

American Public Infrastructure LLC Q&A LOG

127-19 Strategic Alternatives - Question and Answer Log

Due Diligence Request List

Question #	Respondent	Topic	Question / Document Requested	Priority	Date Submitted	Answers	Date Responded	Status (Open / Closed)
1	American Public Infrastructure LLC	Process	Will API questions and JEA responses remain confidential until after the City Council vote?	High	25-Oct-19	No. JEA anticipates that vendor questions and JEA responses will remain confidential until, at the latest, such time as JEA provides notice of an intended decision or until 30 days after opening of the responses to the final round of Best and Final Offers whichever occurs earlier. In addition, please be aware of Section 3.3.5 of the ITN, which provides in relevant part that "All data responses made available will be subject to posting in the JEA Virtual Data Room for access to all Respondents participating in negotiations. Responses to questions may also be posted for access to all Respondents participating in negotiations in the event that JEA determines that doing so is in the best interest of JEA."	1-Nov-19	Closed
2	American Public Infrastructure LLC	Process	When and how will JEA or its Advisor provide clarity and details on the process?	High	25-Oct-19	Vendors are encouraged to review Section 3.3 of the ITN. In addition, a Process Letter has been posted to the JEA Virtual Data Room providing certain additional details regarding the negotiation process. Additional communications regarding the conduct of the ITN's Negotiation Phase will be provided as the Negotiation Phase progresses.	1-Nov-19	Closed
3	American Public Infrastructure LLC	Process	Given the nature of API's submission to the ITN, when will JEA state its level of interest in the proposed "Strategic Alternative"?	High	25-Oct-19	Following receipt of Best and Final Offers from Respondents, the Negotiation Team will make a recommendation to JEA's board regarding options and strategic optimization. This recommendation is expected in Q1 of 2020.	29-Oct-19	Closed
4	American Public Infrastructure LLC	Process	Assuming JEA is highly interested in API's proposed Strategic Alternative, its input will be critical to the development of any subsequent refinement of API's proposal, when will JEA or its advisors be able to engage to provide critical input?	High	25-Oct-19	As provided in Section 3.3.3 of the ITN, and as discussed in the Process Letter, a Revised Reply will be solicited requesting that Respondents address specifically their approach to satisfying each of the Evaluation Criteria, the Selection Criteria, and any other additional items which may be enumerated in the Request for Revised Replies. In addition, as provided in Section 3.3.4 of the ITN, following the submission of Revised Replies, the Negotiation Team will engage in written and oral negotiation sessions with Respondents with whom the Negotiation Team wishes to negotiate further. JEA anticipates that these recorded negotiation sessions will provide a forum for discussion and engagement between Respondents and the members of the Negotiation Team, as well as discussions with JEA management as discussed in Section 3.3.5 of the ITN, and input from Subject Matter Experts as requested by the Negotiation Team. It is JEA's intent for these negotiation sessions to facilitate JEA gaining a greater understanding of the Respondents' approach to satisfy the ITN's goals, and to facilitate the Respondents gaining greater insight into JEA's needs.	1-Nov-19	Closed
5	American Public Infrastructure LLC	General Operations	When will ITN respondents get the form of, or guidance on, the "Franchise Agreement" that JEA Advisors referenced in their discussion of Strategic Alternatives to the JEA Board?	High	25-Oct-19	As the negotiation process continues, JEA anticipates providing Respondents access to additional information and documents, some of which may include information addressing this question.	29-Oct-19	Closed
6	American Public Infrastructure LLC	Corporate Finance	What is the primary objective, e.g., minimizing rates over the next 20 years while meeting the minimum threshold requirements set forth in the ITN?	High	25-Oct-19	Maximize proceeds and value to the City of Jacksonville while delivering the greatest benefit to current rate payers and stakeholders of JEA.	29-Oct-19	Closed
7	American Public Infrastructure LLC	Corporate Finance	Process Letter pg 3: "Fund" - Is there a scenario where the fund would run out of pre-allocated monies prior to the 20yr term? If yes, who backstops the commitments to purchase capacity and energy through the end of the 20yr term and how?	Medium	1-Nov-19	Legacy JEA will be obligated to purchase capacity and energy from the Vogtle PPA for the 20 year term of the contract and will utilize the contemplated billing and collection agreement to fund any shortfall necessary over the 20 year term. For purposes of the Revised Replies, no such shortfall should be assumed to exist. As the negotiation process continues, JEA anticipates providing Respondents access to additional information and documents, some of which may include information addressing this question.	5-Nov-19	Closed

8	American Public Infrastructure LLC	Corporate Finance	Process Letter pg 4: "Tax Step-Up" - Are all the assets under the transaction going to assume a step-up? If yes, please explain how the utility assets are getting the step-up whereas in traditional utility transaction there isn't a step-up	High	1-Nov-19	Yes. Traditional utility transactions are typically done on a tax free basis to avoid immediate recognition of Federal and State generated tax liabilities. It is anticipated that the sale of JEA to Respondent will be a taxable transaction under IRS rules with no tax liability to JEA given that it is a municipal entity, with the subsequent result being all assets acquired by Respondent receiving a step-up in tax basis.	12-Nov-19	Closed
9	American Public Infrastructure LLC	General Operations	CIP (general): "Management Case"- Has the management case (capex and load-growth forecasts) been cross-examined by a 3rd party consultant and if yes, please provide details/findings of such examination? If not, has it been informed by any 3rd party consultant projections, if yes, please provide details around such projects/reports?	Medium	1-Nov-19	The load-growth forecasts were developed by JEA, with input from 3rd party consultants. The capex projections were developed by JEA, based on available visibility into capital needs over the 10-year period.	12-Nov-19	Closed
10	American Public Infrastructure LLC	Electric System	CIP pg 13: "Near Term Electric CapEx" - What is driving the near term growth of the projected capex spend on electrical (from 2022 to 2024 ~50% CAGR)	High	1-Nov-19	See CIP page 64 & 65 for more details.	5-Nov-19	Closed
11	American Public Infrastructure LLC	Electric System	CIP pg 22: "Planned Solar" - Please provide (a) the current status of the planned solar projects and (b) details around the buyout options over time (valuation, buyout amount, etc.).	Medium	1-Nov-19	As the negotiation process continues, JEA anticipates providing Respondents access to additional information and documents, some of which may include information addressing this question.	5-Nov-19	Closed
12	American Public Infrastructure LLC	Electric System	CIP pg 57: "Negotiated Rates"- Is any of JEA's major C&I customers expected to be in the category that could or have shown intent/ability to bypass the utility?	High	1-Nov-19	Not to our knowledge.	5-Nov-19	Closed
13	American Public Infrastructure LLC	General Operations	CIP pg 108: "Permits" - Are there any operating permits (emission, water discharge, etc.) that need near-term renewal and if yes, please provide details? Also, will a new buyer need any new permits to be procured that the business currently does not need to run any of its operations, and if yes, please provide details?	Medium	1-Nov-19	As the negotiation process continues, JEA anticipates providing Respondents access to additional information and documents, some of which may include information addressing this question. There are no known environmental permits that a new buyer would need to procure that the business currently does not need to run any of its operations.	5-Nov-19	Closed
14	American Public Infrastructure LLC	Corporate Finance	Financial Model: The financial model excludes the existing Public Service Tax. Is this tax anticipated to end under a new ownership structure or was it excluded as it is not typically reported as an income statement item? If the later is true, could you please provide details on projections of this tax (broken down by Electric System and Water & Wastewater System), as it represents a cost that is borne by ratepayers and therefore has an impact on pro forma rates?	Medium	1-Nov-19	The Public Service Tax is a pass through tax established by the City of Jacksonville. To approximate the tax liability take 10% of the anticipated taxable portion of Base Revenue.	5-Nov-19	Closed
15	American Public Infrastructure LLC	Corporate Finance	Financial Model: The financial model excludes the Right of First Offer in accordance with the Interlocal Agreements with St. Johns and Nassau Counties. Are bidders meant to assume that these options go unexercised by the respective counties?	Medium	1-Nov-19	Yes.	5-Nov-19	Closed
16	American Public Infrastructure LLC	Employees	JEA Pension Obligations: Requesting full detailed actuarial report relating to JEA employees in the pension plan and their demographic characteristics. Alternatively, detailed information on JEA employees and their demographic profile.	Medium	1-Nov-19	Substantially all of JEA's employees participate in the City of Jacksonville's General Employees Pension Plan. The Plan's latest Actuarial Valuation and Review report can be found at the following link: <a href="https://www.coj.net/getattachment/Departments/Finance/Retirement-System/GASB-and-Plan-Valuation-Statements/City-of-Jacksonville-General-Employee-Retirement-Plan-Act-Val-as-of-10_1_2018.pdf.aspx?lang=en-US">https://www.coj.net/getattachment/Departments/Finance/Retirement-System/GASB-and-Plan-Valuation-Statements/City-of-Jacksonville-General-Employee-Retirement-Plan-Act-Val-as-of-10_1_2018.pdf.aspx?lang=en-US</a>	5-Nov-19	Closed
17	American Public Infrastructure LLC	Organizational Structure	FPSC Regulation: Is JEA willing to keep the utilities outside of FPSC regulation?	High	1-Nov-19	JEA is open to any and all alternatives if determined to be in the best interest of JEA.	13-Nov-19	Closed