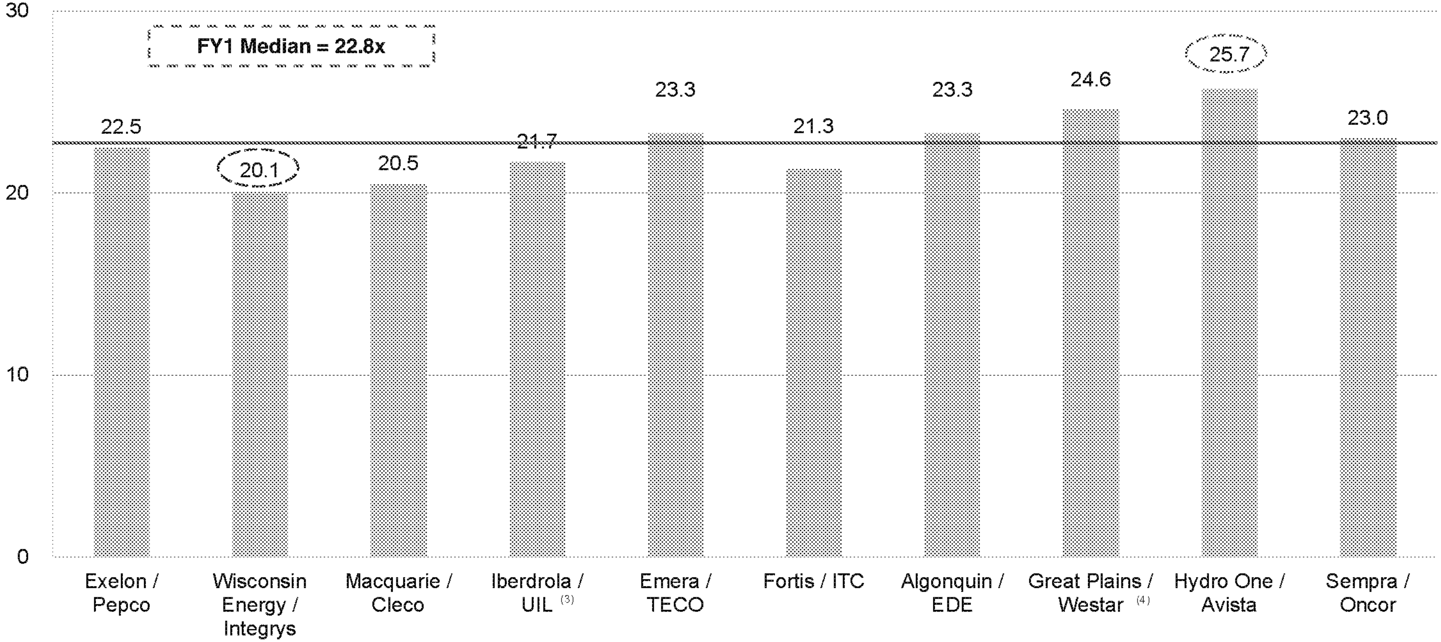
1. Based on 10-Year Average NTM P/E multiple of select comparable companies: IDA, POR, ALE, PNM, NWE, OTTR, CPK

Selected Precedent Electric Utility Transactions

Since January 2014 [1]

Precedent Utility Transactions Price / Earnings [2]

(x)



Announcement Date

30-Apr-14	23-Jun-14	20-Oct-14	26-Feb-15	4-Sep-15	9-Feb-16	9-Feb-16	31-May-16	19-July-17	21-Aug-17

Low End P/E Multiple   High End P/E Multiple

Notes

1. Selected public target utility transactions since January 2014; excludes Dominion / SCANA transaction
2. For transactions announced on or before June 30 in a given year, FY1 represents the fiscal year in which the transaction is announced. For transactions announced after June 30 in a given year, FY1 represents the fiscal year following the year in which the transaction is announced
3. Based on midpoint of implied transaction price range, per UIL announcement presentation, of $52.75
4. Refers to previous deal which was subsequently announced as MOE in July 2017

Appendix C

Water Supporting Materials

WATER SUPPORTING MATERIALS

JEA Water Projections

Rate Base and Revenue Requirement Build

Rate Base Assumptions

($MM, unless otherwise noted)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Net Utility Plant		2,701	2,768	2,851	2,908	2,937	2,934	2,927	2,915	2,898
Depreciation		(170)	(177)	(183)	(188)	(193)	(197)	(202)	(207)	(212)
Capital Expenditures		237	259	240	217	190	190	190	190	190
Ending Net Utility Plant	2,701	2,768	2,851	2,908	2,937	2,934	2,927	2,915	2,898	2,876
Deductions [1]	(37)	(49)	(87)	(122)	(154)	(183)	(209)	(231)	(251)	(271)
Additions [2]	104	133	136	138	139	140	141	142	143	143
Rate Base	2,768	2,852	2,899	2,924	2,922	2,892	2,859	2,825	2,790	2,749
Average Rate Base		2,810	2,876	2,911	2,923	2,907	2,875	2,842	2,808	2,769
Regulatory Equity % of Capitalization		41.9%	41.9%	41.9%	41.9%	41.9%	41.9%	41.9%	41.9%	41.9%
ROE		10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%	10.4%

Revenue Requirement Build

($MM, unless otherwise noted)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Net Income	123	125	127	127	127	125	124	122	121
Taxes	33	33	34	34	34	33	33	33	32
EBT	155	159	161	161	160	159	157	155	153
Interest	57	63	68	73	77	81	85	89	93
EBIT	213	221	229	234	238	240	242	244	246
Depreciation and Amortization	170	177	183	188	193	197	202	207	212
EBITDA	383	398	411	422	430	437	444	451	458
Other Taxes	11	11	12	12	12	13	13	13	14
Property Tax Payment to the City of Jacksonville	40	41	42	42	43	44	45	46	47
O&M	157	161	164	168	172	175	179	183	188
Revenue Requirement	591	611	629	645	658	670	682	694	706

Notes
1. Rate Base deductions inclusive of accumulated deferred income tax, accounts and accrued expenses payable, state utility taxes payable, fees payable to the City of Jacksonville, liability for compensated absences due within one year, other current liabilities and customer deposits
2. Rate Base additions inclusive of net accounts receivable, interest receivable, net inventories, fuel inventory and materials & supplies

JEA Water Projections (cont'd)

Financial Projections

Key Observations

- In the earlier years of the projection period, elevated capex versus D&A leads to an increase in rate base and net income for JEA Water
- However, beginning in 2023 D&A surpasses capex, leading to a decrease in rate base

Consolidated Financial Projections

($MM, unless otherwise noted)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue	591	611	629	645	658	670	682	694	706
O&M	(157)	(161)	(164)	(168)	(172)	(175)	(179)	(183)	(188)
Property Tax Payment to the city of Jacksonville	(40)	(41)	(42)	(42)	(43)	(44)	(45)	(46)	(47)
Other Taxes	(11)	(11)	(12)	(12)	(12)	(13)	(13)	(13)	(14)
EBITDA	**383**	**398**	**411**	**422**	**430**	**437**	**444**	**451**	**458**
D&A	(170)	(177)	(183)	(188)	(193)	(197)	(202)	(207)	(212)
EBIT	213	221	229	234	238	240	242	244	246
Interest Expense	(57)	(63)	(68)	(73)	(77)	(81)	(85)	(89)	(93)
EBT	**155**	**159**	**161**	**161**	**160**	**159**	**157**	**155**	**153**
Taxes	(33)	(33)	(34)	(34)	(34)	(33)	(33)	(33)	(32)
Net Income	**123**	**125**	**127**	**127**	**127**	**125**	**124**	**122**	**121**
YoY Growth		2.3%	1.2%	0.4%	(0.5%)	(1.1%)	(1.1%)	(1.2%)	(1.4%)
Rate Base	2,852	2,899	2,924	2,922	2,892	2,859	2,825	2,790	2,749
Capex	237	259	240	217	190	190	190	190	190

WATER SUPPORTING MATERIALS

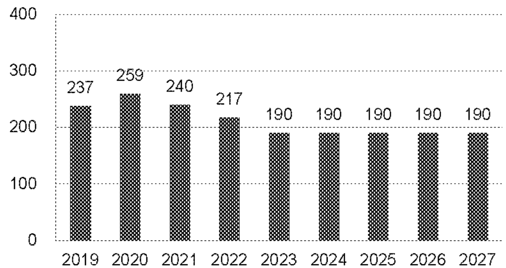
JEA Water Projections (cont'd)

Key Observations

- Relatively flat capital expenditure projections results in slow decline of net income projections

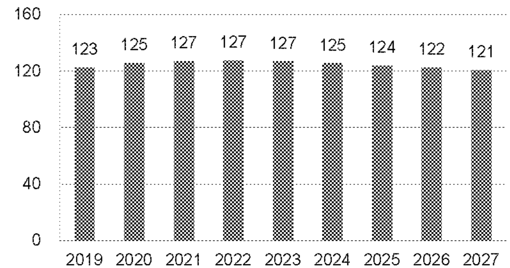
Capital Expenditure Projections

($MM)



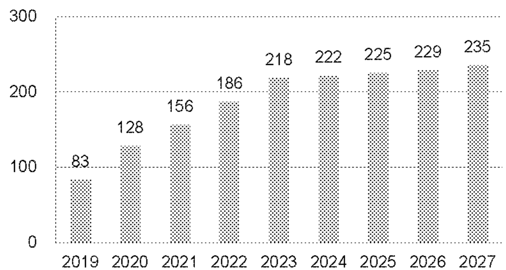
Net Income

($MM)



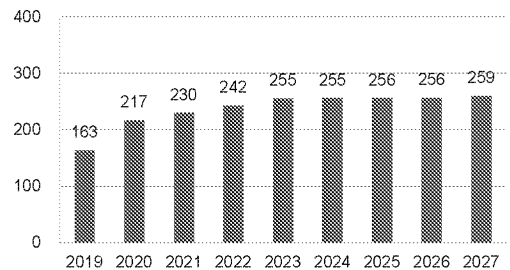
Unlevered Free Cash Flow

($MM)



Levered Free Cash Flow

($MM)



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Note
1. Does not reflect HoldCo debt

Comparable Companies – Water

As of February 13, 2018

Comparable Companies Analysis
As of February 13, 2018

Company Name	Current Price 2/13/2018	Market Value $MM	Aggregate Value [1] $MM	Price/Earnings [2] 2019 x	Price/Earnings [2] 2020 x	Price / Book x	Dividend Yield %	5 -Yr Est I/B/E/S EPS Growth %	Total Return [3] %
Water Companies [4]									
Aqua America, Inc.	34.09	6,057	8,112	22.3	20.8	3.1	2.4	5.0	7.4
American States Water Company	52.81	1,937	2,298	27.6	26.4	3.7	1.9	4.0	5.9
California Water Service Group	38.10	1,829	2,552	25.5	23.8	2.7	2.0	6.9	8.9
SJW Group	53.62	1,100	1,537	19.6	NA	2.4	2.1	4.9	7.0
Connecticut Water Service, Inc.	53.71	648	922	23.2	20.7	2.2	2.2	6.0	8.2
Mean		2,314	3,084	23.6	22.9	2.8	2.1	5.4	7.5
Median		1,829	2,298	23.2	22.3	2.7	2.1	5.0	7.4

Low End P/E Multiple High End P/E Multiple

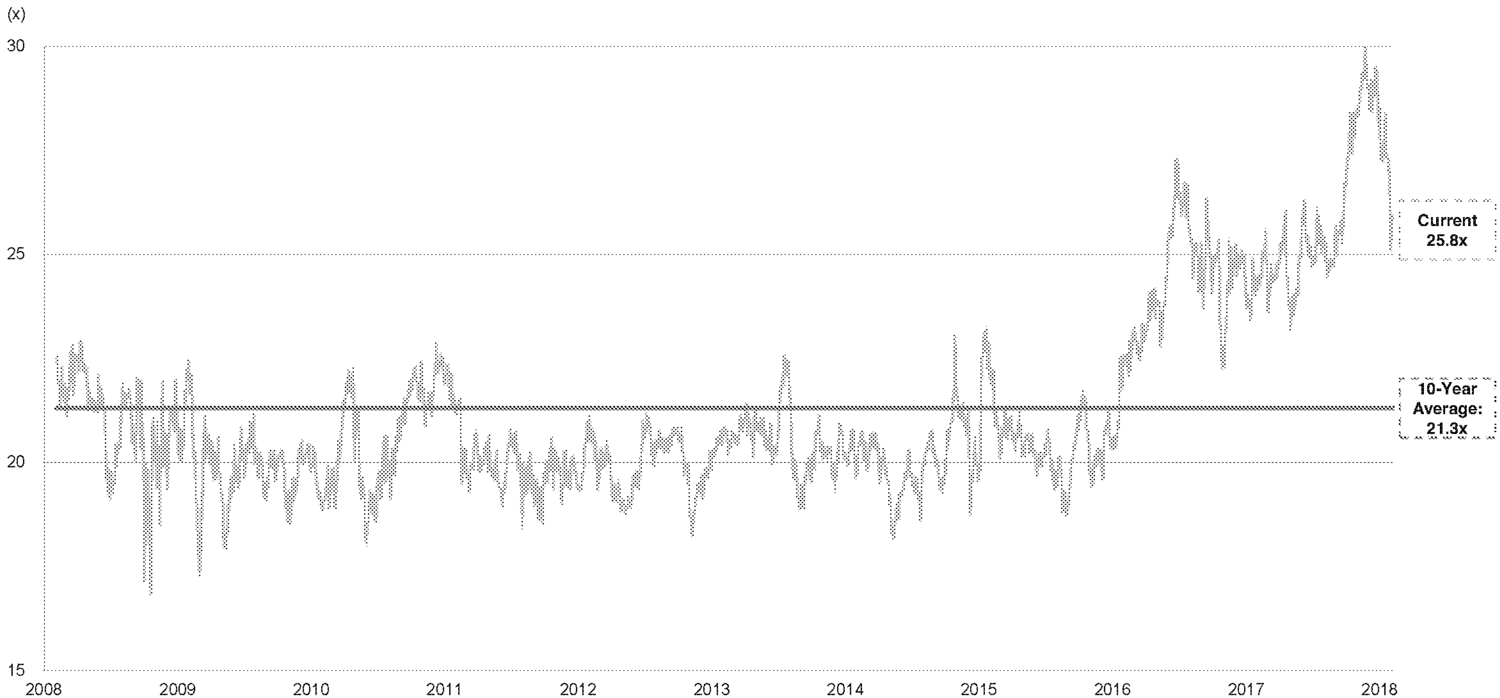
Notes
1. Aggregate Value = Market Value + Long-term Debt + Short-term Debt + Leases + Preferred Stock + Minority Interest - Cash
2. Based on I/B/E/S forward earnings estimates
3. Total Return = Dividend Yield + Long-term Growth rate
4. Market Capitalization in $500MM - $7.5Bn range

WATER SUPPORTING MATERIALS

Price / Earnings Multiples Over Time – Water

Historical NTM Price / Earnings Multiples for Peers Since February 13, 2008

Historical NTM Price / Earnings for Peers (1)
Since 2/13/2008



Source Capital IQ

Note
1. Based on the following comparable companies: WTR, CWT, AWR, SJW, CTWS

WACC Analysis: CAPM Method

Illustrative Cost of Capital Analysis for JEA Water | February 13, 2018

- Cost of equity for discounting based on CAPM using current 10-year U.S. Treasury rate, median peer Barra predicted beta and Morgan Stanley market risk premium of 6%
  - Peer long-term beta is unlevered at a 35% federal tax rate and "relevered" at expected Debt / Cap. ratio of 33.0% and a 21% federal tax rate

JEA Beta Calculation

Peer Median Unlevered Beta [1]	0.45
Expected Debt / Cap. Ratio [2]	33.0%
Tax Rate	21.0%
Relevered Beta	**0.62**

WACC Analysis: CAPM Method

As of February 13, 2018

		WACC Calculation		
Assumption	**Notes**	**Base**	**Low**	**High**
Market Risk Premium (MRP)	Morgan Stanley estimated market risk premium	6.0%	6.0%	6.0%
Risk Free Rate (Rf)	Spot rate 10-year U.S. Treasury as of February 13, 2018	2.8%	2.8%	2.8%
Unlevered Beta	Industry unlevered beta	0.45	0.45	0.45
Relevered Beta	Based on comparable unlevered betas and expected JEA Water capital structure [2]	0.62	0.62	0.62
Sensitivity Adjustment	+/- 1.0% from base		(1.0%)	1.0%
Cost of Equity (KE)	**Calculated using Capital Asset Pricing Model**	**6.6%**	**5.6%**	**7.6%**
Pre-tax Cost of Debt (K_D)	Blended rate based on current debt outstanding	3.7%	3.7%	3.7%
Tax Rate (t)	Assumed tax rate	21.0%	21.0%	21.0%
Post-Tax Cost of Debt		**2.9%**	**2.9%**	**2.9%**
Expected Debt / Total Capitalization	Based on expected JEA Water capital structure [2]	33.0%	33.0%	33.0%
WACC	**KE * E/(D+E) + KD * (1-t) * D/(D+E)**	**5.4%**	**4.7%**	**6.0%**

Sources Company Filings, Capital IQ, Management Projections

Note
1. Based on the following comparable companies: WTR, CWT, AWR, SJW, CTWS
2. Based on aggregate value of ~$4.5Bn for JEA Water and OpCo debt of $1.5Bn as of September 30, 2018

Morgan Stanley

WATER SUPPORTING MATERIALS

Preliminary Unlevered Discounted Cash Flow Analysis

JEA Water Segment | 9-Year DCF | Valuation Date of September 30, 2018

JEA Water Preliminary Discounted Cash Flow Analysis

($MM, unless otherwise noted)

P/E Exit Multiple [1]	19.5x			21.5x			23.5x		
Discount Rate	4.7%	5.4%	6.0%	4.7%	5.4%	6.0%	4.7%	5.4%	6.0%
Present Value of:									
Cash Flows	1,308	1,264	1,222	1,308	1,264	1,222	1,308	1,264	1,222
Terminus	3,309	3,124	2,951	3,472	3,278	3,097	3,635	3,432	3,242
Aggregate Value	**4,617**	**4,388**	**4,173**	**4,780**	**4,542**	**4,319**	**4,943**	**4,696**	**4,464**
Net Debt	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Equity Value	**3,117**	**2,888**	**2,673**	**3,280**	**3,042**	**2,819**	**3,443**	**3,196**	**2,964**
Terminal Value Percentage									
% Value in Terminus	71.7%	71.2%	70.7%	72.6%	72.2%	71.7%	73.5%	73.1%	72.6%
% Value in Cash Flows	28.3%	28.8%	29.3%	27.4%	27.8%	28.3%	26.5%	26.9%	27.4%
Implied Multiples									
2019 Net Income	25.4x	23.6x	21.8x	26.8x	24.8x	23.0x	28.1x	26.1x	24.2x
2020 Net Income	24.9x	23.0x	21.3x	26.2x	24.3x	22.5x	27.5x	25.5x	23.6x
Implied Terminal Growth Rate									
Perpetual Growth Rate	2.2%	2.9%	3.5%	2.3%	3.0%	3.6%	2.4%	3.1%	3.7%

Morgan Stanley

Note
1. Based on 10-Year Average NTM P/E multiple of select comparable companies: WTR, CWT, AWR, SJW, CTWS

Appendix D

Other Supporting Materials

JEA Sources and Uses

- With a population of ~881,000 per the U.S. Census Bureau, there will be **nearly $6,000 in excess proceeds per Jacksonville citizen** immediately upon sale of JEA (i.e., 6 iPhone Xs) [8]

JEA Electric

Sources	$MM
Purchase Price [1]	4,822
Unrestricted Cash & Investments [2]	343
Restricted Cash [4]	252
Total Source of Funds	**5,417**
Uses	**$MM**
Face Value of Debt and Defeasement Cost Attributable to Electric Utility [6]	2,800
Underfunded Pension	330
Liabilities Payable from Restricted Assets [7]	16
Total Use of Funds	**3,146**
Excess Proceeds to City of Jacksonville	**2,271**

JEA Water

Sources	$MM
Purchase Price [1]	4,542
Unrestricted Cash & Investments [3]	83
Restricted Cash [5]	234
Total Source of Funds	**4,859**
Uses	**$MM**
Face Value of Debt and Defeasement Cost Attributable to Water Utility [6]	1,700
Underfunded Pension	211
Liabilities Payable from Restricted Assets [7]	38
Total Use of Funds	**1,949**
Excess Proceeds to City of Jacksonville	**2,910**

Total Transaction

Sources	$MM
Purchase Price	9,365
Unrestricted Cash & Investments	425
Restricted Cash	486
Total Source of Funds	**10,276**
Uses	**$MM**
Face Value of Debt and Defeasement Cost	4,500
Underfunded Pension	541
Liabilities Payable from Restricted Assets	54
Total Use of Funds	**5,095**
Excess Proceeds to City of Jacksonville	**5,181**

Notes
1. Midpoint aggregate value from 9-Year Unlevered DCF
2. Includes cash and cash equivalents from operations, debt management strategy stabilization fund, self insurance reserve funds, fuel stabilization fund, non-fuel purchase power stabilization fund, environmental liability reserve, DSM conservation fund and customer deposits
3. Includes cash and cash equivalents from operations, debt management strategy reserve, environmental liability reserve and customer deposits
4. Includes debt service reserve fund, accounts and interest receivable, internal capital fund and unrealized gain / (loss) on investments
5. Includes renewal and replacement funds, debt service reserve account funds, unrealized holding gain / (loss) on investments and accounts and interest receivable
6. Estimated ~$4.5Bn of defeasance cost on debt at electric utility and water utility as of September 30, 2018
7. Includes construction contracts and accounts payable
8. Population estimate as of 7/1/16 per U.S. Census Bureau

Florida Regulatory Environment

Recently Authorized ROEs

Recently Authorized Electric ROEs in Florida

Date Authorized	Company	Service Type	ROE (%)	Equity / Total Cap. (%)
Electric				
11/6/2017	Tampa Electric Co.	Electric	10.25	NA
4/4/2017	Gulf Power Co.	Electric	10.25	40.07
11/29/2016	Florida Power & Light Co.	Electric	10.55	43.35
9/15/2014	Florida Public Utilities Co.	Electric	10.25	46.47
12/3/2013	Gulf Power Co.	Electric	10.25	37.96
9/11/2013	Tampa Electric Co.	Electric	10.25	42.00
12/13/2012	Florida Power & Light Co.	Electric	10.50	46.03
2/27/2012	Gulf Power Co.	Electric	10.25	38.50
3/17/2010	Florida Power & Light Co.	Electric	10.00	46.74
3/5/2010	Duke Energy Florida LLC	Electric	10.50	46.74
Average Electric			**10.31**	**43.10**

Recently Authorized Water ROEs in Florida

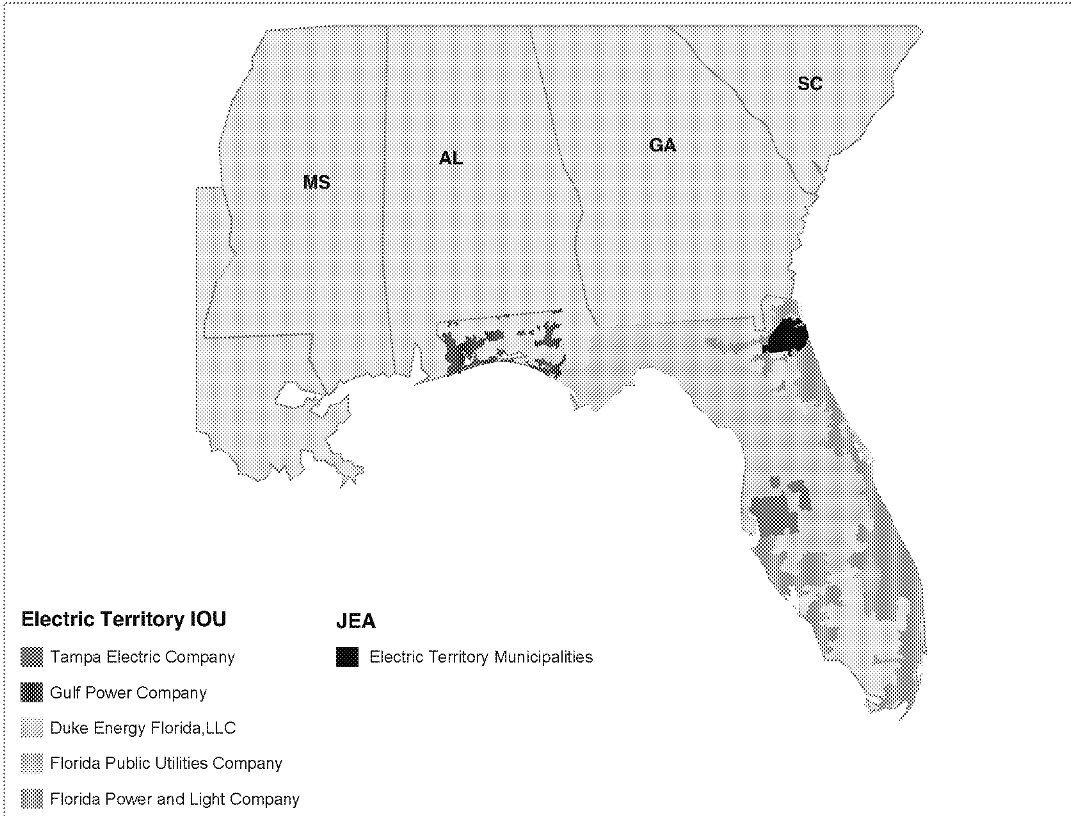
Date Authorized	Company	Service Type	ROE (%)	Equity / Total Cap. (%)
Water				
9/25/2017	Utilities Inc. of Florida	Water	10.40	41.92
Average Water			**10.40**	**41.92**

Source RRA

OTHER SUPPORTING MATERIALS

Florida Utility Service Territory Map

Florida Public Utilities



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