



Procurement Department Bid Section
Customer Center 1st Floor, Room 002
21 W. Church Street
Jacksonville, Florida 32202

September 16, 2019

ADDENDUM NUMBER: Four (4)

TITLE: ITN – 127-19 Strategic Alternatives

BID DUE DATE: October 7, 2019

TIME OF RECEIPT: 12:00 PM EST

THIS ADDENDUM IS FOR THE PURPOSE OF MAKING THE FOLLOWING CHANGES OR CLARIFICATIONS:

- 1. Can you give me an estimate of what total JEA debt defeasance costs are?**

Answer: See Addendum 4 - Attachment 1 - JEA Defeasance Summary

- 2. Please provide the gross revenues collected from the sale of electric energy to all customers within the corporate limits of the City of Atlantic Beach for the past 10 fiscal years. In addition, please provide the total annual payment of franchise fees to the City of Atlantic Beach for the past 10 years. Include Mayport in this request as well.**

Answer: See Addendum 4 - Attachment 2 – Gross Revenue and Franchise fees for Atlantic Beach and Mayport

- 3. How open is JEA to hearing from vendors in this solicitation for voluntary customer programs that further JEA’s environmental goals? The offering would include comprehensive services from program management, design, strategy and marketing. If so, which renewable programs does JEA consider most important to offer to customers interested in clean power options? Programs could include: Green Power, Community Solar, EV, or Renewable Natural Gas.**

Answer: As discussed on page 19 of the ITN, JEA welcomes Replies contemplating strategic alternatives that build upon JEA’s strengths and seek to eliminate business constraints, specifically targeting the minimum requirements in the table on page 19.

- 4. JEA currently pays a \$90 Million Public Service Tax annually to the City of Jacksonville in addition to a ~\$116 Million contribution to the City’s General Fund and ~\$71 Million of State Utility and Franchise Taxes. We are unable to locate the \$90 Million Public Service payment in JEA’s financials. Is this payment considered a pass-through and is not booked, or is it booked somewhere else?**

Answer: The Public Service Tax Payment is a pass through and is not reflected on JEA's GAAP Income Statement. It is remitted monthly and the payable is reflected on JEA's balance sheet.

- 5. Regarding the current JEA budget and 5-year capital plan, does JEA intend on continuing as budgeted or holding on principal debt repayment and capital expenditures until a potential contract is awarded (especially in reference to the upcoming budget year)?**

Answer: JEA is continuing to operate in the ordinary course while it evaluates proposals and considers strategic alternatives.

- 6. On Page 27, Table 2 of the ITN, Tab 4 (Organizational Overview) lists “financial details” as a requirement for the Respondent to “provide a description of their business”. Can you provide more insight into what exactly is meant by “financial details”?**

Answer: The Respondents should provide an overview of their financial strength, including capital structure and available liquidity and anything else they believe would be helpful to help JEA assess the Respondent's financial condition.

7. Please provide the total fiber route miles and fiber strands miles of the network broken out by owned and leased fiber.

Answer: JEA today has 650 route miles of fiber with current projects underway that will extend that further. JEA owns 97% of all fiber it uses. JEA shares approximately 20 miles of fiber with Comcast per a project agreement. JEA does not have leased circuits.

8. Please provide the number of available fiber strands for all segments of the network including access points. Our goal is to understand our ability to access the fiber and understand how many fibers are available.

Answer: All of JEA fiber is to support utility operations. Smaller strand counts of 48, 24, 12, and 8 are solely used for operational purposes. Higher counts of 72 and 144 do have some capacity available, upwards of 50% in some areas. Every request for fiber requires looking into the specific run to determine what capacity is available.

9. Please provide a KMZ file of the network depicting aerial fiber, underground, OPGW, ADSS, etc.

Answer: KMZ files will be available during the Negotiating Phase. JEA only has ADSS fiber.

10. Please provide the list with On-Net buildings (and number of entrance cables and access rights).

Answer: JEA has no On-Net buildings/entrance cables.

11. Please provide a break out of the operating expenses associated with the communications infrastructure. Our goal is to understand the Free Cash Flow generated by the assets (in addition to the already provided revenue numbers).

Answer: Annual values are below:

\$150,000 – Fiber Maintenance (Fiber Cable, Power, Cabling)

\$60,000 – Fiber Splicing

\$150,000 – Relocates

\$800,000 – Resources

12. Please provide the contract waterfall for the 8 revenue generating fiber leases (we completely understand if at this stage of the process you have to provide this on a no-names basis).

Answer: See Addendum 4 - Attachment 3 - Telecom Information

13. Please provide a breakout of the Combined Collocation Revenue including contract renewals (we completely understand if at this stage of the process you have to provide this on a no-names basis).

Answer: See Addendum 4 - Attachment 3 - Telecom Information

14. Please provide an organizational chart for the communications infrastructure segment.

Answer: See Addendum 4 - Attachment 3 - Telecom Information

15. Is the current backlog (e.g. towers under construction, ~60 small cell sites) reflected in the Financial Metrics on page 63 of the ITN?

Answer: The financials on page 63 represent the existing revenue streams in place today. It does not reflect any potential revenue from building out a backlog.

16. With regards to the 40 standalone communication towers, could you please provide the following?

a. Exact location

- b. Tower height
- c. Load bearing capacity (we would like to understand how many additional carriers could be placed on the towers)
- d. Current rent roll
- e. Current Tower Cash Flow
- f. Ground rent today and post deal

Answer: See Addendum 4 - Attachment 4 - MasterTowerData. Note, additional information forthcoming in the Negotiation Phase.

17. Would there be an expense associated with utilizing the 200,000 electric and street light poles for small cells to the buyer of the communications infrastructure?

Answer: JEA has the right to put attachments on the poles itself. Existing pole attachment agreements do not limit our ability to add future attachments.

18. The ITN’s answer to FAQ 19 “What are the minimum requirements?” States in part that “JEA has a current plan to achieve the 2035 goal...” of 40 MGD of alternative water capacity by 2035. What is that plan?

Answer: See Addendum 4 - Attachment 5 IWRP

19. Process Goals – Financial

- a. JEA refers to a pension liability currently with respect to its portion of the City of Jacksonville General Employees Pension Plan (“GEPP”). Please confirm that all pension obligations prior to close of any transaction are the responsibility of the City but not that of the buyer. If that is not the intent, please explain in detail all of the employee related obligations that are the responsibility of the buyer post close of any transaction.

Answer: In the event of a transaction, the buyer will bear no post-closing obligations with respect to the GEPP.

The buyer will assume the assets and liabilities of the SJRPP Plan and OPEB Plan, which are currently not ERISA qualified but will be subject to ERISA guidelines post-closing. At October 1, 2018, the SJRPP Plan had an actuarial accrued liability of approximately \$174.7 million and market value of plan assets of \$170.7 million. JEA intends to make a required minimum cash contribution of approximately \$4.6 million on or after October 1, 2019.

The most recent actuarially determined net OPEB liability is \$18.8 million, as described in Note 13 to JEA’s most recent audited financial statements.

20. Process Goals - Customers

- a. On page 19 of the Invitation to Negotiate (“ITN”), JEA indicates a minimum requirement of “[a]t least three years of contractually guaranteed base rate stability for customers.” By “base rate stability” does JEA refer to the rates paid by customers excluding fuel and purchase power agreement expenses? Effectively the “base rate revenues” line item in JEA’s operating budget?

Answer: Confirmed. Base rate revenues from JEA's operating budget.

21. Process Goals – Community Impact and Employees

- a. ITN refers to “Retention payments to all full-time employees of 100% of current base compensation” on page 19 of the ITN.
 - i. Can JEA confirm whether buyers are expected to fund these retention payments? Or would the retention payments be funded from JEA’s >\$3 billion proceeds?

Answer: The net proceeds to the City will be after all other transaction costs and minimum requirements are met. The total enterprise value of the transaction, including any net working capital that is released as part of the transaction, will need to be sufficient to pay for customer rebates of at least \$400 million, employee retention payments estimated to be \$165 million, employee pension protection estimated to be \$132 million, all legal and advisory transaction costs incurred by JEA and pay off all of JEA's debt obligations and any other liabilities that are not assignable (these would include things like interest rate and commodity hedges). A total defeasance cost for these liabilities is estimated to be \$3.5 to \$4.0 billion as of 12/31/2020.

22. Please provide the most recent cost of service study for JEA (for electric, water, and wastewater). If the most recent is dated 2013, please explain why an updated study has not been performed.

Answer: The 2019 Water/Wastewater Cost of Service Study and 2013 Electric recent cost of service studies will be provided during the Negotiating Phase.

In 2016, Black & Veatch, an international consulting firm, conducted a review of JEA’s Electric Cost of Service (COS) Model and the Revenue Model for functionality, accuracy and methodology and reviewed specific rate recommendations for each class. They concluded JEA followed standard industry practice and the new Revenue and Cost of Service models developed by JEA were acceptable and suitable for internal decision making. JEA anticipates having the next Electric System Cost of Service completed its next fiscal year 2020.

23. Please provide the most recent depreciation study for JEA (for electric, water, and wastewater assets).

Answer: See Addendum 4 - Attachment 6 - 2019 JEA Depreciation Study Report

24. What portion of the water and wastewater utilities’ net plant is related to St. Johns and Nassau service areas, pursuant to the Interlocutory Agreements signed with both counties?

Answer: St. Johns Net Investment per Interlocal Agreement is \$291M. Nassau Net Investment per Interlocal Agreement is \$69M.

25. Does the City/JEA intend for the St. Johns River Power Park (“SJRPP”) site to be conveyed in a possible sale transaction to a 3rd party buyer?

Answer: JEA is continuing to explore options for a conveyance of the site and will provide more information in due course.

26. Water and Wastewater Rate Base – Contribution in Aid of Construction (“CIAC”) and Used and Useful Estimate for Water Utilities

- a. In 2018, the Public Utility Research Center issued a report entitled “Valuing Municipal Utilities – The Case of the Potential Sale of JEA in Jacksonville.” The authors indicated that rate base for rate making purposes would adjust the fiscal year (“FY”) 2017 net property and plant value of \$2.6 B by (a) amounts not deemed “used and useful” and (b) CIAC. See pages 41-44 of that report.

A	Net Plant	\$2,615,950	FY 2017 financials
B	X Used and Useful Assumed Rate	90%	Public Utility Research Center Assumption
C	Used and Useful Net Plant	\$2,354,355	A x B
D	CIAC Rate	38.5% of Book Value	Public Utility Research Center Assumption, based on CIAC as a proportion of FY11-17 capital additions
E	CIAC	\$906,427	C x D
F	Rate Base	\$1,447,928	C - E

- b. Please provide the account and amount of CIAC on JEA’s books and records as of December 31, 2018 and YTD June 30th, 2019 as it relates to the water and wastewater assets. Please provide the amount of the contra depreciation expense in the aggregate at both dates related to the amortization of CIAC. Please provide a written explanation of the JEA accounting for CIAC.
- c. For the water and wastewater assets, can JEA provide an estimate for that portion of the net asset base which may be deemed “used and useful” for regulatory purposes, based on the ~\$2.7 billion of net capital plant provided on page 6 of the ITN and consistent with the requirements of the Florida Public Service Commission rules? Please also provide an explanation with the result showing the calculation of that amount of rate base deemed used and useful under FPSC rules.

Answer:

A) Respondents are cautioned not to rely upon 3rd party, media or consultant reports which are, or were, produced without JEA's input, review and approval. Such reports may contain inaccurate or misleading statements that may adversely impact Respondent.

B) Through FY2015, Contributions in Aid of Construction (CIAC) amounts were reported in JEA's plant assets. Beginning in FY2015 JEA adopted regulatory/utility accounting. Following utility accounting guidelines, CIAC assets are valued at \$0 and are excluded from the fixed asset subledger. Therefore, CIAC for fiscal years 2016 through 2018 are not included in JEA's plant assets. The amount of CIAC included in JEA's plant assets is \$360M. The amount of contra depreciation expense as of 12/31/2018 and 06/30/2019 is \$83M and \$88M respectfully. Of the \$2.6B net capital assets, \$272M or 10.5% is Contributions in Aid of Construction. The remaining \$2.3B consists of capital assets constructed or purchased through JEA funding. On the Statement of Net Position, property contributions through FY2015 are recorded in the "Net Capital Assets" section. In the subledger, these contributions are recorded in multiple plant asset accounts in accordance with the National Association of Utility Commissioners (NARUC) Uniform System of Accounts for Water and Wastewater Utilities. On the Statement of Revenues, Expenses, and Change in Net Position, CIAC is recorded in the "Developer and Others" section with an offset in "Reduction of plant cost through contributions".

C) JEA is currently an exempt water and wastewater utility not regulated by the FPSC and therefore does not prepare or file Forms PSC/AFD 19-W or 20-W with the FPSC which are required in order to do the calculations requested. At this point in time JEA has no reason to believe any of its water, wastewater or storage assets are not used and useful.

27. Can you provide .kmz maps for all fiber routes, including fiber counts, available fiber (i.e., fibers for use by others per route), empty conduit, and access points?

Answer: KMZ files will be available during the Negotiating Phase.

28. With respect to the buried fiber plant, does the fiber share space with the electrical plant or is the fiber run through separate conduit?

Answer: Nearly all underground fiber downtown shares electric manhole space with designated conduit and interduct. Nearly all underground fiber outside of downtown uses its own conduit.

29. With respect to the aerial fiber plant, is the fiber installed above the neutral in the electrical space? If the fiber is installed below the neutral, how far below?

Answer: For distribution, JEA installs fiber in the electric space below the neutral 85% of the time. The other 15% is above the neutral. We maintain 40 feet between the fiber and the neutral.
For transmission or transmission with underbuilt distribution, JEA installs below the transmission C phase. We maintain 40 feet between the fiber and the C phase.

30. Please provide the background materials utilized by McKinsey in its strategic work for JEA.

Answer: This information will be provided during the Negotiation Phase.

31. In reference to an August 29th article in the Jacksonville Daily Record, where Jacksonville Deputy Counsel Lawsikia Hodges clarified that the "cone of silence" applies to companies and organizations planning to submit a proposal, can you provide specific guidelines on what activities constitute a violation of the "cone of silence"?

Answer: See Section 2.11 of the ITN, as revised by Addendum #2. Additional information regarding the prohibition on ex parte communications is located in Section 1-110 of the JEA Procurement Code, available at: https://www.jea.com/About/Procurement/Purchasing_Code.aspx. Any communications between a Vendor (or a representative or agent of a Vendor) and any JEA board member, employee, agent, or representative of JEA (including without limitation the City of Jacksonville Mayor and City of Jacksonville Council Members, as described in Addendum #2), except for communications with the Designated Procurement Representatives as described in Section 2.1.1 of the ITN, or communications otherwise subject to an "Exclusion" as identified in Section 1-110(3) of the JEA Procurement Code, would potentially constitute a violation of the "cone of silence."

- 32. In addition, please list examples of specific activities that would not be considered a violation of the “cone of silence”? We assume that there is no prohibition on holding public discussions about the various recapitalization options and/or specific companies publicly stating their interest in participating in the bid process given the comment by Ms. Hodges that another specific company’s public discussion of the JEA process on August 16th was not considered to be in violation of the cone of silence.**

Answer: Correct. Public statements by vendors of their intent to respond to the ITN do not violate the cone of silence because they do not constitute a communication between the Vendor or its agents or representatives and any JEA board member, employee, agent, or representative.

- 33. The ITN requires the Respondent to maintain comparable employee compensation and benefits for three years. Please provide total compensation (including latest annual salary and short-term and long-term incentives) as well as benefits paid to all employees (including to officers and union and non-union employees) separated by each of the water, wastewater, electric and district energy segments. Also, please provide total short-term and long-term incentives paid to such employees for the past 3 years.**

Answer: See Addendum 4 - Attachment 7- FY16 FY17 FY18 Salary and Benefits

- 34. Please confirm the current funding status and the size of JEA pension funding and employee retirement benefits that the Respondent will fund.**

Answer: The payment required by Section 120.203(j) of proposed Ordinance 2019-566 is to be from the proceeds from the transaction received by JEA. Following a Recapitalization Event, and the payment of JEA of the contributions required by the ordinance, the GEPP’s Unfunded Actuarial Accrued Liability shall be an obligation of the City of Jacksonville.

FAQ 19 provides that the Respondent will agree “that for at least three years following any transaction, all continuing full-time JEA employees will be provided with compensation and benefits that are substantially comparable, in the aggregate, to the compensation and benefits JEA provided to them immediately prior to the transaction occurring.” This obligation is unrelated to any pension obligation.

FAQ 26 speaks to certain Other Post-Employment Benefits. The OPEB benefits are unrelated to pension obligations and are to “be assumed and fulfilled by the successful participant in this process.”

- 35. Please confirm that Respondent’s identity and/or the contents of Respondent’s Reply will only be disclosed publicly by JEA after a Notice of Intent to Award is posted, or 30 days after the submission of the final Replies to the last Request for BAFO(s). Specifically, please confirm that Respondent’s identity (and/or any portion of the contents of their Reply) will not be disclosed by JEA (whether in response to a public records request, or independently by JEA) (i) at the public meeting to formally receive Replies (described in Section 2.1.1 of the ITN), (ii) through the formal acknowledgement of Replies received (in Table 1: Timeline of Events, page 24 of the ITN), (iii) through the Posting of Notice of Intent to Negotiate (in Table 1: Timeline of Events, page 24 of the ITN) or (iv) at the public meeting of the Negotiation Team to discuss the recommended award (described in Section 2.1.3 of the ITN).**

Answer: See Response to FAQ #11 on page 44 of the ITN and Section 2.8 of the ITN. It is the intent of JEA that the identity and contents of Respondent’s Reply will not be publicly disclosed until the earlier of the posting of a Notice of Intent to Award or 30 days after the submission of the final Replies to the last Request for BAFO(s). Notwithstanding the foregoing, the public meeting of the Negotiation Team to discuss the Recommended Award may include public discussion of the Reply(s) then under consideration for award. However, JEA anticipates, at this time, that such meeting will likely occur on the same day, or in close temporal proximity to, the date on which the Notice of Intent to Award is posted and such information would otherwise be subject to release.

- 36. JEA’s charter prohibits awards to any business in which JEA officers or employees have a financial interest. Please confirm that the threshold for “financial interest” is a 5% interest as set forth in the Conflict of Interest Certificate.**

Answer: Correct. Section 112.312(15), Florida Statutes, the Code of Ethics for Public Officers and Employees, defines a “material interest” as “direct or indirect ownership of more than 5 percent of the total assets or capital stock of any business entity.”

- 37. What do you require from responders prior to the submittal? I have asked to be included on any updates and my request has been acknowledged.**

Answer: There are no requirements from responders prior to the initial submission.

38. What is the total pension liability forecast or provide Statement/forecast of Pension liability?

Answer: Preliminary actuarial estimates are \$132.3 million for the GEPP pension protection. This will be re-calculated contemporaneous with a transaction.

39. When was the last full Bond rating presentation and please provide the last Bond rating agency PowerPoint and supporting spreadsheets?

Answer: This information will be provided in the Negotiation Phase.

40. What reserve accounts does JEA maintain and what are the balances?

Answer: This information can be found in our monthly financial statements, which are provided with each board package and posted on our website at https://www.jea.com/About/Board_and_Management/Board_Meetings.

41. Provide a listing of all current Bonds owed and what are the balances?

Answer: This information can be found in our monthly financial statements, which are provided with each board package and posted on our website at https://www.jea.com/About/Board_and_Management/Board_Meetings.

42. What are the sources and uses of cash for 2017, 2018 and forecast for 2019?

Answer: This information can be found in our annual report, which can be found on our website at https://www.jea.com/About/Investor_Relations/Financial_Reports for 2017 and 2018. The 2019 forecast will be available to the bidders during the Negotiation Phase.

43. What is the fuel budget, fuel stabilization fund balance and fuel forecast for the coming year?

Answer: This information can be found in our Finance and Audit Committee Reports and Board packages, which are provided with each board package and posted on our website at https://www.jea.com/About/Board_and_Management/Board_Meetings.

44. How do the members of the Committee evaluate the ITN replies? Does each person on the committee review the full reply or is one person in charge of a certain ITN reply section or evaluation criteria?

Answer: Each Evaluation Committee member will evaluate the full Reply in accordance with Section 3.2.1 "Evaluation Committee" on page 34 of the ITN.

45. Subject to satisfying the minimum requirements of the ITN, would JEA consider a continued equity interest held by the City of Jacksonville as a strategic alternative that is aligned with JEA's stated process goals?

Answer: Yes, JEA will consider alternative structures that allow JEA to maximize customer, community, environmental, and financial value.

46. Will you provide JEA's estimates of the debt outstanding at year end FY 2020 and the associated debt defeasance costs of a potential take-private transaction? Can any debt be assignable to the new buyer?

Answer: See questions 1 and 21.

47. Will you clarify in the ITN the minimum requirement regarding the retirement obligation true-up?

- a. Does JEA have an estimate of the cash cost required for this obligation?
- b. Would this cash cost be payable upon the closing of a transaction? Is it possible to defer any such payments?
- c. To whom would this cash be paid?

- d. Will you clarify your estimate of the increase in the annual pension expense that will be incurred by JEA as a result of any changes in the terms of employee pensions?**

Answer:

- A. Preliminary actuarial estimates are \$132.3 million for the GEPP pension protection. This will be re-calculated prior to a transaction.
- B. This would be required to be funded at the closing of a transaction.
- C. The cash would be deposited in the City of Jacksonville's General Employees Retirement Plan.
- D. JEA employees will no longer be eligible to participate in the current General Employee Retirement Plan under a non-governmental ownership structure. At this time, we do not have an estimate of costs associated with retirement benefits that may be offered as a non-governmental entity.

- 48. Subject to satisfying the minimum requirements of the ITN, would the JEA view a payment of the \$400 million of value to customers over time in line with additional investment in the utility and associated increases in rates more favorably than an upfront payment of the \$400 million of value to customers?**

Answer: No.

- 49. Will you clarify and elaborate on whether ringfencing (structural protections to protect JEA from conflicting financial or strategic objectives of a new owner) is a requirement of meeting the Minimum Requirements? If so, please provide guidance on what ringfencing protections would be required.**

Answer: There is no required corporate structure as part of the minimum requirements. Please refer to the ITN for minimum requirements.

- 50. Will you clarify and elaborate on whether the minimum requirement for >\$3b value to the City is in the form of an upfront cash payment?**

Answer: See Addendum 4 – Attachment 14 – Net Proceeds Calculation

- 51. Will you clarify whether the minimum requirement for >\$3b value to City is a net proceeds figure after payment of certain items? Will you clarify and elaborate on the certain items and the quantum of such items?**

Answer: Please see the response to question 21.

- 52. Will you confirm the discount rate used in estimating \$2b of value to the City from existing contributions over a 20 year period?**

Answer: JEA used an initial discount rate of 4% for purposes of this calculation and applied a 1.8x coverage factor to the 4%.

- 53. Will you clarify and elaborate on whether economic development funding, expanded employment, or increased tax receipts would be considered value to the City? If so, how would that value be quantified?**

Answer: As described on page 35 of the ITN, criteria item #3, Respondents will be treated favorably for their willingness to make commitments to the City of Jacksonville.

- 54. Subject to satisfying the minimum requirements of the ITN, will JEA weigh value above the minimum requirements distributed to customers and the minimum requirements distributed to the city equally?**

Answer: The Negotiation Team is not required to utilize numerical scoring and there are not assigned "weights" when determining best value. Consistent with Section 3.3.8 of the ITN, the Negotiation Team will determine the Reply that, as a whole, offers the best value based on the Selection Criteria.

- 55. In scoring the attractiveness of proposals under the evaluation criteria, will JEA take into account the empirical evidence of long-term job reductions at the headquarters of a utility acquired by a strategic acquirer (i.e. a larger utility) once any period of initial employment commitments expires?**

Answer: The Evaluation Criteria that will be utilized in evaluating initial Replies are set forth in Section 3.2.3 of the ITN. In addition, as stated in Response to Question #54, consistent with Section 3.3.8 of the ITN, the Negotiation Team will determine the Reply that, as a whole, offers the best value based on the Selection Criteria.

56. Will JEA value proposals to extend contractually guaranteed base rate stability for customers beyond three years and/or limit future customer rate increases?

Answer: The Evaluation Criteria that will be utilized in evaluating initial Replies are set forth in Section 3.2.3 of the ITN. In addition, as stated in Response to Question #54, consistent with Section 3.3.8 of the ITN, the Negotiation Team will determine the Reply that, as a whole, offers the best value based on the Selection Criteria.

57. Will you clarify and elaborate on how JEA intends to facilitate the pairing of Respondents whose replies, while independently may not allow JEA to achieve its goals, may do so in combination with other potential Replies?

Answer: JEA intends to consider Replies received that may, in combination with other Replies received, satisfy the goals of the ITN and offer the best value. This will likely occur primarily in the Negotiation Phase of the ITN process. As JEA has not yet received Replies, it is not able to speculate at this time as to what Replies may ultimately be received or how any such Replies may complement one another.

58. Will you clarify and elaborate on whether the NDA to be signed by Vendors during the Negotiation Phase will allow Vendors to have discussions with other parties, including other Vendors, about a potential partnership arrangement?

Answer: Please see Addendum #2. It is anticipated that the NDA executed by Respondents will prohibit Vendors from having such discussions without JEA's prior consent.

59. Will you provide further details on the taxes that JEA currently pays (e.g., state gross receipt tax, city franchise fee, public service tax, sales tax, and income tax). Are these taxes fully passed through to customer bills? How do historical financials and approved budgets reflect these costs? Are these taxes incorporated into the calculation of EBITDA?

Answer: Florida Sales Tax – Florida Statutes Section 212 - JEA bills Sales Tax to its commercial electric customers and pays the amount billed to the State each month less any bad debt write-offs (less than 0.2%). When the Sales Tax is billed, it is charged to Sales Tax liability accounts. Revenue is not affected by Sales Tax. In addition to paying the Sales Tax billed, JEA is required to pay an estimated Sales Tax that is equal to 60% of the tax paid from the prior month. This estimated Sales Tax is charged to the Sales Tax liability account. The estimated Sales Tax reduces the tax liability shown in our financial statements. As of August 31, 2019 JEA has paid estimated sales tax of \$1,472,000.

Public Service Tax – Florida Statutes Section 166.231 - JEA bills Public Service Tax (PST) to its electric and water customers and pays the amount billed to the each local municipality each month less any bad debt write-offs (less than 0.2%). When the PST is billed, it is charged to PST liability accounts. Revenue is not affected by PST. Each local municipality has the option of assessing a PST. Jacksonville assesses a PST on all electric billings and a PST on water. No other municipality in JEA's service territory has chosen to assess a PST on water.

Florida Gross Receipts Tax - Florida Statutes Section 203 - JEA bills Gross Receipts Tax (GRT) to its electric customers and pays the amount billed to the State each month less any bad debt write-offs (less than 0.2%). Florida Statutes Section 203 assesses the GRT against the utility not the customer. When GRT is billed to the customer it is charged to various electric revenue accounts. A journal entry is done each month equaling the amount of GRT billed to customers resulting in a GRT liability and expense in the GL. The GRT tax paid is equal to the liability recorded by the journal entry.

Franchise Fees and Agreements – Florida Statutes 180.16 - JEA bills Franchise Fees (FF) to its electric, water, and sewer customers and pays the amount billed to the local municipality each month less any bad debt write-offs (less than 0.2%). Each Franchise Agreement assesses the FF against the utility not the customer. When the FF is billed to the customer it is charged to various electric, water, and sewer revenue accounts. A journal entry is done each month equaling the amount of FF billed to customers resulting in a FF liability and expense in the GL. The FF paid is equal to the liability recorded by the journal entry. Jacksonville is the only municipality in JEA's service territory that assesses a FF on water and sewer. A copy JEA's Franchise Agreements is available upon request.

60. Will you clarify and elaborate on the property tax treatment post-privatization?

Answer: Currently, JEA owned assets located in Florida are not subject to property tax assessments. As a minority owner in Plant Scherer located in Georgia, JEA pays its proportionate share of property taxes, which are passed through to JEA as an operating expense. The treatment post-transaction will depend on the structure of the transaction.

61. Will the Florida Public Service Commission have immediate jurisdiction over the electric and water business, including the rates charged by each of these businesses?

Answer: The PSC will have jurisdiction over any post-transaction entity consistent with that entity's form and relevant state law. See ITN pp. 45, 49 and 51.

62. Will you clarify and elaborate on whether the Florida Public Service Commission will be involved in future phases of the ITN process. If so, would the Florida Public Service Commission provide clarity on what is the rate base and allowable costs as of the closing? Can future rates be agreed?

Answer: See response to FAQ #18 p. 45, #23 p. 49, and #27 p. 51 of the ITN.

63. Will you clarify and elaborate on what approvals by the Florida Public Service Commission and the Federal Energy Regulatory Commission, if any, would be required to close?

Answer: See response to FAQ #18 p. 45, #23 p. 49, and #27 p. 51 of the ITN.

64. Will you confirm and elaborate on what JEA’s existing obligations with regards to the MEAG PPA. Do those obligations include additional capital contributions?

Answer: This information will be provided during the Negotiation Phase.

65. Will you confirm and elaborate on whether JEA has commissioned any analysis of how its rate base would be calculated under FPSC regulation? If so, please disclose that analysis.

Answer: This information will be provided during the Negotiation Phase.

66. Does the Conflict of Interest certification have to be signed even if there is no employee of JEA who owns the 5% or more of shares?

Answer: Yes. Please see Section 2.6 of the ITN.

67. If a bidder is open to being paired with the best fit to meet JEA’s objectives, how will JEA facilitate any pairing process?

Answer: This information will be provided during the Negotiation Phase.

68. Please provide the current legal entity organizational structure for JEA, along with a description of which entities serve which business segment?

Answer: JEA is a body politic and corporate created and established under the laws of Florida. JEA serves all of its business segments.

69. What percentage of the Net Capital Assets is attributable to water versus wastewater segment?

Answer:

41% of Net Capital Assets is attributable to the Water System and 59% is attributable to the Wastewater System.

	Water	Wastewater	TOTAL
PLANT IN SERVICE:	1,833,787,499	2,659,421,987	4,493,209,657
ACCUMULATED DEPRECIATION:	(856,739,393)	(1,251,287,956)	(2,108,027,349)
CONSTRUCTION WORK IN PROGRESS:	122,049,305	175,631,927	297,681,233
TOTALS:	1,099,097,412	1,583,765,959	2,682,863,540

70. Are there any contributed accounts included in Net Capital Plant at the water and wastewater segment? Does Net Capital Plant at the water and wastewater segment currently include any Contributions in Aid of Construction (CIAC) or other contributions from developers? If yes, what amount is considered contributed capital?

Answer:

Contributions from developers are 10.5% of net plant assets (\$272M/\$2.6B) and 7.5% of gross plant assets (\$360M/\$4.8B).

PLANT IN SERVICE - CIAC 360M
ACCUMULATED DEPRECIATION -88M
NET PLANT - 272M

71. What is included in Other Revenue for the water and wastewater segment?

Answer: Other revenues include revenues related to tappings and connections, rental income, late fees, and other miscellaneous revenues that are not individually material.

72. Would JEA be expected to pay ad valorem taxes if privatized? If so, please provide tax attributable to the electric, water and wastewater and district energy segments.

Answer: See response to question 60.

73. Assuming the utilities are purchased by a private entity, we would like to know what property will be subject to property tax broken down by segment (electric, water, sewer, reuse) and including the estimated value.

Answer: It is likely that all JEA real property would be subject to ad valorem and other applicable taxes under a private ownership scenario. JEA owns property in Duval County, St. Johns County, Nassau County and Clay County, Florida, and Forsyth County, Georgia. The future assessed value of JEA's properties is dependent on a number of factors and assigning an estimated value of JEA's real property assets for an undetermined capitalization scenario would be speculative.

74. Corporate structure (holding, contollate, ccontrollante)?

Answer: See response to question 68.

75. Split of:

- **domestic/industrial customers (consume, #),**
- **BT/MT/AT lines (km);**

Answer: This information is provided at <https://www.jea.com/About/>

76. Any employee medical insurance system?

Answer: JEA is self-insured and contracts with Florida Blue to manage three plans: PPO, HMO, HDHP

77. If the collective contract exist; any trade unions?

Answer: JEA has contracts with five unions: IBEW, LIUNA, AFSCME, PEA and JSA.

78. In case the referendum results is NO, what are the possible scenarios to proceed?

Answer: The Board of JEA may continue to evaluate other non-traditional responses, traditional responses, and/or status quo response.

79. Any restrictions/specific requirements for foreign Co.?

Answer: Any Respondent is able to participate as long as it complies with all applicable laws.

80. Any specific additional licenses necessary in case of changing from Public to IOU?

Answer: There will be highly fact-specific federal, state, and local regulatory jurisdiction over any transition to an IOU. Additional information will be provided during the Negotiation Phase.

81. Any minimum level of quality of service required (SAIDI/SAIFI)?

Answer: There is no required level of SAIDI/SAIFI. JEA has internal goals for these metrics. Our current goals and actual levels are shown in the table below:

SAIDI: 75 (min) - Reliability Goals; 64.87 (min) - Actuals
CAIDI: 47 (min) - Reliability Goals; 49.73 (min) - Actuals
SAIFI: 1.6 - Reliability Goals; 1.3 - Actuals
SARFI-80: 45 - Reliability Goals; 31.59 - Actuals
(Current through August, 2019)

82. Does submitting a Reply with a partner permanently tie Respondent to that partner for the duration of the process or can partners change until a final proposal is submitted?

Answer: JEA has the discretion to evaluate for the best value of any Reply, per the language in the ITN.

83. How will JEA evaluate the impact of changes to rates (reductions or increases) for current customers above and beyond the three year period of guaranteed rate stability, including from years 4 onward?

Answer: See Section 3.2.3 of the ITN.

84. If a Respondent's proposal includes additional costs (such as profit on operating costs associated with using an O&M contractor or accelerated recovery of investment cost due to use of a lease or concession financing scheme), will JEA take that into account or will a proposal only be scored against the criteria as defined?

Answer: See Section 3.2.3 of the ITN.

85. How does JEA intend to evaluate the difference in responses that all meet the minimum requirements as set out by the ITN but have other material differences? Will this be part of the ITN submission or addressed as part of the next phase(s) of negotiation?

Answer: This information will be addressed during the Negotiation Phase.

86. If the Respondent does not have relevant expertise in a specific discipline (electric or water for example) is this an automatic disqualifier or will the rest of the proposal be scored?

Answer: No, all Replies will be evaluated against the Mandatory Requirements listed in Section 3.1.1 Table 3, on page 33 of the ITN.

87. How much of existing O&M does labor / staff expenses represent?

Answer: Labor / staff expenses, including both salaries and benefits, represent 59-62% of existing O&M expense over the last three fiscal years. Note that this may not represent total labor / staff disbursements as portions of those disbursements may be capitalized.

88. How much of existing Net Capital Assets is comprised of capitalized labor costs (direct labor and benefits)?

Answer: This information is not available.

89. Sec. 3.3.8.D. provides that following the Negotiation Team's recommendation, the Board of Directors will make the final decision as to which respondent should be selected for award. Once the JEA Board does that, does the award then go to the City Council for approval and, if approved, is it then subject to approval through the public referendum before it is final? That is, is that process carried out contemporaneously with the parties' application

and pursuit of all regulatory approvals? Or is sign off by the City Council and/or the public referendum deferred until later in the process?

Answer: Approval of City Council as well as referendum approval would follow as requisite next steps to JEA Board approval.

90. In the timing sequence, when would the final contract be executed by JEA and the Respondent? Would that take place prior to seeking any regulatory approvals or clearances, such as DOJ/FTC and FERC, as well as determination of the Respondent's state ratemaking matters, such as rate base, ROE and other matters before the FPSC?

Answer: It is anticipated that the final contract will be executed contemporaneously with the posting of Notice of Intent to Award and prior to seeking regulatory approvals or clearances and determination of matters before the PSC.

91. Sec. 3.3.8.E provides that subsequent to the Solicitation Process, "[a]ny final selection and award may be subject to not only additional Board of Directors action, but also additional approvals as set forth in federal, state and local law." What additional Board of Directors actions are anticipated after the approval described in Sec. 3.3.8.D. is obtained?

Answer: At this point in time, JEA does not anticipate any additional Board of Directors action beyond the approval process described in Section 3.3.8.D; however, depending on what direction the Board elects to take, further Board action may be required.

92. In the event the preferred transaction takes the form of a purchase and sale of all of JEA's assets, is it anticipated that JEA and Respondent will need to negotiate the details of the rate structure and specific terms that Respondent would submit to the FPSC as part of the negotiation of the purchase and sale agreement?

Answer: See response to question 62.

93. Please confirm that prior to the posting of a Notice of Intent to Award (Sec. 2.8), a Respondent's Replies will be protected from public disclosure and will not be made available to other Respondents. Is it possible that certain information in the Replies could be subject to public disclosure earlier, pursuant to Section 3.3.4A.? Under Sec. 2.13 Negotiation Phase, please clarify whether JEA will announce the names of the entities selected for negotiation before negotiations begin.

Answer: See Response to FAQ #11 on page 44 of the ITN and Sections 2.8 and 3.3.4 of the ITN. It is the intent of JEA that the identity and contents of Respondent's Reply will not be publicly disclosed until the earlier of the posting of a Notice of Intent to Award or 30 days after the submission of the final Replies to the last Request for BAFO(s). Notwithstanding the foregoing, the public meeting of the Negotiation Team to discuss the recommended award may include public discussion of the Reply(s) then under consideration for award. However, JEA anticipates, at this time, that such meeting will likely occur on the same day, or in close temporal proximity to, the date on which the Notice of Intent to Award is posted and such information would otherwise be subject to release.

94. Will all of the proposed "alternative structures" be made public during the process? Will Respondents ultimately be required to bid on an identical structure prior to award?

Answer: See Response to FAQ #11 on page 44 of the ITN, Sections 2.8 and 3.3.4 of the ITN, and Addendum 1 to the ITN. JEA intends to evaluate a range of potential alternatives, including assessing Replies that, while independently may not allow JEA to achieve its goals, may do so in combination with other potential Replies. Replies that may not individually satisfy all of the Evaluation Criteria completely may nonetheless provide the opportunity for JEA to achieve its goals when paired with other Replies.

95. Please provide more detail on the timeline from the ITN phase through to transaction close, including all stages anticipated in the bidding and approval process.

Answer: The timeline of events through the anticipated dates for the Negotiation Phase is provided in Section 2.2 Table 1 on page 24 of the ITN. Information on the timeline of events after the commencement of negotiations through the transaction close will be provided during the Negotiation Phase.

96. Please confirm that during the phase in which JEA will seek revised Replies, Respondents will receive access only to a confidential information presentation and certain financial projections, and only after revised Replies will qualified Respondents receive access to a full virtual data room containing JEA contracts, financing agreements, land and other real estate rights, litigation materials, and other similar types of confidential information typically relevant to a large-scale asset transaction. Sec. 3.3.3. See Q&A 22 in the ITN.

Answer: Confirmed.

97. How much time does JEA anticipate that Respondents will have in the data room before further refining their Replies?

Answer: This period will be determined by JEA's Negotiation Team per Section 3.3.3 on p. 37 of the ITN.

98. Will the Evaluation Committee Members' names be made public before a decision is made by them? Will the persons or entities assisting the Evaluation Committee Members names be made public before a decision is made by the Evaluation Committee?

Answer: At this time JEA does not intend to publicly disclose the names of Evaluation Committee Members or Subject Matter Experts prior to the Evaluation Phase occurring.

99. Will the names of the JEA Negotiation Team be made public prior to the start of negotiations?

Answer: At this time, JEA does not intend to publicly disclose the names of Negotiation Team Members prior to the Negotiation Phase occurring. However, JEA may identify the members of the Negotiation Team to vendors selected for negotiations in advance of the first negotiation session.

100. Will there be any document created to explain the recommendation of the Negotiation Team concomitant with the recommendation, or will the name of the entity simply be forwarded?

Answer: The Board will be provided all information necessary and appropriate to make an informed decision on the Negotiating Team's recommendation.

101. After the scores by the Members of the Evaluation Committee are compiled, will the scores be announced before negotiations begin?

Answer: The evaluation phase scoring will be utilized to compile a Respondent Shortlist, as described in Section 3.3.1 of the ITN. At this time, JEA does not anticipate publicly releasing Evaluation Phase scoring prior to the commencement of the Negotiation Phase.

102. Who within JEA will determine the competitive range within which to cut off the scores for negotiation? How will that decision be reached?

Answer: JEA's Chief Procurement Officer will make this determination using the guidelines provided in Section 3.3.1 on page 36 of the ITN.

103. How will JEA measure the \$3 billion of value to the City of Jacksonville? Assuming an upfront payment for JEA, what are the required adjustments to get from upfront payment to "unencumbered cash" value to the city of Jacksonville?

Answer: Please see response to question 21.

104. Q&A No. 19 provides for the minimum requirement to distribute more than \$400 million in value to JEA's customers, stating that "[a]ll such rebates will be paid by JEA out of the proceeds of the transaction." Would this requirement be satisfied if, instead of building such value into the purchase price and having JEA make such rebates, Respondent provided for a structure whereby it provided for a multi-year rate credit to customers post-closing having a net present value greater than \$400 million?

Answer: Please see response to question 48.

105. Is there a preference to keep the water and wastewater business combined with the electric business?

Answer: JEA will consider alternative structures that allow JEA to maximize customer, community, environmental, and financial value.

106. How is the prospective ballot initiative to amend the FL constitution to allow for electric competition expected to impact the process?

Answer: JEA's procurement process is not impacted by prospective ballot initiatives.

107. What portion of water and wastewater gross and net plant is comprised of contributions from developers and other?

Answer: See response to question 70.

108. Does JEA anticipate any increases in electric or water rates prior to transaction close? I.e. will the base rate freeze be off current rates or some future rate?

Answer: As we do not know the expected closing date, JEA is unable to determine this at this time. The requirement to maintain stable base rates is based on the time of closing.

109. If JEA remains under municipal ownership, will the debt service obligations require remediation of a portion of the Vogtle debt in order to achieve tax compliance with MEAG's financing of Project J? If so, what is the expected amount of remediation that will be required? Will any remediation of outstanding debt be required if JEA is acquired?

Answer: We cannot determine at this time what remediation (if any) would be required under the MEAG Power Project J debt. As described in the ITN, JEA does not anticipate that any transaction will be structured in a manner that would violate the terms of the PPA. Additional details may be discussed with Respondents who ultimately proceed to the Negotiation Phase.

110. How does JEA intend to use the Nonfuel Purchased Power Stabilization Fund in the ramp up to the Vogtle PPA?

Answer: The non-fuel purchased power stabilization fund is eligible for use for Vogtle related costs.

111. Please provide an updated principal and interest payment schedule and O&M cost estimate for the Vogtle PPA. How is the PPA "margin" calculated?

Answer: The latest MEAG Power Project J debt service schedule is contained in the JEA 2018 Annual Report. Project J projections will be made available during the Negotiation Phase.

112. Is there a legal opinion or other confirmation that: (1) MEAG is entitled to claim nuclear PTCs pursuant to section 45J of the Internal Revenue Code, and (2) MEAG can validly transfer or sell its allocable share of nuclear PTCs to another party? If so, please provide.

Answer: Please refer to page 2 of the attachment for MEAG Power's recent disclosure, which is an excerpt of its Preliminary Official Statement dated September 11, 2019, for a description of the nuclear PTCs. Further details regarding MEAG's estimated potential proceeds from the sale of the PTCs can be found throughout the Preliminary Official Statement. See Addendum 4 - Attachment 13 - MEAG

113. Please clarify what JEA expects of Respondents with respect to pension obligations? The JEA Board of Directors has approved legislation for introduction to the Jacksonville City Council that, if approved, would satisfy the goal to "protect certain employee benefits." Is the Respondent expected to fund the additional benefits or would benefits be paid out of proceeds to the City? Is there an estimated cost for the legislation? Are there any other liabilities if JEA withdraws from the City of Jacksonville pension plan?

Answer: The payment required by Section 120.203(j) of proposed Ordinance 2019-566 is to be from the proceeds from the transaction received by JEA. Following a Recapitalization Event, and the payment of JEA of the contributions required by the ordinance, the GEPP's Unfunded Actuarial Accrued Liability shall be an obligation of the City of Jacksonville.

FAQ 19 provides that the Respondent will agree “that for at least three years following any transaction, all continuing full-time JEA employees will be provided with compensation and benefits that are substantially comparable, in the aggregate, to the compensation and benefits JEA provided to them immediately prior to the transaction occurring.” This obligation is unrelated to any pension obligation.

FAQ 26 speaks to certain Other Post-Employment Benefits. The OPEB benefits are unrelated to pension obligations and are to “be assumed and fulfilled by the successful participant in this process.”

114. Please estimate the amount of funds necessary at closing of a transaction to true up the pension for the changes in service credit and vesting period authorized by the Board for execution upon the close of a sale transaction.

Answer: Preliminary actuarial estimates are \$132.3 million for the GEPP pension protection. This will be re-calculated prior to a transaction.

115. Is there a schedule of the anticipated cost to defease the \$3.6bn of long-term debt in the context of a transaction type in which the debt must be retired? If so, please provide.

Answer: Please see response to question 1.

116. Has JEA evaluated how franchise tax, public service tax, and payments in lieu of taxes would change upon a conversion of the utility systems to an investor owned utility format?

Answer: Tax treatment post-transaction will depend on the structure of the transaction.

117. Have Nassau or St. Johns Counties indicated whether they might be interested in exercising their option to acquire the municipal water and sewer systems if there is a change in JEA ownership?

Answer: JEA's material contracts and related information will be available during the Negotiation Phase.

118. Please provide an estimate of water and wastewater net plant attributable to Nassau and St. Johns counties.

Answer: Please see response to question 24.

119. Please confirm that the City of Jacksonville will continue to purchase power, gas, water and sewer services from JEA under an exclusive long term supplier and services agreement post close. If not, how will the city contract for these future services?

Answer: JEA's franchised exclusive service territory for electric, water and sewer services include the City of Jacksonville.

120. Please confirm status for federal tax purposes. If JEA is a tax-exempt entity, has JEA obtained a determination letter from the IRS confirming tax-exempt status?

Answer: See Addendum 4 - Attachment 8 - IRS Letter Tax Status and Addendum 4 - Attachment 9 - JEA tax exemption certificate. JEA is currently a tax-exempt entity.

121. Please provide information on the represented workforce. What percentage of the workforce is represented? How many contracts? In general, what is the state of labor relations with the represented workforce?

Answer: 78% of the workforce is represented with five bargaining units, each with its own contract. Relations are generally good with the unions and the represented workforce.

122. As definitions will vary among jurisdictions, please define what resources qualify as “renewable” for fulfillment of the commitment to develop and provide the City of Jacksonville and the Duval County Public School system with 100% renewable electricity by the year 2030. Does “City of Jacksonville” mean governmental facilities only?

Answer: See the definition of renewable used by the US Energy Information Agency: Biomass; hydropower; wind; solar; and geothermal. <https://www.eia.gov/energyexplained/renewable-sources/>

123. For fulfillment of the commitment to develop and provide the City of Jacksonville and the Duval County Public School system with 100% renewable electricity by the year 2030, is there a desire to have this renewable commitment satisfied by new resources (i.e., is the desire to be able to make claims that JEA caused these renewable resources to get built), or could this requirement be satisfied with existing system resources, outside of JEA service territory? What is the projected City load by 2030? How much of the renewables have already been procured (e.g. 250 MW solar) and at what price?

Answer: The party providing the City the renewable electricity can determine the best manner in which to provide it. None of the current renewable portfolio is dedicated to COJ or DCPS. The current demand for COJ and DCPS is approximately 350,000 MWh (from 2019 ADR).

124. Please state any preference for technology type (utility scale solar, behind-the-meter solar, wind, biomass, etc.) or location (within JEA territory, within FRCC, within SERC, etc.) for fulfillment of the commitment to develop and provide the City of Jacksonville and the Duval County Public School system with 100% renewable electricity by the year 2030.

Answer: JEA has no preference for technology type and will consider all technology types.

125. What are the current applicable tariff rates for 100% renewable electricity and alternative water referenced in the footnote to the minimum requirements?

Answer: The intention is that these will be provided at the same rates as non-renewable and non-alternative sources. The City will not be receiving free service.

126. Under privatization, will the City be responsible for any pre-existing environmental liabilities associated with the CCRs at the SJRPP and Northside sites?

Answer: Successorship environmental liability associated with JEA property, if any, would be highly fact specific and may be discussed during the Negotiation Phase.

127. Are there any ongoing disputes over subsurface water rights associated with the water and sewer system? If so, please provide additional detail.

Answer: Florida law dictates that water is a "public resource" and there is generally no private ownership of water. Use of Florida water is permitted under Chapter 373 of the Florida Statutes. Groundwater in Florida belongs to the State. JEA is given the right to withdraw groundwater through a Consumptive Use Permit (CUP), granted by the St Johns River Water Management District.

128. Please provide a description of any material contracts that could not be assumed by an investor owned utility.

Answer: JEA's material contracts will be available during the Negotiation Phase.

129. Please provide copies of any long-range studies to develop alternative water supply capacity for Northeast Florida or within the JEA service territory.

Answer: JEA is currently under contract with CDM-Smith to conduct a comprehensive Integrated Water Resource Plan (IWRP) that will evaluate all available options for water supply sources, systems and strategies to cost-effectively meet our current and future demands. The IWRP is scheduled for completion in September 2020 (Scope of work attached). Flexibility, reliability, sustainability and cost-effectiveness will be weighed for each alternative.

Prior to the current effort, JEA completed a more limited scope IWRP in 2013 (Attached). See Addendum 4 - Attachment 11 - IWRP_Final_Report and Addendum 4 - Attachment 12 - JEA_2019_IWRP_DSM_SOW_05-MAR-2019

130. Please provide an estimation of the lead service line (LSL) numbers in JEA's footprint and any steps taken to minimize the potential risks associated with a potential state wide mandate to replace LSL systems.

Answer: JEA's policy is to replace LSL as they are found during routine or non-routine pipe repairs or replacements. JEA's system is in compliance with the current Pb/Cu rule and there have been no indications of a systematic issue anywhere

within the distribution system. If a customer is concerned, JEA has implemented free in-house sampling. To date, there has not been a residence tested that has exceeded the MCL. JEA is prepared to meet all requirements of the Pb/Cu rule revisions anticipated to be finalized by the end of 2019.

131. Please provide the amount of FEMA dollars that have been provided to JEA over the past 5 years, a description of the process undertaken to secure FEMA funds, and an estimate of outstanding amounts due from FEMA and how those would be treated upon a transaction whereby JEA is sold to a private sector entity.

Answer:

THE FEMA/FDEM REIMBURSEMENT PROCESS:

1. Storm occurs and JEA begins repairing damaged equipment and documents the costs involved with these emergency/permanent repairs. JEA is responsible for paying all costs of restoration out of JEA's operating budget. JEA is eligible to apply for reimbursement for a portion of some of those costs; however, JEA will never receive 100% of its out of pocket costs. A breakdown is as follows:

FEMA Obligation = 75.0%

FDEM Obligation = 12.5%

JEA Obligation = 12.5%

2. Once all of the costs are assembled by JEA and submitted to FEMA through the FEMA Portal, the costs are reviewed and any additional information necessary to complete FEMA's file are provided by JEA. Once these costs are approved, FEMA/FDEM will reimburse JEA per the breakdown above.

3. Since JEA was an eligible applicant for FEMA funding for Hurricane Matthew and Hurricane Irma and all of the work was completed prior to any potential purchase, there should not be any issue with collecting FEMA funding, regardless of whether JEA is sold to a private sector entity.

Matthew:

Total FEMA Claim: \$10,426,564

Paid to Date: \$6,769,012

Irma:

Total FEMA Claim: \$14,116,608

Paid to Date: \$70,582

132. Please provide a summary of discussions with any parties interested in acquiring the SJRPP site or any internal feasibility studies for re-purposing the site.

Answer: JEA has had discussions with interested parties regarding SJRPP and its future development. JEA RFP 136-19, Real Estate Redevelopment Services, will provide JEA the ability to work with consulting engineers and land planners to create development alternatives and provide marketing support to maximize SJRPP's value. See response to question 25.

133. Please provide a brief overview of any utility of the future programs that exist (microgrids, ADMS, storage, EVs etc.)

Answer: JEA has the following programs underway: Residential Battery Storage Program, JEA Residential Connected Home Energy Management System (Real Time Demand based), Electrification, Commercial & Residential EV's (fleet and residential), Smart City and Autonomous Vehicle pilot/testing partnerships. In addition, we are researching several utility scale storage and utility scale solar projects. SOCC has an ADMS system in development and is still under control of the vendor. JEA is researching the possibility of installing a microgrid.

134. Are there any other counties that have purchase rights subject to a JEA change of control, similar to the purchase rights for the water / wastewater assets in the Nassau and St. Johns Interlocal Agreements?

Answer: JEA believes those are the only interlocal agreements with change of control provisions; however, material contracts will be available for bidder review during the Negotiation Phase.

135. Electric system - What else is collected through the fuel charge to customers? Capacity charge?

Answer: The following are collected: Natural gas pipeline capacity and reservation charges, fuel handling costs, rail car expenses, costs of fuel additives such as limestone etc, cost of Solar PPA's, cost of short-term market power purchases.

136. Water / wastewater / reuse rates

a. Please provide rate increase history for past 10 years for water, sewer and reuse.

Answer: See Addendum 4 - Attachment 10 - JEA Master Rates History File

137. What special contracts does JEA have with customers? Please provide each customers' billing determinants (separately by account by rate schedule) and revenue detail by charge for the most recent 12-month period available.

Answer: These will be provided during the Negotiation Phase.

138. In formulating the goal to deliver >\$3bn of value to the City, has JEA incorporated one-off costs associated with the proposed transaction (e.g. defeasance costs for municipal debt)?

Answer: The net proceeds to the City will be after all other transaction costs and minimum requirements are met, such that total enterprise value, in addition to any net working capital that is released as part of the transaction, will need to be sufficient to pay for customer rebates of at least \$400 million, employee retention payments estimated to be \$165 million, employee pension protection estimated to be \$132 million, all legal and advisory transaction costs incurred by JEA and pay off all of JEA's debt obligations and any other liabilities that are not assignable (these would include things like interest rate and commodity hedges). A total defeasance cost for the debt obligations and non-assignable liabilities is estimated to be \$3.5 to \$4.0 billion as of 12/31/2020.

139. How does the City of Jacksonville intend to maintain ongoing oversight and monitoring of JEA's operations post transaction?

Answer: Following any transaction, relevant federal, state, and local regulatory jurisdiction would apply. Particular ongoing oversight and monitoring will be based upon the ultimate structure of a transaction, if any.

140. Please describe JEA's current relationship with the Florida Public Service Commission (FPSC). Specifically: Have JEA and the FPSC had any discussion about the regulatory process and framework likely to apply to JEA under private ownership? What guidance, if any, has the FPSC provided?

Answer: See response to FAQ #23 on p. 49 of the ITN.

141. Will potential purchasers have the opportunity to engage in consultation with the FPSC in relation to the transaction during the Negotiation Phase?

Answer: No, the signed NDAs during the Negotiation Phase will prohibit discussion of confidential information in relation to this transaction.

142. Does JEA consider the presence of multiple utility operators under the jurisdiction of the FPSC to be constructive for customer and community outcomes? Will potential benefits to customers, via greater diversity of utility operators, be considered in the Evaluation Criteria?

Answer: The Evaluation Criteria that will be utilized in evaluating initial replies are set forth in Section 3.2.3 of the ITN. In addition, as stated in Response to Question #54, consistent with Section 3.3.8 of the ITN, the Negotiation Team will determine the Reply that, as a whole, offers the best value based on the Selection Criteria.

143. What are the City's expectations for base rate stability after the initial 3-year period, given JEA is targeting significant capex investment of \$2.6bn over the next 5 years and is expected to be subject to a customary regulatory framework under the FPSC?

Answer: These will be provided during the Negotiation Phase.

144. Per footnote 1 on p 21 of the ITN, "Renewable electricity and alternative water to be provided at new or existing tariffs at a price equal to or less than the applicable tariff rate." How does JEA define "applicable tariff rate" for these purposes and over what period of time is this restriction to apply?

Answer: See response to question 125.

145. Can JEA please provide an update and additional details on the ongoing MEAG litigation referenced in the ITN? What further detail will be provided before ITN Replies are due on October 7, 2019?

Answer: These will be provided during the Negotiation Phase.

146. To what extent do JEA's debt service obligations under the Vogtle PPA extend to each of the financing instruments issued as Project J debt (including Build America Bonds, Tax Exempt Bonds and other financing facilities)?

Answer: In accordance with the stated terms of the PPA, JEA shall make payments to MEAG's Project J entity for certain amounts which include, but are not limited to, amounts equal to debt service on Project J bonds for the first 20 years. All Project J bonds are debt obligations of MEAG and/or its member cities.

147. Are JEA's total debt service obligations on Project J debt captured on page 26 of JEA's Annual Disclosure Report (fiscal year ended September 30, 2018)? Or does this refer to obligations relating only to a portion of the Project J debt? If the latter, please provide JEA's total projected net debt service obligations.

Answer: The table on page 26 of JEA's Annual Disclosure Report contains JEA's Project J debt obligations for the first 20 years on the total Project J debt issued through September 30, 2018. JEA's share of projected Project J debt service will be disclosed during the Negotiation Phase.

148. Do the legal theories that challenge the authority and validity of the Vogtle PPA apply to other PPAs entered into by JEA?

Answer: No.

149. What volume forecasts are underpinning JEA's expectations for a 26-55% increase in rates over the next decade – is this management's base case or a downside scenario?

Answer: This information will be provided during the Negotiation Phase.

150. In the July 23 Board Presentation (page 16), JEA forecast an 8% decline in energy sales (2019-2030) – how has JEA developed this forecast? Is there a market-based report supporting these forecasts that will be available to potential purchasers?

Answer: This information will be provided during the Negotiation Phase.

151. What are JEA's current projections for customer owned and generated power and their impact on energy sales and revenues?

Answer: This information will be provided during the Negotiation Phase.

152. How much capital expenditure will be required to maintain JEA's water supply capacity?

Answer: This information will be provided during the Negotiation Phase.

153. Given that the Floridan Aquifer "should be capable of meeting JEA's needs well into the future", why is it necessary to provide 40 MGD of alternative water supply by 2035?

Answer: The commitment to alternative water supplies is a long-term effort to provide diversified sources for water supply. Aquifer recharge, wetland treatment and potable reuse are the most promising alternative water supplies and all are being studied by JEA to ensure the future sustainability of the resource. JEA also has an aggressive demand side management program (conservation, etc.) to ensure the most efficient use of potable water. It is JEA's position to plan for these

alternatives now instead of reacting to a crisis that has happened in several areas of the U.S. These alternative water supplies can be implemented incrementally should requirements change in the future.

154. What restrictions (if any) are likely to apply to JEA's operations under private ownership (e.g. nature of business activities and geography)?

Answer: See Response to FAQ #18 on page 45 and 27 on page 51 of the ITN.

155. What is the estimate of free cash flow for the last 3 years and please provide a detailed current income statement?

Answer: JEA's financial statements are broadly available and can be found on our website at https://www.jea.com/About/Investor_Relations/Financial_Reports

156. What are current numbers or ratios that are benchmarked and what are those benchmarks?

Answer: Please refer to the monthly Board package for JEA Monthly Financial and Operations Dashboard.

ACKNOWLEDGE RECEIPT OF THIS ADDENDUM ON THE BID FORM