

2019

JEA
Building Community®



LEMON RATING AGENCY UPDATE

Δ π EXHIBIT *87*
Department *Howard*
Date *8/18/2019*
Rotr. 174
WWW.DEPBOOK.COM

TABLE OF CONTENTS

Part One: Since We Last Met

Part Two: STAR Plan Update

Part Three: Strategic Planning Update

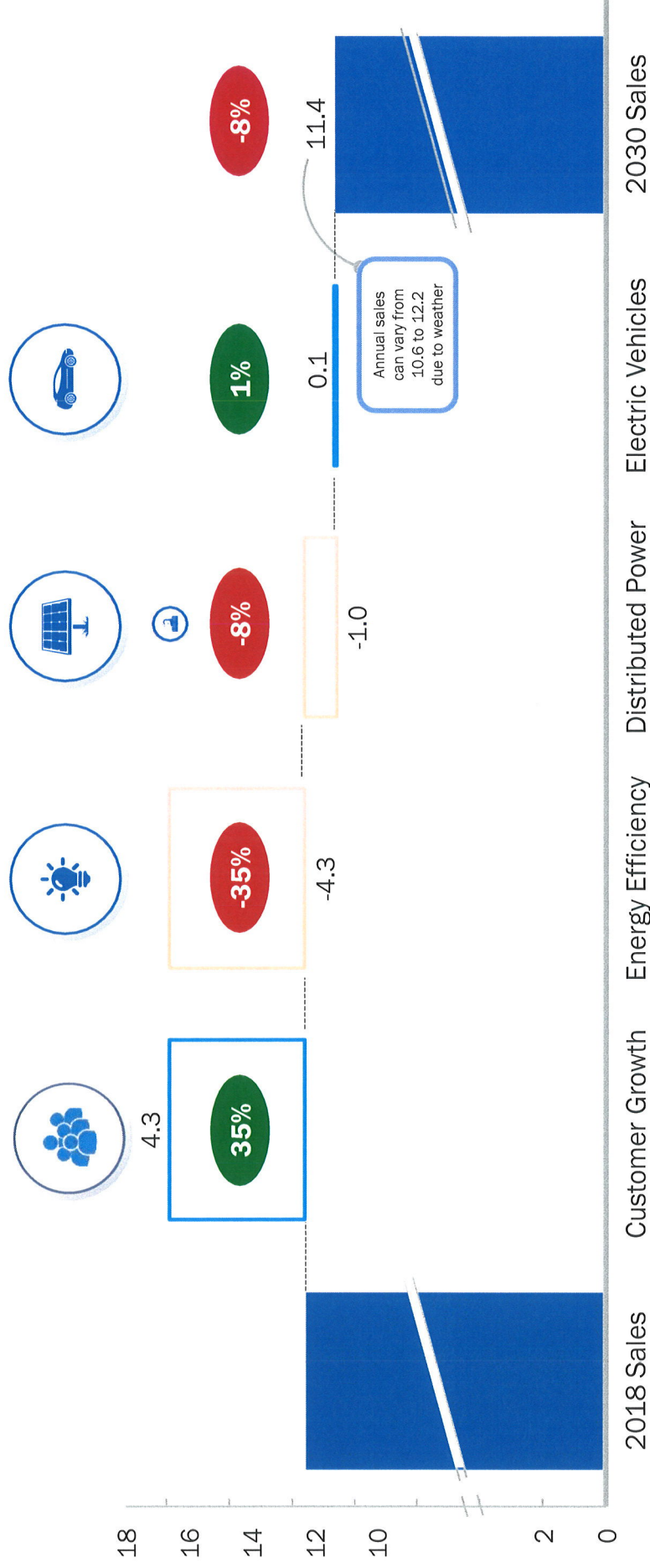
Part Four: Where We Are Going

Part Five: Supplemental Information

Part Six: Questions and Answers

By 2030 JEA's Customers May Likely Increase 16% and Energy Sales May Likely Fall by 8%

2030 JEA projected energy sales ^{TWh}



Energy System: Evaluating Scenarios 1 & 2

Current Forecast

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

Scenario 1: Status Quo Baseline

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

Scenario 2: Traditional Response

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