



Discussion Materials

February 15, 2018

Morgan Stanley



MS_JEA-00017065



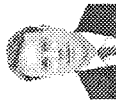


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- Morgan Stanley welcomes the opportunity to work with the Jacksonville Electric Authority ("JEA") and the City of Jacksonville to consider potential strategic alternatives for both the electric and water utility

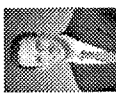




JEA Coverage Team

	Grant Fraunfelder Executive Director 212-761-5047 Grant.Fraunfelder@ morganstanley.com
	J.W. Howard Executive Director 949-331-1855 J.W.Howard@ morganstanley.com
	Richard Weiss Executive Director 212-761-5050 Richard.Weiss@ morganstanley.com


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Morgan Stanley Team for Jacksonville Electric Authority

Power & Utility Execution and Coverages Team


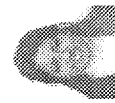
	Todd Giardinelli Managing Director, Head of Power & Utility M&A 212-761-4271 Todd.Giardinelli@ morganstanley.com
	Scott Beckle Managing Director 212-761-8666 Scott.Beckle@ morganstanley.com
	William Pedersen Associate 212-256-4431 William.Pedersen@ morganstanley.com
	Stuart Marsh Associate 212-761-6998 Stuart.Marsh@ morganstanley.com
	Melanie Pierce Analyst 212-761-9486 Melanie.Pierce@ morganstanley.com

Privatization Expertise

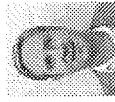
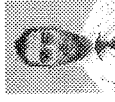
	Ray Spitzley Managing Director 212-761-3461 Ray.Spitzley@ morganstanley.com
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Acquisition Financing

	Anish Shah Managing Director 212-761-5218 Anish.Shah@ morganstanley.com
	Subha Ghosh-Kohli Managing Director 212-761-5219 Subha.Ghosh-Kohli@ morganstanley.com

Equity Capital Markets

	Eddie Molloy Managing Director 212-761-1545 Eddie.Molloy@ morganstanley.com
	James Warts Vice President 212-761-3176 James.Warts@ morganstanley.com

Investment Grade Debt

	Nicholas Tallow Managing Director 212-761-4617 Nicholas.Tallow@ morganstanley.com
	Mirmalini MacDonough Vice President 212-761-0916 Mirmalini. MacDonough@ morganstanley.com

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 Pico CT to institutional investors
- Sale of IJM'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 1998-2000, 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

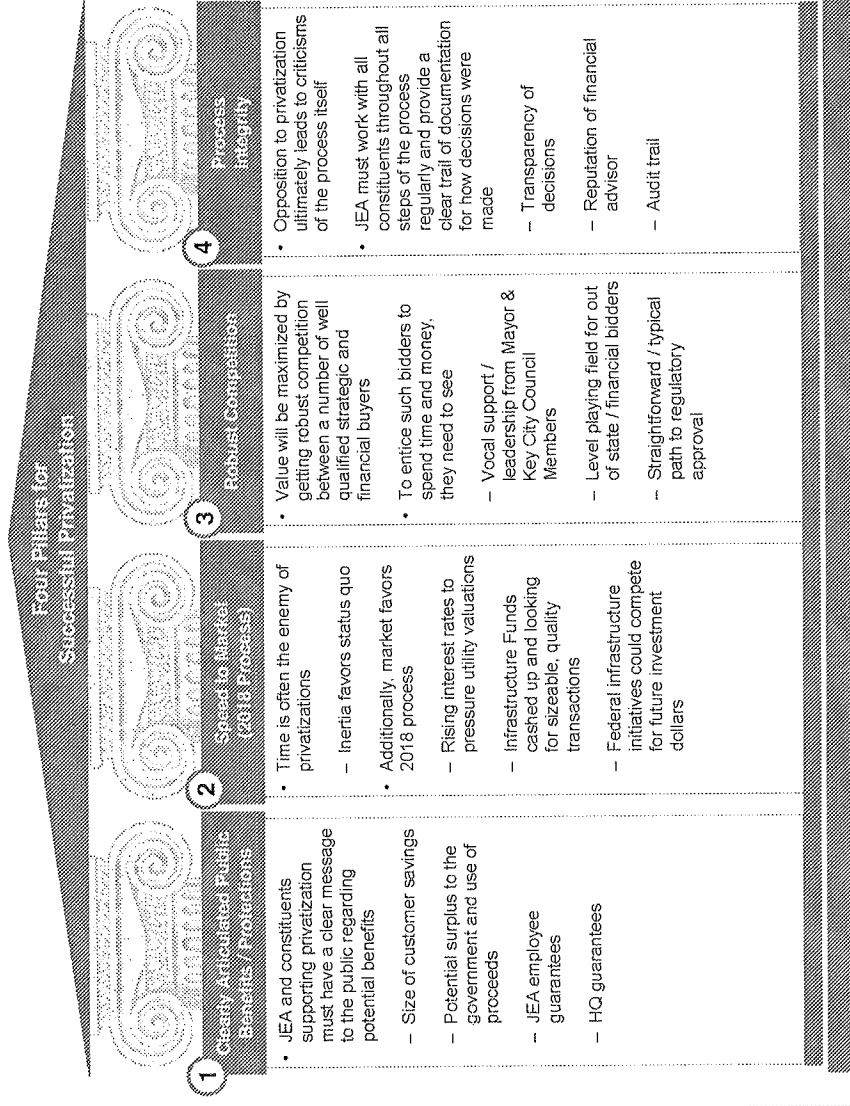


Executive Summary

- 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

Section 1

Why Morgan Stanley?

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WHY MORGAN STANLEY?

Morgan Stanley – Unparalleled Experience

All Electric / Combined Utility Transactions | 2014 – Current

Acquirer	Target	Size (\$MM)	Morgan Stanley Role	JEA MS Team Executed
Sempra Energy	ONCOR	\$18,800	<ul style="list-style-type: none"> • Buyside advisor to Sempra; \$4.0Bn committed bridge financing; lead book runner on \$4.6Bn of equity and \$5.1Bn of debt 	✓
IBERDROLA	UIL UTILITIES CORPORATION	\$17,800	<ul style="list-style-type: none"> • Sellside advisor to UIL 	✓
Dominion Energy	SCANA POWER CORPORATION	\$14,600	<ul style="list-style-type: none"> • Sellside advisor to SCANA 	✓
CENTRAL PLAINS ENERGY	Westar Energy	\$12,200	<ul style="list-style-type: none"> • Buyside advisor to Bidder D 	✓
Exelon	Pepco Holdings Inc	\$12,000	<ul style="list-style-type: none"> • Sellside advisor to Pepco 	✓
FORTIS	PITC	\$11,300	<ul style="list-style-type: none"> • Sellside advisor to ITC 	✓
Emera	TECO	\$10,400	<ul style="list-style-type: none"> • Sellside advisor to TECO 	✓
WEC Energy Group	integrlys	\$5,700		
hydro one	AVISTA	\$5,300		
ALGONQUIN Power & Utilities Corp	CLECO	\$4,700	<ul style="list-style-type: none"> • Buyside advisor to Party C 	✓
	EQUINOR	\$2,300		

Morgan Stanley Advisor



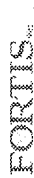
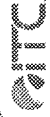


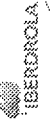

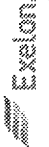
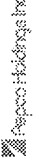
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WHY MORGAN STANLEY?

Morgan Stanley – Track Record for Deal Certainty

Recent Morgan Stanley Sell-Side Transactions

Target/Acquirer	Aggregate Value (\$MM)	% Premium to Unaffected Share Price	Acquisition FY1 P/E	Shareholder Approval?	Regulatory Approval?	Social Considerations
 	\$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
 	\$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
 	\$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
 	\$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 Peppo and maintain compensation/benefits as favorable as before the transaction Board: PHI will create a 7 member board, including 3 from the Delmarva, Peppo, and ACE service areas. Post-merger, Delmarva and Peppo will each retain their own boards, to be selected by the new PHI Board

- 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



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WHY MORGAN STANLEY?

Investment Grade Acquisition Finance Expertise


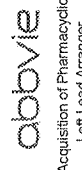


Morgan Stanley is a Leader in Investment Grade Acquisition Financing

- 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

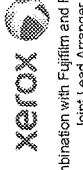

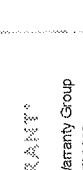
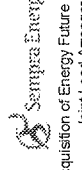

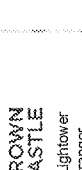


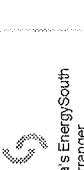
Morgan Stanley: 2017 IFR Americas Loan House of the Year

"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

<p>\$11.3Bn Bridge / Facility Backstop July 2017</p>  <p>Acquisition of Lightower Left Lead Arranger</p>	<p>\$18.0Bn Bridge March 2015</p>  <p>Acquisition of Pharmacyclics Left Lead Arranger</p>	<p>\$9.2Bn Bridge / TL / RC June 2014</p>  <p>Acquisition of Hillshire Brands Left Lead Arranger</p>	<p>\$63.0Bn Bridge / RC September 2013</p>  <p>Acquisition of 43% of Verizon Wireless Global Coordinator</p>
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Selected Recent Transactions

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

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- 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

Morgan Stanley

WHY MORGAN STANLEY?

Morgan Stanley – Privatization Credentials

Select Privatizations of Infrastructure Assets

Client	Role	Date	Comments
HM British Government	Government Advisor	Ongoing	Financial advisor to the British Government on potential IPO of Urenco
Victoria State Government	Government Advisor	Ongoing	Joint financial advisor on the scoping study and potential privatisation of Port of Melbourne
Greek Government	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	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 ASX 15n
New South Wales Government	Government Advisor	2013	Sole financial advisor to EnergyAustralia on its acquisition of the Delta West power stations from the New South Wales Government
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)	Sellside Advisor	2012	Sole financial advisor to OSU for the privatization of its parking assets by OIC for US\$483MM
German Government	Buyside Advisor	Ongoing	Strategic advisory on restructuring, capital structure and international operations
Nassau County	Sellside Advisor	2011	Strategic advisor to the German Government on the Deutsche Bahn privatization
City of Pittsburgh	Buyside Advisor	2010	Sole advisor to Nassau County (NY) on the privatization of its Wastewater System
Temasek	Sellside Advisor	2008	Financial advisor on privatization of Pittsburgh Parking System to JPM/LAZ for US\$452MM
Transport for London	Government Advisor	2006	Sellside advisor on Temasek's privatization of ~\$0.36n of generation assets (three separate transactions)
MSIP	Buyside Advisor	2006	Strategic advisor on the refinancing of the London Underground
PSA	Buyside Advisor	2006	Sole advisor to Morgan Stanley Infrastructure Partners on acquisition of Millennium Garages from the City of Chicago for \$653MM
NSW Government	Government Advisor	2003-2004	Sole financial advisor to PSA on its acquisition of stake in HPH (2006)
Government of South Australia	Government Advisor	2000	Strategic advice on privatization options, capital restructuring and credit rating advisory
			Financial advisor on scoping study on the potential private sector participation in State Forests plantation business
			Financial advisor to the South Australian Government on the privatization of EUSA Power/Utilities and Electranet



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WHY MORGAN STANLEY?

Dominion Energy to Acquire SCANA Corporation

Announced January 3, 2018



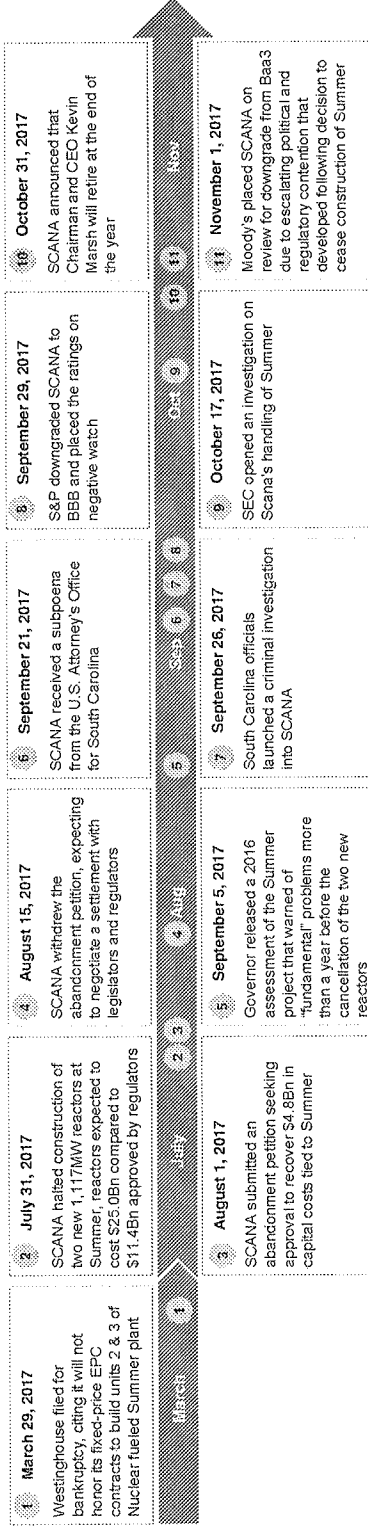
- Morgan Stanley served as lead financial advisor to SCANA

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



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WHY MORGAN STANLEY?

Emera Acquires TECO Energy for \$10.4Bn

Announced September 4, 2015



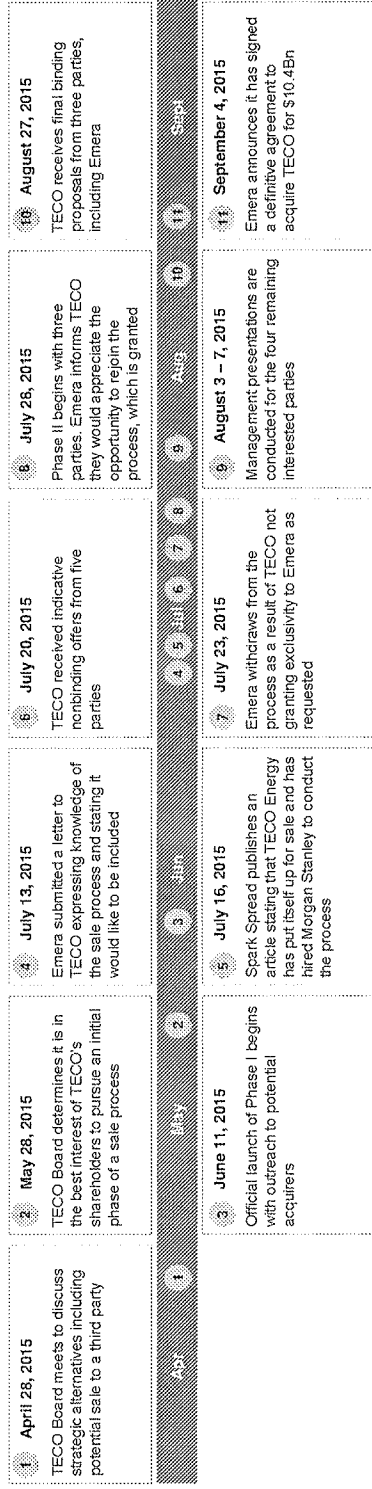
- Morgan Stanley acted as the strategic and financial advisor to TECO Energy

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 strategies 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



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WHY MORGAN STANLEY?

Electricity Trust of South Australia Case Study

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

EISA
Utilities

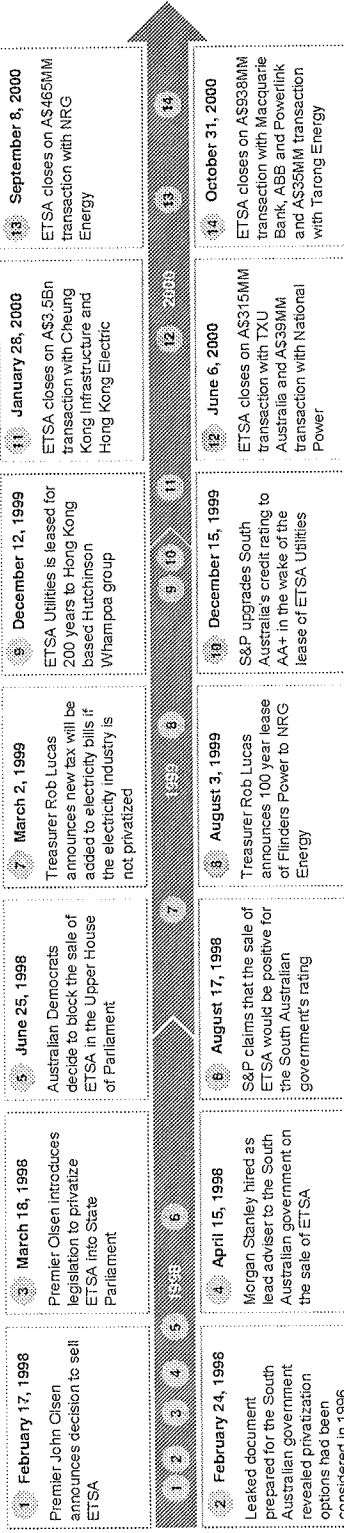
- From April 1998 to October 2000, Morgan Stanley acted as lead strategic and financial advisor to the Government of South Australia regarding the restructuring and privatization of the State's electricity industry
 - A\$5.3Bn raised across six separate transactions
 - Motivated by desire to significantly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

Lessons Learned from EISA

- 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 EISA privatization efforts
- The reality of increased taxes due to deteriorating financial condition of the South Australian government accelerated the discussion and consequent acceptance of EISA privatization
- Ability to separate EISA 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 EISA 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



Section 2

Process Considerations


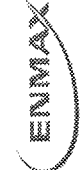



- To close a transaction, JEA and any potential buyer(s) will need to garner support from the numerous constituencies with interests in JEA:
 - City Council, customers, the citizens of Jacksonville and state regulators
- Morgan Stanley has been involved in three of the most relevant municipal utility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

PROCESS CONSIDERATIONS

Lessons Learned from Previous Privatization Efforts

Summary Overview

	<p>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.</p> <p>Reasons for Failed Execution:</p> <ul style="list-style-type: none"> • 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 <p>Takeaways for JEA:</p> <ul style="list-style-type: none"> • 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
	<p>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.</p> <p>Reasons for Failed Execution:</p> <ul style="list-style-type: none"> • 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 <p>Takeaways for JEA:</p> <ul style="list-style-type: none"> • 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
	<p>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.</p> <p>Reasons for Failed Execution:</p> <ul style="list-style-type: none"> • 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 <p>Takeaways for JEA:</p> <ul style="list-style-type: none"> • Managing a highly public M&A process requires a sound and unified public relations strategy








- 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

PROCESS CONSIDERATIONS

Precedent Privatization of Scale

Philadelphia Gas Works Then Vs. Jacksonville Electric Authority Now

Entity	What happened in 2016?	Why is Jacksonville Different?
Philadelphia Mayor  Michael Nutter Democrat	<ul style="list-style-type: none"> • 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 • ULL'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 	<ul style="list-style-type: none"> • 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."
Jacksonville Mayor  Lenny Curry Republican	<ul style="list-style-type: none"> • After months of inaction following the announcement of an agreement, Council rejected ULL 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 	<ul style="list-style-type: none"> • 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."
Philadelphia City Council  Democrat - 14 Republican - 3	<ul style="list-style-type: none"> • 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 perspective 	<ul style="list-style-type: none"> • 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
Pennsylvania Regulators 	Florida Regulators 	

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



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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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



PROCESS CONSIDERATIONS

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

Rationale	Sale of All Water	Sale of Water and Wastewater
Considerations	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Smaller prospective buyers may not be able to write check large enough for entire business • Does not preclude anyone from pursuing both businesses
	<ul style="list-style-type: none"> • May preclude smaller buyers from participating 	<ul style="list-style-type: none"> • 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



PROCESS CONSIDERATIONS

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

Strategy Description	Tax-Exempt Remediation Avoidance / Risk Transfer to Rate Payers	Special Charge
Rationale	<p>Franchise Fee Tax</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 assess 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
Considerations	<ul style="list-style-type: none"> • 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 • 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 	<ul style="list-style-type: none"> • 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 • 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

Morgan Stanley



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
NDA's 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



- 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

Post-Launch Process Considerations

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

Sale Process Timeline

Week:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
RFO Outreach																									
Finalize Non-Confidential Agreement (NDA)																									
Finalize Teaser																									
Finalize Buyers List																									
Finalize Buyer's Scope																									
Draft Flipbook																									
Prepare Financial Information																									
"Soft" Launch																									
Conduct Business and Financial Due Diligence																									
Launch RFO Process to Potential Buyers																									
RFO Preparation by Consented Parties																									
RFO Responses and NDAs Due																									
Review RFQs and Select Buyers to Include in Phase I																									
Phase I																									
Launch Sale Process																									
Conduct Selected Parties																									
Determine Flipbook & Phase I Financial Information																									
Market Power Discussions																									
Buyers Prepare Phase I Bids																									
Phase I Bids Due																									
Review Phase I Bids																									
Provide Feedback to Phase I Bidders																									
Phase II																									
Prepare Phase II Data Room & Management Presentation																									
Launch Phase II Data Room																									
Phase II Due Diligence / OSA																									
Management Presentations																									
Site Visits																									
Phase II Strong Bids Due																									
Analyze Bids																									
Negotiate Documents and Pursue Sale/Close Execution Approvals																									
Transaction Agreements Executed																									

◆ Key Milestones / Decision Points

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



SUGGESTED PROCESS OVERVIEW

Insights Into Managing a Public Process

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

- 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"



SUGGESTED PROCESS OVERVIEW

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

Morgan Stanley




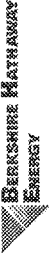

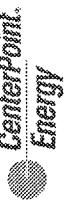


- We believe there will be robust interest from select strategics for the electric and the water sides of the business, and potentially for both

POTENTIAL BUYERS

Potential Strategic Buyers for JEA

Strategic Buyers

Name	Electric Interest	Water Interest	Commentary
	✓	✓	<ul style="list-style-type: none"> • 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)
	✓	✓	<ul style="list-style-type: none"> • 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)
	✓	✓	<ul style="list-style-type: none"> • 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%
	✓	✓	<ul style="list-style-type: none"> • 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 aquisitions, but occasionally does participate
	✓	✓	<ul style="list-style-type: none"> • 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
	✓	✓	<ul style="list-style-type: none"> • 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



POTENTIAL BUYERS

Potential Strategic Buyers for JEA (cont'd)

Strategic Buyers (cont'd)	Electric Interest	Water Interest	Commentary
	✓		<ul style="list-style-type: none"> • 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
	✓		<ul style="list-style-type: none"> • 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
	✓	✓	<ul style="list-style-type: none"> • 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
	✓	✓	<ul style="list-style-type: none"> • 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
	✓		<ul style="list-style-type: none"> • 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


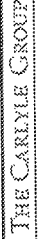
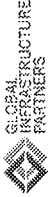





- We believe numerous financial parties would be interested in either side of the business, though some may struggle to compete with motivated strategic bidders

POTENTIAL BUYERS

Potential Financial Buyers for JEA

Financial Buyers

Name	Electric Interest	Water Interest	
	✓	✓	<ul style="list-style-type: none"> • 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
	✓	✓	<ul style="list-style-type: none"> • In process of raising new infrastructure fund with \$2.5Bn target and seventh buyout fund with \$15Bn target • Infrastructure fund has a 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
	✓	✓	<ul style="list-style-type: none"> • In January 2017, closed \$15.5Bn Fund III • Has long covered 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
	✓	✓	<ul style="list-style-type: none"> • In August 2017, achieved initial \$3.3Bn close for its Fund IV; targeting ~\$6Bn • 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
	✓	✓	<ul style="list-style-type: none"> • 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
	✓	✓	<ul style="list-style-type: none"> • 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 particular in regulated utility space where they are underweight



POTENTIAL BUYERS

Infrastructure Fund Investments in the Utility Space

Financial Buyers Have Shown Appetite for Large Utility Investments

Acquirer	Target	Size	Date	Description
North America				
		\$4.7Bn	2014	Sale of 100% stake in Cleco Corporation to Macquarie led consortium including BolMC and John Hancock
		\$860MM	2007	Sale of 100% of Aquarion to Macquarie led consortium
		\$7.4Bn	2007	Sale of 100% stake in Puget Sound Energy to Macquarie led consortium including Canadian pension funds
		€3.6Bn	2017	Sale of 100% of Elenia Group to Macquarie Infrastructure, Allianz Capital Partners and State Pension Fund of Finland
		€13.9Bn	2017	Sale of 20% of Gas Natural Fenosa's Spanish gas distribution business to Allianz and CPPIB
		€2.6Bn	2017	Sale of 100% of Naturgas Energia Distribution to a consortium of long-term infrastructure investors
		€3.2Bn	2017	Sale of 100% of GE Water & Process Technologies to SUEZ Group and Caisse de Dépôt et Placement du Québec
		\$4.35Bn	2016	Sale of 49% stake in Le Réseau de L'Intelligence Électrique to Caisse des Dépôts et Consignation and CNP Assurances
		\$4.3Bn	2016	Sale of 20% in Gas Natural SDG SA to Global Infrastructure Partners
		€2.2Bn	2015	Sale of 100% of Madriñena Red de Gas to EDF Invest, Gingko Tree and PGGM
Europe				

Gas Distribution
 Electricity Distribution
 Water Infrastructure
 Electricity Transmission
 Integrated Utility
 32

- 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

Morgan Stanley



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

Financials

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	SERRA/GENCO	EMA/TECO	Eversource/Aquarion
<ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> - Estimate the 100% stock-for-stock deal will be immediately accretive and will result in ~\$0.10 EPS accretion, or ~2% 	<ul style="list-style-type: none"> • Modest accretion (~2%) using relatively conservative assumptions; potentially breaching SRE's already robust 10-11% LT growth aspirations <ul style="list-style-type: none"> • Key transaction question is reception of new holdco debt at PUCT given the Commission's prior aversion to levered deals at any level 	<ul style="list-style-type: none"> • Acquisition provides access to a future low-risk growing earnings stream and a new natural gas utility platform <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • Opportunity to add as much as 40 bps to its current long-term 5%-7% EPS growth projection



PRELIMINARY FINANCIAL ANALYSIS

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)	<ul style="list-style-type: none">▪ 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	<ul style="list-style-type: none">▪ 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	<ul style="list-style-type: none">▪ 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 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

Rate Base / Financial Projections

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 ~\$4.9Bn 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 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

Rate Base / Financial Projections

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



- Assumes valuation date of 9/30/18

Preliminary & Confidential

PRELIMINARY FINANCIAL ANALYSIS

Preliminary JEA Electric Financial Analysis

As of February 13, 2018

Preliminary Financial Analysis ⁽¹⁾

Aggregate Value (\$MM)

Proceeds to City of Jacksonville ⁽¹⁾⁽⁶⁾ (MM)



Selected Public Comparable Companies Analysis:

- 2019 P/E Multiples: (15.0x – 19.8x) ⁽²⁾
- 2019 Net Income: \$126MM
- 2020 P/E Multiples: (14.7x – 16.6x) ⁽²⁾
- 2020 Net Income: \$127MM

Unlevered Discounted Cash Flow Analysis ⁽³⁾

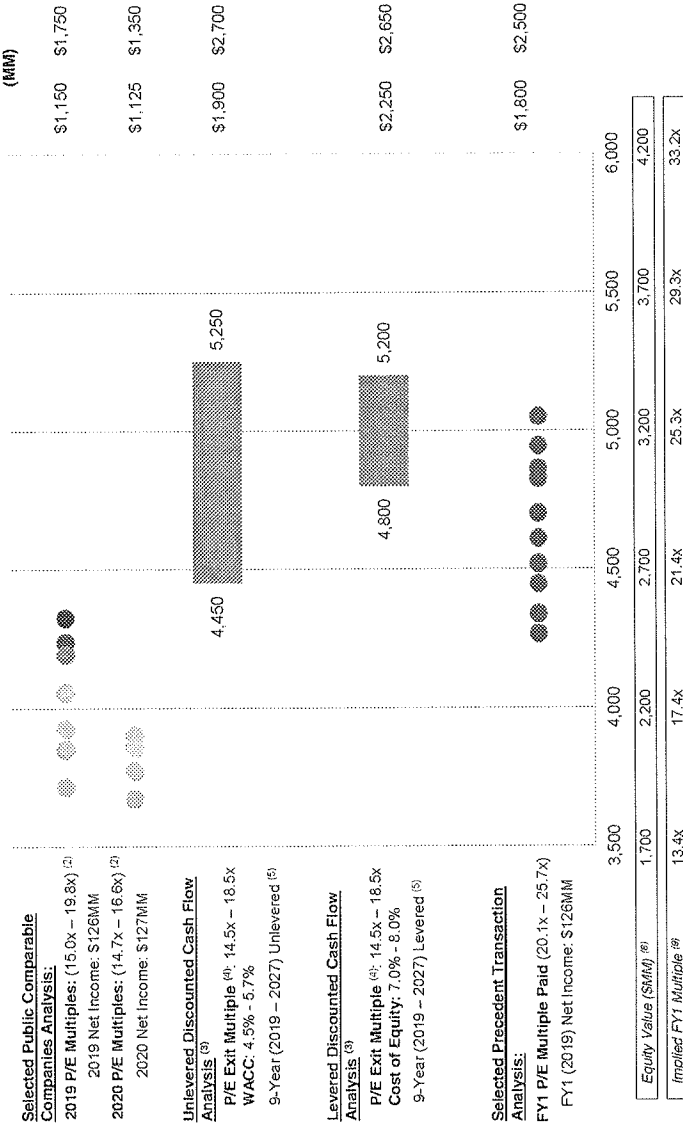
- P/E Exit Multiple ⁽⁴⁾: 14.5x – 18.5x
- WACC: 4.5% - 5.7%
- 9-Year (2019 – 2027) Unlevered ⁽⁵⁾

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⁾

Selected Precedent Transaction Analysis:

- FY1 P/E Multiple Paid (20.1x – 25.7x)
- FY1 (2019) Net Income: \$126MM



Source: Company Projections

Notes:

- Values rounded to nearest \$25MM
- Based on 2019 net income of \$126MM, net of inclusion of HJO/CC cost
- Francis based on comparable companies 10-year average NTM P/E
- Exit multiple based on comparable companies 10-year average NTM P/E
- NTM net income based on 2% growth from 2027 net income
- Includes cash and cash equivalents from operations, debt management strategy, stabilization fund, debt insurance reserve funds, long-term debt, environmental liability reserve, DSI, conservation fund, customer deposits, debt 2019-2027 reserve fund, accounts and interest receivable, normal capital fund and unvested gain/loss on investments, loss construction contract and accounts payable
- Entity value = Aggregate Value less OJCC debt
- Based on 2019 net income of \$126MM, net of inclusion of HJO/CC cost

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

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Section 6

Proposed Fee Structure

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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
- 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



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Appendix A

Banker Biographies

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BANKER BIOGRAPHIES

Scott Beicke

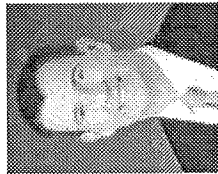
Managing Director

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 private-to-private RMT
- 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 750 MW Canadian renewable portfolio
- 10/2012: \$607MM sale of Harbert's 550 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
- Emera / Capital Power NE Assets
- RRI Energy / Mirant
- Atlantic Power / Capital Power
- Emera / Teco
- Sharp / Recurrent
- Bristol-Myers / Adnexus
- Exelon / PEPCO
- Sempra / Energy Future Holdings
- Brookfield / TerraForm Power
- First Energy / Allegheny
- Shire / New River
- Celestica / Lucent
- First Solar / OptiSolar
- Starwood / Exelon (Quail Run)
- CDPQ / AES (IPALCO)
- Fortis / IIC
- SUNE-TERP / First Wind
- Chubu / Tyr / Tenaska
- Harris / Stratec (and Spin)
- SUNE-TERP / Invenegy
- Danaher / BPL
- Harris / Tyco Electronics (Wireless)
- SUNE-TERP / Vivint
- Dassault / Abaqas
- Highstar / GWF
- Tenaska / USPowerGen
- Direct Energy / PNM (First Choice)
- Iberdrola / UIL
- TerraForm / Atlantic Power (wind)
- Dominion / SCANA
- MEMC / Sun Edison
- UIL / Iberdrola LDC
- Dynegy / Duke Midwest
- MidAmerican / Alrafink
- Vistra / Dynegy
- ECP / Dominion Assets
- MidAmerican / Sunpower AVSP
- ECP / Energy Solutions
- Pattern IPO



BANKER BIOGRAPHIES

Ray Spitzley

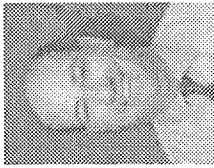
Managing Director

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 Entera
- 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
- Peppo - \$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

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Appendix B

Electric Supporting Materials



ELECTRIC SUPPORTING MATERIALS

JEA Electric 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	2,690	2,756	2,741	2,722	2,697	2,764	2,764	3,109	3,055	2,996
Depreciation	(233)	(238)	(244)	(250)	(258)	(273)	(273)	(279)	(284)	(290)
Capital Expenditures	299	223	225	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	3,110	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%	43.1%
ROE	10.3%	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	136	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	480	480	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	69	69	70
O&M	232	238	231	258	259	259	268	268	282
Gross Margin	816	835	838	875	882	936	972	976	988
Fuel	342	378	400	372	383	384	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

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)	(249)	(250)
Gross Margin	816	836	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	588	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)	(36)	(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

Key Observations

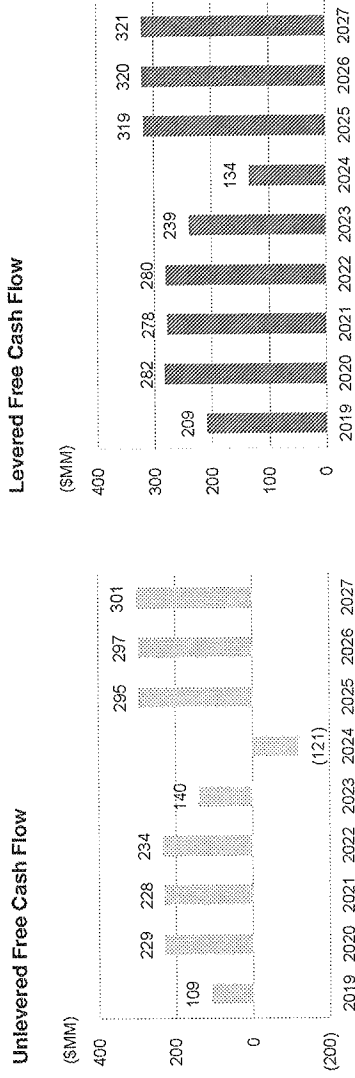
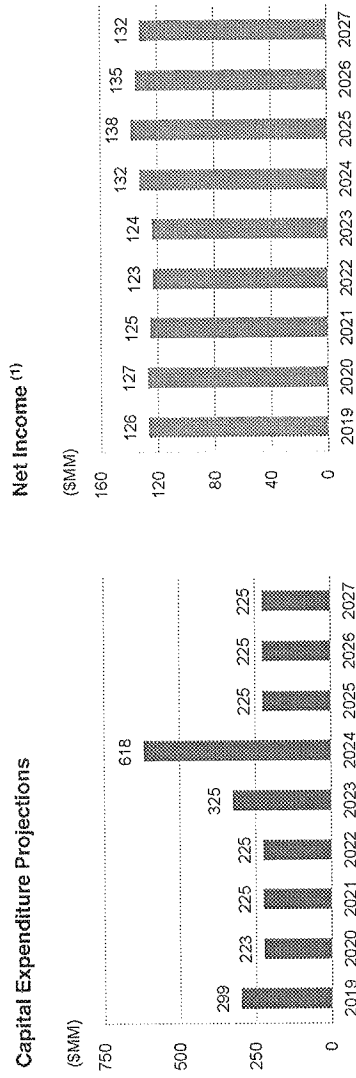
- In the outer years of the projection period, low capex versus D&A leads to a decline in rate base and net income for JEA Electric



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



Note
1. Does not reflect HoldCo debt



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ELECTRIC SUPPORTING MATERIALS

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⁾		Price / Book x	Dividend Yield %	Est (B)/E/S EPS Growth %	5-Yr Total Return ⁽³⁾ %
				2019	2020				
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 (B)/E/S forward earnings estimates
3. Total Return = Dividend Yield + Long-term Growth rate
4. Market Capitalization in \$Bn - \$59n range

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ELECTRIC SUPPORTING MATERIALS

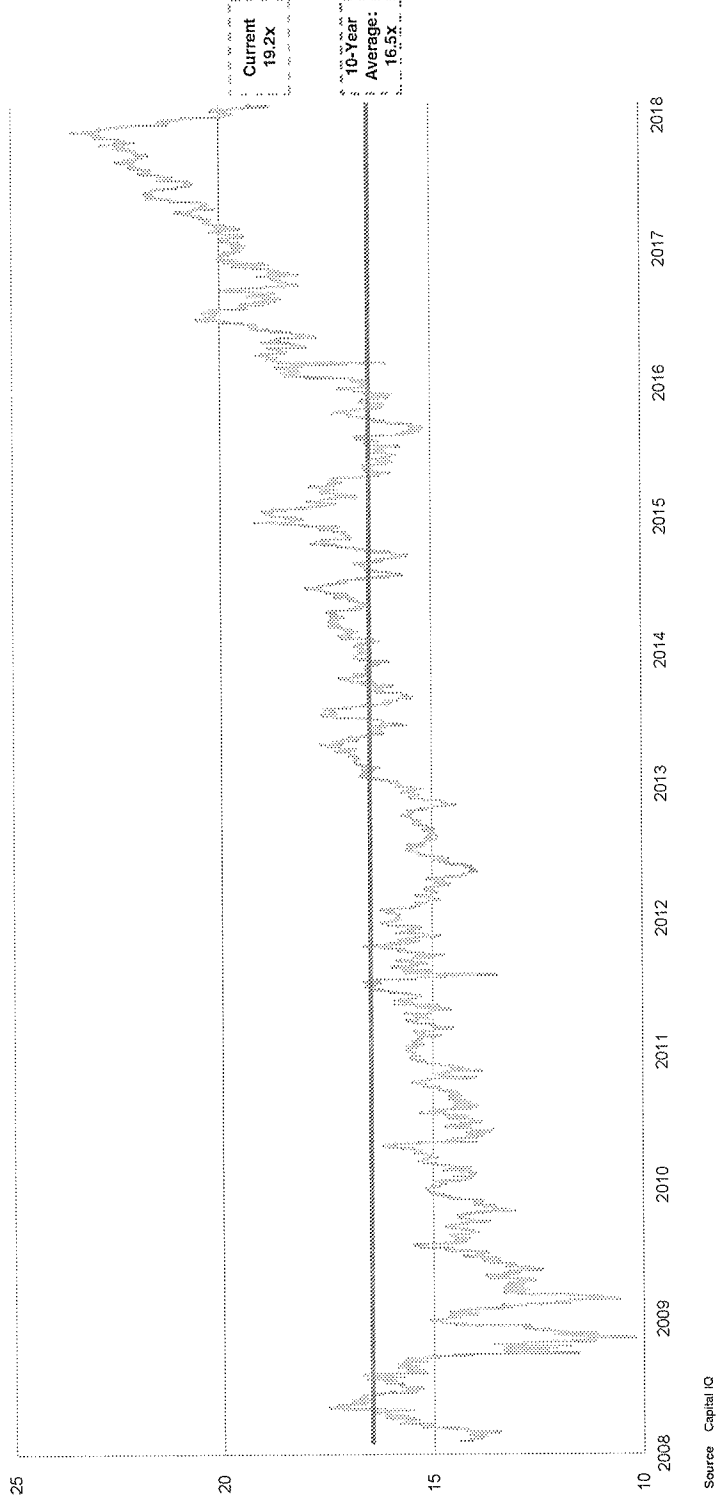
Price / Earnings Multiples Over Time – Electric

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

Historical NTM Price / Earnings for Peers (1)

Since 2/13/2008

(X)



Source: Capital IQ

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



ELECTRIC SUPPORTING MATERIALS

WACC Analysis: CAPM Method

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

WACC Analysis: CAPM Method

As of February 13, 2018

Assumption	Notes	WACC Calculation		
		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 ⁽¹⁾	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 \$2.8Bn for JEA Electric and OpCo debt of \$1.8Bn as of September 30, 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

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ELECTRIC SUPPORTING MATERIALS

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)

	14.5x		16.5x		18.5x	
P/E Exit Multiple ⁽¹⁾	4.5%	5.1%	4.5%	5.1%	4.5%	5.1%
Discount Rate	5.7%	5.7%	5.7%	5.7%	5.7%	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	4,954	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%
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Note
1. Based on 10-Year Average NTM P/E multiple of select comparable companies: IDA, POR, ALE, PNM, NWE, OTTR, CRK



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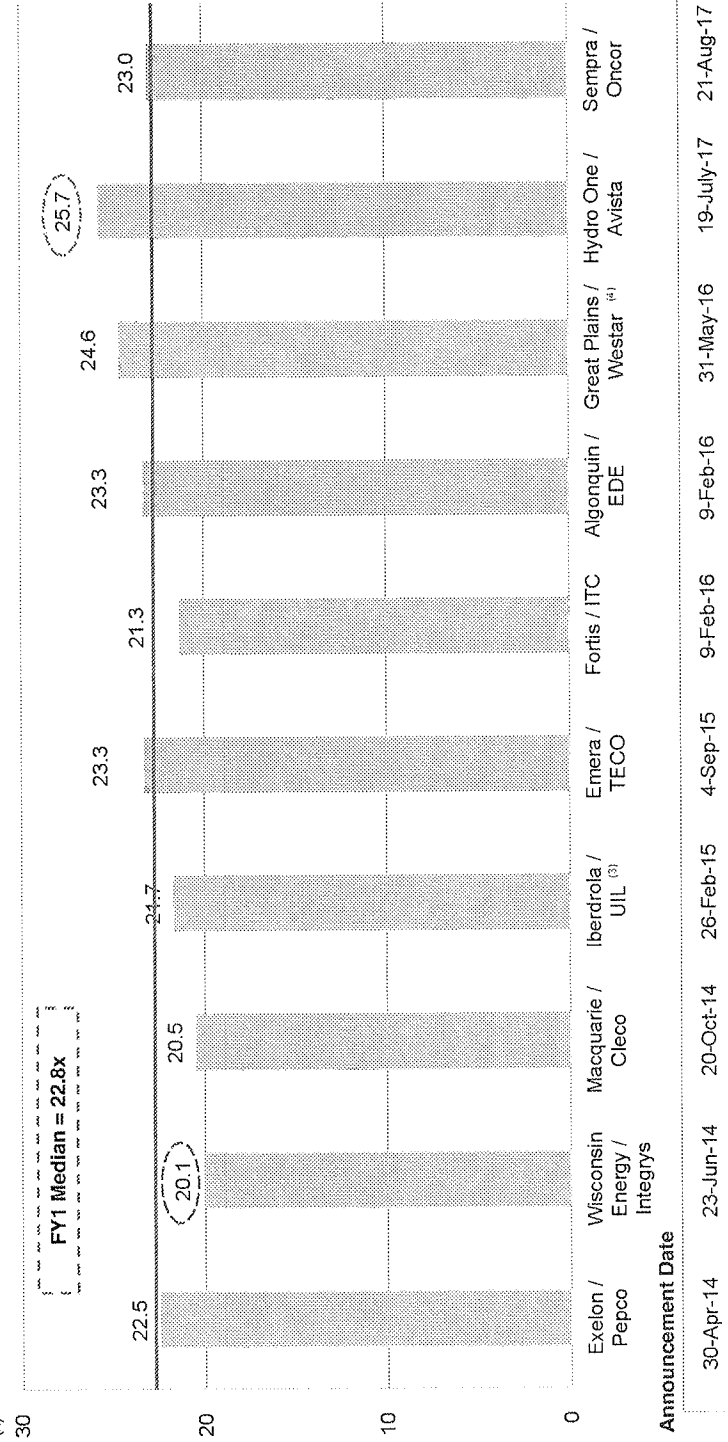
ELECTRIC SUPPORTING MATERIALS

Selected Precedent Electric Utility Transactions

Since January 2014⁽¹⁾

Precedent Utility Transactions Price / Earnings⁽²⁾

(x)



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

Notes

- Selected public target utility transactions since January 2014, excludes Dominion / SCANA transaction
- 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
- Based on midpoint of implied transaction price range, per Utl. announcement presentation, of \$52.75
- Refers to previous deal which was subsequently announced as MOE in July 2017

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Appendix C

Water Supporting Materials

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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	2,888
Depreciation	(170)	(177)	(183)	(188)	(190)	(190)	(190)	(202)	(207)	(212)
Capital Expenditures	237	259	240	217	190	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)	(48)	(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	2,898	2,924	2,922	2,852	2,859	2,825	2,760	2,749
Average Rate Base	2,810	2,876	2,911	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%	41.9%
ROE	10.4%	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	189	197	202	207	212
ESBITDA	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	639	645	655	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

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WATER SUPPORTING MATERIALS

JEA Water Projections (cont'd)

Financial Projections

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)	(166)	(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	363	398	411	422	430	437	444	451	458
D&A	(170)	(177)	(183)	(186)	(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	2,869	2,924	2,922	2,892	2,859	2,825	2,790	2,749
Capex	237	259	240	217	190	190	190	190	190

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

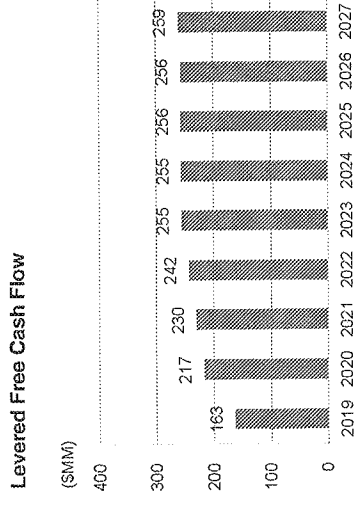
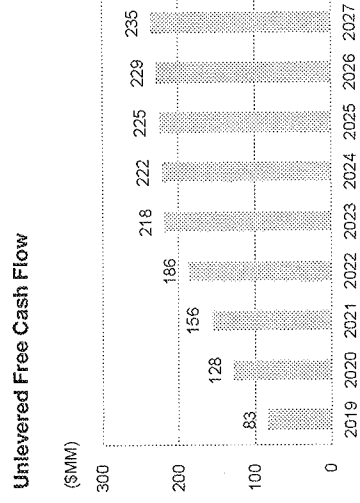
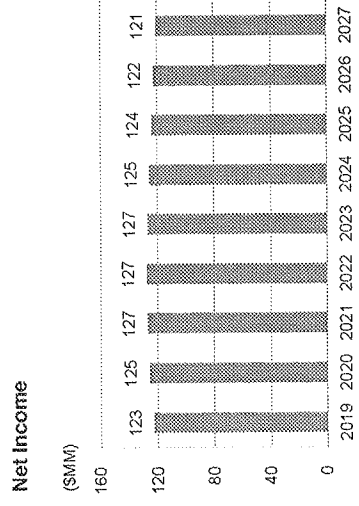
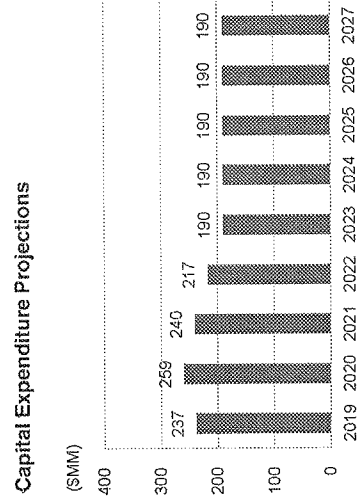


WATER SUPPORTING MATERIALS

JEA Water Projections (cont'd)

Key Observations

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



Note
1. Does not reflect HoCo debt



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WATER SUPPORTING MATERIALS

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⁾		Price / Book x	Dividend Yield %	Est. 1B/E/S EPS Growth %	5-Yr Est. 1B/E/S EPS Growth %	Total Return ⁽³⁾ %
				2019	2020					
Water Companies⁽⁴⁾										
Aqua America, Inc.	34.09	6,057	8,112	22.3	20.8	3.1	2.4	5.0	5.0	7.4
American States Water Company	52.81	1,937	2,298	27.6	26.4	3.7	1.9	4.0	4.0	5.9
California Water Service Group	38.10	1,829	2,552	25.5	23.8	2.7	2.0	6.9	6.9	8.9
SJW Group	53.62	1,100	1,537	19.6	NA	2.4	2.1	4.9	4.9	7.0
Connecticut Water Service, Inc.	53.71	648	922	23.2	20.7	2.2	2.2	6.0	6.0	8.2
Mean		2,314	3,084	23.6	22.9	2.8	2.1	5.4	5.4	7.5
Median		1,829	2,298	23.2	22.3	2.7	2.1	5.0	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 1B/E/S forward earnings estimates
3. Total Return = Dividend Yield + Long-term Growth rate
4. Market Capitalization in \$50MM - \$7.5B range

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WATER SUPPORTING MATERIALS

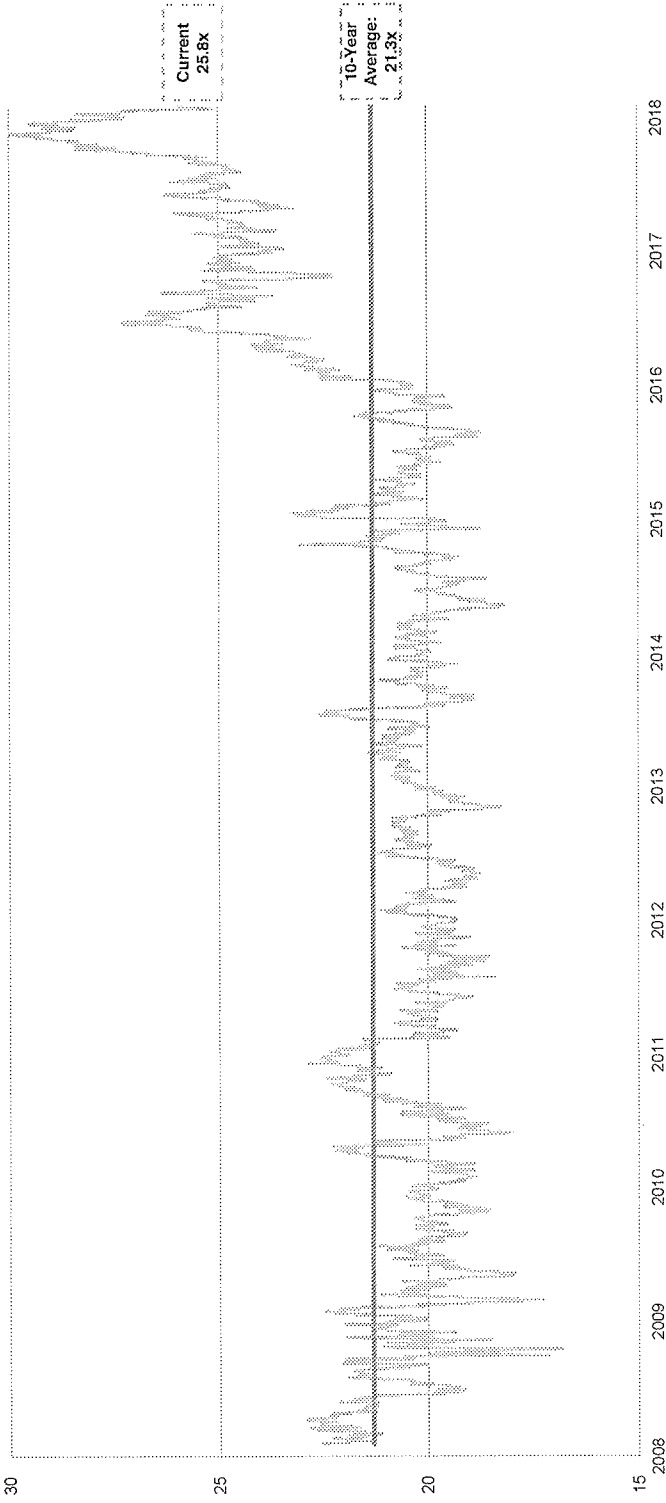
Price / Earnings Multiples Over Time – Water

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

Historical NTM Price / Earnings for Peers ⁽¹⁾

Since 2/13/2008

(x)



Source: Capital IQ

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



- 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

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WATER SUPPORTING MATERIALS

WACC Analysis: CAPM Method

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

WACC Analysis: CAPM Method

As of February 13, 2018

Assumption	Notes	WACC Calculation		
		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 ⁽³⁾	33.0%	33.0%	33.0%
WACC	$KE \cdot E/(D+E) + KD \cdot (1-t) \cdot D/(D+E)$	5.4%	4.7%	6.0%

Sources: Company Filings, Capital IQ, Management Projections

Note

1. Based on the following comparable companies: WTR, CVT, AMR, SJW, CTMS
2. Based on aggregate value of -\$4.5bn for JEA Water and OpCo debt of \$1.5bn as of September 30, 2018



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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	
	4.7%	5.4%	4.7%	5.4%	4.7%	5.4%

Discount Rate

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

Appendix D

Other Supporting Materials

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• 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) (3)

OTHER SUPPORTING MATERIALS

JEA Sources and Uses

JEA Electric		JEA Water		Total Transaction	
Sources	\$MM	Sources	\$MM	Sources	\$MM
Purchase Price (1)	4,822	Purchase Price (1)	4,542	Purchase Price	9,365
Unrestricted Cash & Investments (2)	343	Unrestricted Cash & Investments (3)	83	Unrestricted Cash & Investments	425
Restricted Cash (4)	252	Restricted Cash (5)	234	Restricted Cash	486
Total Source of Funds	5,417	Total Source of Funds	4,859	Total Source of Funds	10,276
Uses	\$MM	Uses	\$MM	Uses	\$MM
Face Value of Debt and Defeasement Cost Attributable to Electric Utility (6)	2,800	Face Value of Debt and Defeasement Cost Attributable to Water Utility (6)	1,700	Face Value of Debt and Defeasement Cost	4,500
Underfunded Pension	330	Underfunded Pension	211	Underfunded Pension	541
Liabilities Payable from Restricted Assets (7)	16	Liabilities Payable from Restricted Assets (7)	38	Liabilities Payable from Restricted Assets	54
Total Use of Funds	3,146	Total Use of Funds	1,949	Total Use of Funds	5,095
Excess Proceeds to City of Jacksonville	2,271	Excess Proceeds to City of Jacksonville	2,910	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, 2016
 7. Includes construction contracts and accounts payable
 8. Population estimate as of 7/7/16 per U.S. Census Bureau



OTHER SUPPORTING MATERIALS

Florida Regulatory Environment

Recently Authorized ROEs

Recently Authorized Electric ROEs in Florida

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

Source RRA

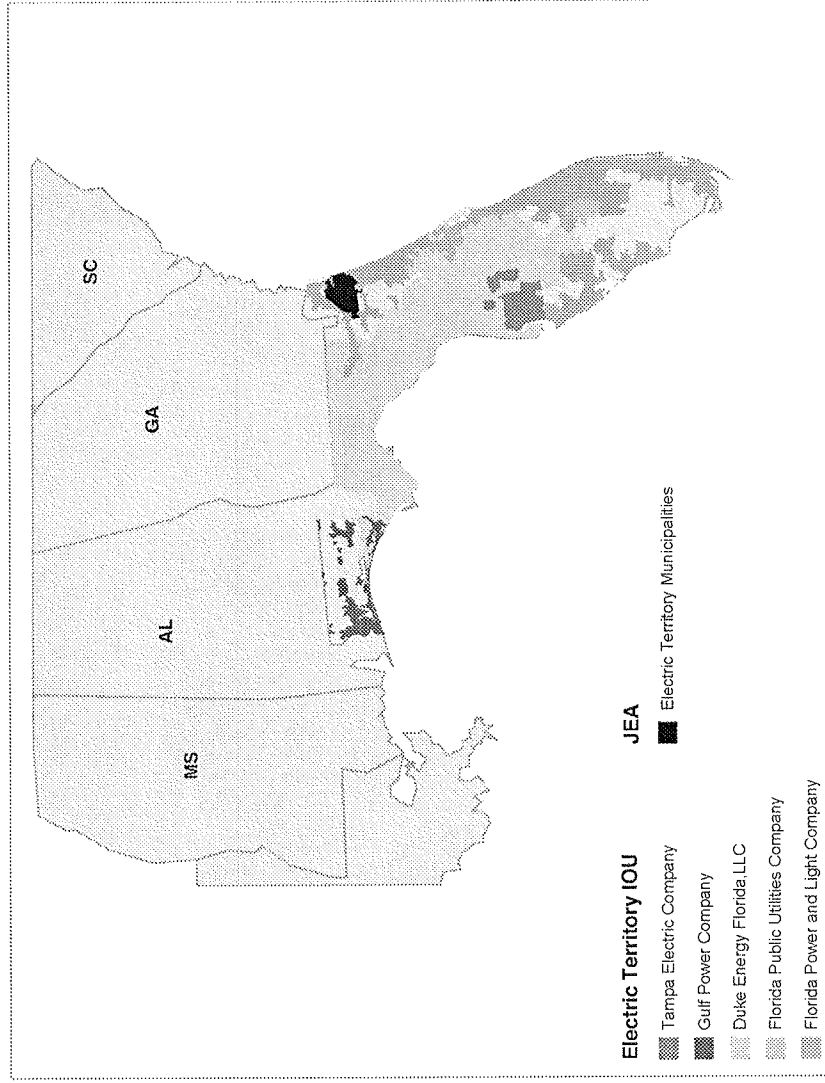


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OTHER SUPPORTING MATERIALS

Florida Utility Service Territory Map

Florida Public Utilities



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