

JEA SPECIAL BOARD MEETING AGENDA

June 26, 2020 • 8:00 a.m.

WebEx **No physical location will be provided for this meeting.**



I.	WELCOME	
	A.	Call to Order – Board Chair
	B.	Time of Reflection
	C.	Adoption of the Agenda – Action
	D.	Sunshine Law/Public Records Statement – Jody Brooks, Office of General Counsel

II.	COMMENTS / PRESENTATIONS	
	Item(s)	Speaker/Title
	A.	Comments from the Public Public
	B.	Council Liaison’s Comments Council Member Danny Becton

III.	FOR BOARD CONSIDERATION		
	Item(s)	Speaker/Title	Discussion Action/Information
	A.	JEA/FPL Cooperation Agreement and Term Sheets – Plant Scherer Joe Orfano, Treasurer	Action

IV.	OTHER BUSINESS	
	Item(s)	
	A.	Announcement – Next Board Meeting July 28, 2020
	B.	Adjournment

Board Calendar

Board Meetings: 9:00 a.m. – Fourth Tuesday of Every Month (exception(s): November 17, 2020 and December 15, 2020)

Committees: Finance & Audit Committee: August 17, 2020

Other Committee Meetings TBD

Florida's Government in the Sunshine Law
Office of General Counsel

This meeting is subject to Florida's Government in the Sunshine Law, §286.011, Florida Statutes, and shall be open to the public at all times.



INTER-OFFICE MEMORANDUM

June 26, 2020

SUBJECT: JEA/FPL COOPERATION AGREEMENT AND TERM SHEETS – PLANT SCHERER

FROM: Paul McElroy, Interim Managing Director/CEO

TO: JEA Board of Directors

BACKGROUND:

JEA Staff and Florida Power & Light Company (“FPL”) have agreed to close the jointly owned Robert W. Scherer Unit 4 (Scherer) coal-fired electric generating station, located in Macon, Georgia. Closing the Scherer and replacing the capacity and energy with a Power Purchase Agreement utilizing natural gas-fired combined cycle power provides financial, environmental and operational benefits to JEA and FPL. While this agreement calls for Scherer to discontinue operations, JEA will continue to own Scherer until the full plant is decommissioned.

DISCUSSION:

JEA has held an ownership interest in Scherer since its opening in 1989. JEA holds a 23.64 percent ownership position (approximately 198 MW), while FPL owns the remaining 76.36 percent. The Robert W. Scherer Generating Facility is operated by Georgia Power. Owners of the other three Scherer units are Georgia Power, Municipal Electric Authority of Georgia, Oglethorpe Power, Gulf Power (now owned by NextEra, FPL’s parent company) and the City of Dalton. While the Scherer units have long been low-cost generating units, changes in the natural gas market now make Scherer the highest cost dispatch unit in JEA’s fleet. Closing Scherer Unit 4 at this time provides benefits to JEA in several key areas, described below:

Financial

Comparing current and projected market pricing for natural gas combined cycle electric generation to current and projected Scherer Unit 4 operating costs, results in saving approximately \$10/MWh or a cost reduction of approximately 33%. Assuming a plant closure and executing a replacement capacity and energy, 20 year slice-of-system Power Purchase Agreement with FPL, as well as the ongoing future contract and decommissioning costs for Scherer Unit 4, the proposed transaction generates approximately \$191 million in NPV savings. In consideration of jointly closing Scherer Unit 4, FPL has offered a cooperation agreement, including some compensation for remaining Scherer future costs. The natural gas price for the initial ten years of the PPA will be fixed, with the option to switch to solar for the last ten years.

Environmental

The transaction will have environmental benefits, primarily a reduction of approximately 1.3 million tons/year of carbon dioxide emissions for the replacement power from combined cycle gas plants compared to the carbon dioxide emissions from Scherer. Currently the Robert W. Scherer Generating Facility is the largest Greenhouse Gas emitter in the country.

Additionally, JEA will avoid the cost of some future environmental upgrades associated with Scherer, currently estimated to be approximately \$8.2 million for Effluent Limitations Guidelines compliance. JEA will remain liable for some other environmental costs, particularly those associated with Ash Pond

compliance, currently estimated as \$30.2 million between 2021 and 2029, and \$19.2 million between 2030 and 2066.

Operational

The Scherer capacity and energy will be replaced with a “slice of system” product (power purchase agreement). The benefits of this product include:

- There is no outage schedule on a system product, compared to biannual extended (30 day+) outage on Scherer Unit 4.
- While closing Scherer increases the portion of energy derived from combined cycle gas plants from 34 percent to 44 percent (projected 2029 values), it diversifies generation by establishing a firm supply from the south (currently all generation is either native or from Georgia).
- No restrictions/must-run conditions on taking energy (e.g., currently, if either Scherer co-owner elects to operate the unit, the other owner must take at least their share of the minimum load.)
- The natural gas supply to FPL’s combined cycle fleet is primarily through the Sabal Trail pipeline. JEA does not currently receive natural gas through this pipeline, so the transaction allows for diversification of natural gas supply.
- The natural gas price for the initial ten years of the PPA will be fixed, with the option to switch to solar for the last ten years.
- JEA maintains transmission rights at FL/GA interconnection, allowing for more access to spot purchases from Georgia.

FINANCIAL IMPACT:

The proposed agreement would result in over \$191 million in NPV savings to JEA over the 20-year term of the Power Purchase Agreement. JEA will still own 23.64 percent of Scherer Unit 4, unchanged from its current ownership percentage. JEA will still be responsible for obligations under the co-owners agreement – these payments are included in the calculation of the NPV savings generated.

RECOMMENDATION:

That the Board of Directors authorize the Interim Managing Director/CEO to execute the Cooperation Agreement with FPL as outlined in the attached documents in their substantial form. This Cooperation Agreement calls for the closure of Scherer Unit 4 on January 1, 2022, with capacity and energy replaced by a Power Purchase Agreement with FPL.

Paul McElroy, Interim Managing Director/CEO

PEM/BJR/JEO

Attachments:

- Draft Cooperation Agreement with FPL
- Draft Term Sheets with FPL and NextEra Energy Marketing, LLC
- Resolution regarding the Cooperation Agreement with FPL concerning Scherer Unit 4

Resolution 2020-06

A RESOLUTION TO DELEGATE AUTHORITY TO EXECUTE THE COOPERATION AGREEMENT AND REPLACEMENT POWER PURCHASE AGREEMENT WITH FLORIDA POWER AND LIGHT COMPANY FOR THE PROPOSED RETIREMENT OF PLANT ROBERT W. SCHERER UNIT NO. 4 TO THE INTERIM MANAGING DIRECTOR/CEO IN ACCORDANCE WITH JEA CHARTER SECTION 21.10

WHEREAS, after consideration by JEA, staff has recommended JEA enter into a Cooperation Agreement with Florida Power and Light Company (“FPL”) in substantially the same form as the attached draft agreement that is attached hereto as Exhibit A; and

WHEREAS, Cooperation Agreement calls for the closure of Plant Robert W. Scherer Unit No. 4 (“Scherer”) on January 1, 2022, with the capacity and energy replaced by a Purchase Agreement (“PPA”) that JEA will enter into with FPL; and

WHEREAS, the JEA Charter, Section 21.10, provides that the JEA Board may delegate the authority to an officer, agent or employee of JEA by resolution to execute agreements.

BE IT RESOLVED by the JEA Board of Directors that:

1. JEA shall enter into the Cooperation Agreement with FPL for the closure of the jointly owned Scherer coal-fired electric generating station, located in Macon, Georgia, and a PPA with FPL for the replacement of the capacity and energy from combined cycle gas plants.
2. The Board hereby delegates to the Interim Managing Director/CEO the authority to execute the Cooperation Agreement, the PPA, and all other transactional documents required for the closure of Scherer.

Dated this ____ day of June, 2020.

JEA

By: _____
John D. Baker, II, Chair

Attest:

Marty Lanahan, Secretary

Approved as to form:

Jody L. Brooks, Chief Legal Counsel

EXHIBIT "A"
to JEA Resolution 2020-06

COOPERATION AGREEMENT

by and between

FLORIDA POWER & LIGHT COMPANY

and

JEA

Dated as of June [], 2020

COOPERATION AGREEMENT

This **COOPERATION AGREEMENT** is made as of June [___], 2020 (this "Agreement"), by and between Florida Power & Light Company, a corporation organized and existing under the laws of the State of Florida ("FPL"), and JEA, a body politic and an independent agency of the City of Jacksonville, Florida, organized and existing under the laws of the State of Florida ("JEA"). Each of FPL and JEA shall be referred to herein as a "Party" and together as the "Parties."

WITNESSETH:

WHEREAS, FPL and JEA are party to that certain Plant Robert Scherer Unit Number Four Amended and Restated Purchase and Ownership Participation Agreement among Georgia Power Company ("GPC"), FPL and JEA (f/k/a Jacksonville Electric Authority), dated as of December 31, 1990 (the "Ownership Agreement"); and

WHEREAS, pursuant to the Ownership Agreement, the Parties jointly own Plant Robert W. Scherer Unit No. 4 ("Unit No. 4") an [850 MW coal fired generating unit] with FPL owning a 76.36 a seventy-six and thirty-six one-hundredths percent (76.36%) undivided interest and JEA owning a twenty-four and sixty-four one-hundredths percent (23.64%) undivided interest; and

WHEREAS, FPL owns a thirty-eight and eighteen one-hundredths percent (38.18%) undivided interest in the "Additional Unit Common Facilities" (as defined in the Ownership Agreement), and JEA owns a twelve and thirty-two one-hundredths percent (12.32%) undivided interest in the Additional Unit Common Facilities; and

WHEREAS, FPL owns a nineteen and nine one-hundredths percent (19.09%) undivided interest in the "Plant Scherer Common Facilities" (as defined in the Ownership Agreement), and JEA owns a six and sixteen one-hundredths percent (6.16%) undivided interest in the Additional Unit Common Facilities; and

WHEREAS, each of FPL and JEA have its own "Separate Coal Stockpile" (as defined in the Ownership Agreement); and

WHEREAS, each of FPL and JEA own a portion of the Plant Scherer materials and spares inventory the "M&S Inventory"; and

WHEREAS, to finance its ownership of Unit No. 4, JEA issued and sold revenue bonds (the "Bonds") pursuant to that certain Restated and Amended Bulk Power Supply System Revenue Bond Resolution Adopted November 18, 2008 as amended through March 26, 2014 (the "Bond Resolution"), and

WHEREAS, the Parties now agree that it is in the best interest of their customers to explore the retirement Unit No. 4, to cease their use of the Additional Unit Common Facilities and Plant Scherer Common Facilities. ("Proposed Retirement").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Parties hereto agree as follows:

**Article I
PROPOSED RETIREMENT**

1.01 Proposed Transaction.

(a) The Parties shall cooperate, in good faith, in a joint effort to consummate the Proposed Retirement.

**Article II
NO REQUIREMENT TO TRANSACT**

2.01 Unless and until a definitive agreement regarding the Proposed Retirement has been executed, neither Party will be under any legal obligation whatsoever with respect to the any Proposed Retirement by virtue of this Agreement except for the matters specifically agreed to in herein.

2.02 Each Party reserves the right, in its sole discretion, to reject any and all proposals made by the other with regard to the Proposed Retirement and to terminate discussions and negotiations with the other Party at any time.

**Article III
COVENANTS OF THE PARTIES**

3.01 Joint Pre-Retirement Obligations. In order to facilitate the Proposed Retirement, each Party covenants that it shall:

(a) provide reasonable access to information with respect to its portion of the Undivided Interests, as requested by the other Party;

(b) participate in good faith negotiations of any documentation required to effectuate the Proposed Retirement;

(c) cooperate, as reasonably requested by the other Party, in any governmental proceedings associated with the Proposed Retirement

3.02 Joint Post-Retirement Obligations. Each Party covenants that following consummation of the Proposed Retirement it shall:

(a) continue to make any payments required of it pursuant to the Ownership Agreement; and

(b) [cooperate in the coordination of activities related to minimizing Post-Retirement costs related to the Parties' continued ownership].

Article IV
TRANSACTION SUPPORT

4.01 Consummation Payment. Concurrent with the consummation of the Proposed Retirement and the satisfaction of the condition set forth in Section 5.02, FPL shall pay an aggregate amount equal to [AMOUNT] Dollars (\$[AMOUNT]) (such amount, the “Consummation Payment”), which shall be used by JEA in its discretion to pay for JEA’s costs in completing the retirement of Unit No. 4, including, but not limited to the defeasance the outstanding Bonds.

4.02 Replacement Power. In order to provide JEA with energy and capacity to replace the energy and capacity it had been receiving from Unit No. 4, Concurrent with the delivery of the Consummation Payment, JEA and FPL shall execute a power purchase agreement materially on the terms set forth in Exhibit A hereto.

Article V
REPRESENTATIONS AND WARRANTIES OF JEA

JEA hereby represents and warrants to FPL as follows as of the date hereof, the Shutdown Date and the Closing Date:

5.01 Legal Existence; Power. JEA is a body politic and an independent agency of the City of Jacksonville, Florida, organized and existing and in good standing under the laws of the State of Florida. JEA has all requisite right, power and authority and full legal capacity to execute and deliver this Agreement and to perform its obligations hereunder, including the consummation of the transactions contemplated hereby.

5.02 Authority. The execution and delivery by JEA of this Agreement, the performance by JEA of its obligations under this Agreement and the consummation by JEA of the transactions contemplated hereby have been duly and validly authorized by all necessary action of JEA, including by JEA’s Board of Directors. This Agreement has been duly and validly executed and delivered by JEA and (assuming the due authorization, execution and delivery thereof by FPL) constitutes the legal, valid and binding obligation of JEA enforceable against JEA in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar Laws of general applicability related to or affecting creditors’ rights, and to general equitable principles, including specific performance and injunctive and other forms of equitable relief).

5.03 No Conflicts. The execution and delivery by JEA of this Agreement, the performance by JEA of its obligations under this Agreement and the consummation by JEA of the transactions contemplated hereby do not and will not (with or without notice or lapse of time, or both): (a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the bylaws, or other organizational or governing documents, of JEA, (b) conflict with or result in a violation or breach of any term or provision of any Law or Order applicable to JEA, or (c) conflict with the Bond resolution or any covenant found therein.

5.04 Compliance with Laws. JEA is not in violation of or in default under any Law or Order applicable to JEA, the effect of which, in the aggregate, would prevent or materially impair or delay JEA from performing its obligations hereunder.

5.05 Bankruptcy. There are no bankruptcy, reorganization, or arrangement proceedings pending against, being contemplated by, or to the knowledge of JEA, threatened against JEA.

Article VI

REPRESENTATIONS AND WARRANTIES OF FPL

FPL hereby represents and warrants to JEA as follows as of the date hereof, the Shutdown Date and the Closing Date:

6.01 Legal Existence; Power. FPL is a corporation duly formed, validly existing and in good standing under the Laws of the State of Florida. FPL has all requisite right, power and authority and full legal capacity to execute and deliver this Agreement and to perform its obligations hereunder, including the consummation of the transactions contemplated hereby.

6.02 Authority. The execution and delivery by FPL of this Agreement, the performance by FPL of its obligations under this Agreement and the consummation by FPL of the transactions contemplated hereby have been duly and validly authorized by all necessary action of FPL. This Agreement has been duly and validly executed and delivered by FPL and (assuming the due authorization, execution and delivery thereof by JEA) constitutes the legal, valid and binding obligation of FPL enforceable against FPL in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar Laws of general applicability related to or affecting creditors' rights, and to general equitable principles, including specific performance and injunctive and other forms of equitable relief).

6.03 No Conflicts. The execution and delivery by FPL of this Agreement, the performance by FPL of its obligations under this Agreement and the consummation by FPL of the transactions contemplated hereby do not and will not (with or without notice or lapse of time, or both): (a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the bylaws, or other organizational or governing documents, of FPL and (b) conflict with or result in a violation or breach of any term or provision of any Law or Order applicable to FPL.

6.04 Compliance with Laws. FPL is not in violation of or in default under any Law or Order applicable to FPL, the effect of which, in the aggregate, would prevent or materially impair or delay FPL from performing its obligations hereunder.

6.05 Bankruptcy. There are no bankruptcy, reorganization, or arrangement proceedings pending against, being contemplated by, or to the knowledge of FPL, threatened against, FPL.

**Article VII
TERMINATION**

7.01 Termination. This Agreement may be terminated, and the potential transactions contemplated hereby may be abandoned, by mutual written consent of FPL and JEA, or at any time by written notice from either Party to the other Party.

**Article VIII
MISCELLANEOUS**

8.01 Entire Agreement. This Agreement (together with the Ancillary Agreements) supersedes all prior discussions and agreements between the Parties with respect to the subject matter hereof, and contains the sole and entire agreement between the Parties hereto with respect to the subject matter hereof.

8.02 Confidentiality. Each Party shall hold, and shall use all commercially reasonable efforts to cause its Affiliates and Representatives to hold, in strict confidence, all documents and information concerning the other Party or any of its Affiliates furnished to it by the other Party or such other Party's Affiliates or Representatives in connection with this Agreement or the potential transactions contemplated hereby, provided, that nothing in this Section 8.02 shall limit the disclosure by any Party of any documents or information (a) to its Affiliates and Representatives to the extent reasonably necessary or advisable in connection with the consummation of the transactions contemplated hereby, (b) to the extent required by Law or Order, including but not limited to Florida Sunshine Laws, (c) to the extent reasonably necessary in an Action or Proceeding brought by a Party in pursuit of its rights or in the exercise of its remedies under this Agreement or the transactions contemplated hereby, (d) to the extent that such documents or information can be shown to have come within the public domain, other than in connection with any required submission seeking any Governmental or Regulatory Approval that is filed as confidential (including any redacted information), through no action or omission of the disclosing Party or its Affiliates or Representatives, and (e) later acquired by the receiving Party from another source if the receiving Party is not aware that such source is under an obligation to keep such documents and information confidential. Notwithstanding anything contained herein, this Section 8.02 shall remain in full force and effect following the execution of this Agreement and shall survive any termination of this Agreement in accordance with its terms. Notwithstanding the foregoing, FPL acknowledges that meetings of JEA's Board of Directors are duly noticed public meetings and that JEA will provide this Agreement and the Ancillary Agreements to its Board of Directors in connection with such public setting.

8.03 Public Announcements. Except as may be required by Florida Sunshine Laws, so long as this Agreement is in effect, neither Party shall, and shall use all reasonable best efforts to cause their respective Representatives not to, issue or make any reports, statements, comments whether in response to any inquiry or otherwise, or releases to the public or generally to the employees with respect to this Agreement or the transactions contemplated hereby without the consent of the other, such consent not to be unreasonably withheld, conditioned or delayed. FPL acknowledges that JEA is subject to Florida

Sunshine Laws, and as such, meetings of its Board of Directors are duly noticed public meetings, and such discussion are exempt from this clause.

8.04 No Waiver. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion.

8.05 Amendments. Any provision of this Agreement may be modified, supplemented or waived only by an instrument in writing duly executed by FPL and JEA. Any such modification, supplement or waiver shall be for such period and subject to such conditions as shall be specified in the instrument effecting the same and shall be binding upon each of FPL and JEA, and any such waiver shall be effective only in the specific instance and for the purposes for which given.

8.06 Addresses for Notices. All notices and other communications required or permitted to be given or made under this Agreement shall be given or made in writing, by physical (including by certified mail, return receipt requested or courier) or facsimile or electronic mail delivery to the address specified below or such other address as shall be designated in a notice in writing. Notices will be effective upon receipt.

If to JEA:

JEA
21 West Church Street (T-16)
Jacksonville, Florida 32202
Attn:

and with a copy to (which shall not constitute notice):

If to FPL:

Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
Attn: Vice President, Energy Marketing and Trading

with a copy to:

Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
Attn: General Counsel

8.07 Captions. The captions and section headings appearing in this Agreement are included solely for convenience of reference and shall not affect the interpretation of any provision of this Agreement.

8.08 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law while giving effect to the original intent of the Parties hereto. Any provision or part of any provision of this Agreement that is deemed prohibited or unenforceable by a court of competent jurisdiction shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability of any portion of a provision shall not invalidate or render unenforceable the remainder of such provision (in each case so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party). Upon such determination that any provision or part of any provision is prohibited or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

8.09 Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. This Agreement or any of the rights, interests or obligations of the Parties under this Agreement are not assignable (by contract, operation of Law or otherwise) without the prior written consent of the other Party, which such Party may withhold in its discretion, and any attempted assignment, without such consent, shall be null and void.

8.10 No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each Party hereto and their respective successors or permitted assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

8.11 Counterparts. This Agreement may be executed in any number of counterparts, including by facsimile or other electronic transmission, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument and all of which taken together shall constitute one and the same instrument and any of the Parties to this Agreement may execute this Agreement by signing any such counterpart.

8.12 Governing Law. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of Florida applicable to a contract executed and performed in such State, without giving effect to any choice of law or conflict of law rules or principles thereof that would require the application of the rules of another jurisdiction.

8.13 Consent to Jurisdiction.

(a) For all purposes of this Agreement, and for all purposes of any Action or Proceeding arising out of or relating to the transactions contemplated hereby or for recognition or enforcement of any judgment, each Party hereto submits to the personal jurisdiction of the courts of the State of Florida sitting in Duval County and the United States District Court for the Middle District of the State of Florida, and hereby irrevocably and unconditionally agrees that any such Action or Proceeding may be heard and determined in such Florida court or, to the extent permitted by law, in such federal court. Each Party hereto agrees that a final judgment in any such Action or Proceeding may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by Law.

(b) Each Party hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so:

(i) any objection which it may now or hereafter have to the laying of venue of any Action or Proceeding arising out of or relating to this Agreement or any related matter in any Florida state court located in Duval County or the United States District Court for the Middle District of the State of Florida; and

(ii) the defense of an inconvenient forum to the maintenance of such Action or Proceeding in any such court.

(c) Each Party hereto irrevocably consents to service of process by registered mail, return receipt requested, as provided in Section 14.07. Nothing in this Agreement will affect the right of any Party hereto to serve process in any other manner permitted by Law.

8.14 Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR INTERPRET THE PROVISIONS OF THIS AGREEMENT OR THAT OTHERWISE RELATES TO OR ARISES OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF THE PARTIES IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT HEREOF OR THEREOF (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE).

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each Party hereto as of the date first above written.

JEA

By:

Name:

Title:

**FLORIDA POWER & LIGHT
COMPANY**

By:

Name:

Title:

Scherer Transaction - Financial Summary

(NPV \$ in millions)

20 Year Cost to Operate

<i>Debt Service</i>	\$74.3	
<i>O&M</i>	\$146.5	
<i>Capital</i>	\$137.5	
<i>Transmission</i>	\$82.9	
<i>Fuel Cost</i>	\$567.5	
<i>Ash Cost</i>	\$37.1	
<i>Decommissioning Cost</i>	\$34.4	
Total Cost to Operate	<u>\$1,080.1</u>	<u>\$1,080.1</u>

Cost of Replacement Power

Power Purchase Agreement

<i>Capacity Charge</i>	(\$228.3)	
<i>Gas Charge</i>	(\$406.4)	
<i>Variable O&M</i>	(\$24.1)	
<i>Transmission</i>	(\$124.2)	
Subtotal	<u>(\$783.1)</u>	

Ongoing/Deferred Ownership Costs

<i>Scherer Fixed</i>	(\$59.7)	
<i>Ash Cost</i>	(\$36.3)	
<i>Decommissioning Cost</i>	(\$35.7)	
<i>Debt Service</i>	(\$74.3)	
Subtotal	<u>(\$206.0)</u>	
Total	<u>(\$989.0)</u>	<u>(\$989.0)</u>

Net Transaction Value	\$91.1
Cooperation Agreement Consideration	<u>\$100.0</u>
Total Transaction Value	<u><u>\$191.1</u></u>

COOPERATION AGREEMENT

by and between

FLORIDA POWER & LIGHT COMPANY

and

JEA

Dated as of June [], 2020

DRAFT

COOPERATION AGREEMENT

This **COOPERATION AGREEMENT** is made as of June [], 2020 (this “Agreement”), by and between Florida Power & Light Company, a corporation organized and existing under the laws of the State of Florida (“FPL”), and JEA, a body politic and an independent agency of the City of Jacksonville, Florida, organized and existing under the laws of the State of Florida (“JEA”). Each of FPL and JEA shall be referred to herein as a “Party” and together as the “Parties.”

WITNESSETH:

WHEREAS, FPL and JEA are party to that certain Plant Robert Scherer Unit Number Four Amended and Restated Purchase and Ownership Participation Agreement among Georgia Power Company (“GPC”), FPL and JEA (f/k/a Jacksonville Electric Authority), dated as of December 31, 1990 (the “Ownership Agreement”); and

WHEREAS, pursuant to the Ownership Agreement, the Parties jointly own Plant Robert W. Scherer Unit No. 4 (“Unit No. 4”) an [850 MW coal fired generating unit] with FPL owning a 76.36 a seventy-six and thirty-six one-hundredths percent (76.36%) undivided interest and JEA owning a twenty-four and sixty-four one-hundredths percent (23.64%) undivided interest; and

WHEREAS, FPL owns a thirty-eight and eighteen one-hundredths percent (38.18%) undivided interest in the “Additional Unit Common Facilities” (as defined in the Ownership Agreement), and JEA owns a twelve and thirty-two one-hundredths percent (12.32%) undivided interest in the Additional Unit Common Facilities; and

WHEREAS, FPL owns a nineteen and nine one-hundredths percent (19.09%) undivided interest in the “Plant Scherer Common Facilities” (as defined in the Ownership Agreement), and JEA owns a six and sixteen one-hundredths percent (6.16%) undivided interest in the Additional Unit Common Facilities; and

WHEREAS, each of FPL and JEA have its own “Separate Coal Stockpile” (as defined in the Ownership Agreement); and

WHEREAS, each of FPL and JEA own a portion of the Plant Scherer materials and spares inventory the “M&S Inventory”; and

WHEREAS, to finance its ownership of Unit No. 4, JEA issued and sold revenue bonds (the “Bonds”) pursuant to that certain Restated and Amended Bulk Power Supply System Revenue Bond Resolution Adopted November 18, 2008 as amended through March 26, 2014 (the “Bond Resolution”), and

WHEREAS, the Parties now agree that it is in the best interest of their customers to explore the retirement Unit No. 4, to cease their use of the Additional Unit Common Facilities and Plant Scherer Common Facilities. (“Proposed Retirement”).

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of

which are hereby acknowledged, and intending to be legally bound, the Parties hereto agree as follows:

**Article I
PROPOSED RETIREMENT**

1.01 Proposed Transaction.

(a) The Parties shall cooperate, in good faith, in a joint effort to consummate the Proposed Retirement.

**Article II
NO REQUIREMENT TO TRANSACT**

2.01 Unless and until a definitive agreement regarding the Proposed Retirement has been executed, neither Party will be under any legal obligation whatsoever with respect to the any Proposed Retirement by virtue of this Agreement except for the matters specifically agreed to in herein.

2.02 Each Party reserves the right, in its sole discretion, to reject any and all proposals made by the other with regard to the Proposed Retirement and to terminate discussions and negotiations with the other Party at any time.

**Article III
COVENANTS OF THE PARTIES**

3.01 Joint Pre-Retirement Obligations. In order to facilitate the Proposed Retirement, each Party covenants that it shall:

(a) provide reasonable access to information with respect to its portion of the Undivided Interests, as requested by the other Party;

(b) participate in good faith negotiations of any documentation required to effectuate the Proposed Retirement;

(c) cooperate, as reasonably requested by the other Party, in any governmental proceedings associated with the Proposed Retirement

3.02 Joint Post-Retirement Obligations. Each Party covenants that following consummation of the Proposed Retirement it shall:

(a) continue to make any payments required of it pursuant to the Ownership Agreement; and

(b) [cooperate in the coordination of activities related to minimizing Post-Retirement costs related to the Parties' continued ownership].

**Article IV
TRANSACTION SUPPORT**

4.01 Consummation Payment. Concurrent with the consummation of the Proposed Retirement and the satisfaction of the condition set forth in Section 5.02, FPL shall pay an aggregate amount equal to [AMOUNT] Dollars (\$[AMOUNT]) (such amount, the “Consummation Payment”), which shall be used by JEA in its discretion to pay for JEA’s costs in completing the retirement of Unit No. 4, including, but not limited to the defeasance the outstanding Bonds.

4.02 Replacement Power. In order to provide JEA with energy and capacity to replace the energy and capacity it had been receiving from Unit No. 4, Concurrent with the delivery of the Consummation Payment, JEA and FPL shall execute a power purchase agreement materially on the terms set forth in Exhibit A hereto.

**Article V
REPRESENTATIONS AND WARRANTIES OF JEA**

JEA hereby represents and warrants to FPL as follows as of the date hereof, the Shutdown Date and the Closing Date:

5.01 Legal Existence; Power. JEA is a body politic and an independent agency of the City of Jacksonville, Florida, organized and existing and in good standing under the laws of the State of Florida. JEA has all requisite right, power and authority and full legal capacity to execute and deliver this Agreement and to perform its obligations hereunder, including the consummation of the transactions contemplated hereby.

5.02 Authority. The execution and delivery by JEA of this Agreement, the performance by JEA of its obligations under this Agreement and the consummation by JEA of the transactions contemplated hereby have been duly and validly authorized by all necessary action of JEA, including by JEA’s Board of Directors. This Agreement has been duly and validly executed and delivered by JEA and (assuming the due authorization, execution and delivery thereof by FPL) constitutes the legal, valid and binding obligation of JEA enforceable against JEA in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar Laws of general applicability related to or affecting creditors’ rights, and to general equitable principles, including specific performance and injunctive and other forms of equitable relief).

5.03 No Conflicts. The execution and delivery by JEA of this Agreement, the performance by JEA of its obligations under this Agreement and the consummation by JEA of the transactions contemplated hereby do not and will not (with or without notice or lapse of time, or both): (a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the bylaws, or other organizational or governing documents, of JEA, (b) conflict with or result in a violation or breach of any term or provision of any Law or Order applicable to JEA, or (c) conflict with the Bond resolution or any covenant found therein.

5.04 Compliance with Laws. JEA is not in violation of or in default under any Law or Order applicable to JEA, the effect of which, in the aggregate, would prevent or materially impair or delay JEA from performing its obligations hereunder.

5.05 Bankruptcy. There are no bankruptcy, reorganization, or arrangement proceedings pending against, being contemplated by, or to the knowledge of JEA, threatened against JEA.

Article VI

REPRESENTATIONS AND WARRANTIES OF FPL

FPL hereby represents and warrants to JEA as follows as of the date hereof, the Shutdown Date and the Closing Date:

6.01 Legal Existence; Power. FPL is a corporation duly formed, validly existing and in good standing under the Laws of the State of Florida. FPL has all requisite right, power and authority and full legal capacity to execute and deliver this Agreement and to perform its obligations hereunder, including the consummation of the transactions contemplated hereby.

6.02 Authority. The execution and delivery by FPL of this Agreement, the performance by FPL of its obligations under this Agreement and the consummation by FPL of the transactions contemplated hereby have been duly and validly authorized by all necessary action of FPL. This Agreement has been duly and validly executed and delivered by FPL and (assuming the due authorization, execution and delivery thereof by JEA) constitutes the legal, valid and binding obligation of FPL enforceable against FPL in accordance with its terms (except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar Laws of general applicability related to or affecting creditors' rights, and to general equitable principles, including specific performance and injunctive and other forms of equitable relief).

6.03 No Conflicts. The execution and delivery by FPL of this Agreement, the performance by FPL of its obligations under this Agreement and the consummation by FPL of the transactions contemplated hereby do not and will not (with or without notice or lapse of time, or both): (a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the bylaws, or other organizational or governing documents, of FPL and (b) conflict with or result in a violation or breach of any term or provision of any Law or Order applicable to FPL.

6.04 Compliance with Laws. FPL is not in violation of or in default under any Law or Order applicable to FPL, the effect of which, in the aggregate, would prevent or materially impair or delay FPL from performing its obligations hereunder.

6.05 Bankruptcy. There are no bankruptcy, reorganization, or arrangement proceedings pending against, being contemplated by, or to the knowledge of FPL, threatened against, FPL.

**Article VII
TERMINATION**

7.01 Termination. This Agreement may be terminated, and the potential transactions contemplated hereby may be abandoned, by mutual written consent of FPL and JEA, or at any time by written notice from either Party to the other Party.

**Article VIII
MISCELLANEOUS**

8.01 Entire Agreement. This Agreement (together with the Ancillary Agreements) supersedes all prior discussions and agreements between the Parties with respect to the subject matter hereof, and contains the sole and entire agreement between the Parties hereto with respect to the subject matter hereof.

8.02 Confidentiality. Each Party shall hold, and shall use all commercially reasonable efforts to cause its Affiliates and Representatives to hold, in strict confidence, all documents and information concerning the other Party or any of its Affiliates furnished to it by the other Party or such other Party's Affiliates or Representatives in connection with this Agreement or the potential transactions contemplated hereby, provided, that nothing in this Section 8.02 shall limit the disclosure by any Party of any documents or information (a) to its Affiliates and Representatives to the extent reasonably necessary or advisable in connection with the consummation of the transactions contemplated hereby, (b) to the extent required by Law or Order, including but not limited to Florida Sunshine Laws, (c) to the extent reasonably necessary in an Action or Proceeding brought by a Party in pursuit of its rights or in the exercise of its remedies under this Agreement or the transactions contemplated hereby, (d) to the extent that such documents or information can be shown to have come within the public domain, other than in connection with any required submission seeking any Governmental or Regulatory Approval that is filed as confidential (including any redacted information), through no action or omission of the disclosing Party or its Affiliates or Representatives, and (e) later acquired by the receiving Party from another source if the receiving Party is not aware that such source is under an obligation to keep such documents and information confidential. Notwithstanding anything contained herein, this Section 8.02 shall remain in full force and effect following the execution of this Agreement and shall survive any termination of this Agreement in accordance with its terms. Notwithstanding the foregoing, FPL acknowledges that meetings of JEA's Board of Directors are duly noticed public meetings and that JEA will provide this Agreement and the Ancillary Agreements to its Board of Directors in connection with such public setting.

8.03 Public Announcements. Except as may be required by Florida Sunshine Laws, so long as this Agreement is in effect, neither Party shall, and shall use all reasonable best efforts to cause their respective Representatives not to, issue or make any reports, statements, comments whether in response to any inquiry or otherwise, or releases to the public or generally to the employees with respect to this Agreement or the transactions contemplated hereby without the consent of the other, such consent not to be unreasonably withheld, conditioned or delayed. FPL acknowledges that JEA is subject to Florida Sunshine Laws, and as such, meetings of its Board of Directors are duly noticed public meetings, and such discussion are exempt from this clause.

8.04 No Waiver. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion.

8.05 Amendments. Any provision of this Agreement may be modified, supplemented or waived only by an instrument in writing duly executed by FPL and JEA. Any such modification, supplement or waiver shall be for such period and subject to such conditions as shall be specified in the instrument effecting the same and shall be binding upon each of FPL and JEA, and any such waiver shall be effective only in the specific instance and for the purposes for which given.

8.06 Addresses for Notices. All notices and other communications required or permitted to be given or made under this Agreement shall be given or made in writing, by physical (including by certified mail, return receipt requested or courier) or facsimile or electronic mail delivery to the address specified below or such other address as shall be designated in a notice in writing. Notices will be effective upon receipt.

If to JEA:

JEA
21 West Church Street (T-16)
Jacksonville, Florida 32202
Attn:

and with a copy to (which shall not constitute notice):

If to FPL:

Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
Attn: Vice President, Energy Marketing and Trading

with a copy to:

Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
Attn: General Counsel

8.07 Captions. The captions and section headings appearing in this Agreement are included solely for convenience of reference and shall not affect the interpretation of any provision of this Agreement.

8.08 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law while giving effect to the original intent of the Parties hereto. Any provision or part of any provision of this Agreement that is deemed prohibited or unenforceable by a court of competent jurisdiction shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement, and any such prohibition or unenforceability of any portion of a provision shall not invalidate or render unenforceable the remainder of such provision (in each case so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party). Upon such determination that any provision or part of any provision is prohibited or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

8.09 Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. This Agreement or any of the rights, interests or obligations of the Parties under this Agreement are not assignable (by contract, operation of Law or otherwise) without the prior written consent of the other Party, which such Party may withhold in its discretion, and any attempted assignment, without such consent, shall be null and void.

8.10 No Third-Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each Party hereto and their respective successors or permitted assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

8.11 Counterparts. This Agreement may be executed in any number of counterparts, including by facsimile or other electronic transmission, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument and all of which taken together shall constitute one and the same instrument and any of the Parties to this Agreement may execute this Agreement by signing any such counterpart.

8.12 Governing Law. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of Florida applicable to a contract executed and performed in such State, without giving effect to any choice of law or conflict of law rules or principles thereof that would require the application of the rules of another jurisdiction.

8.13 Consent to Jurisdiction.

(a) For all purposes of this Agreement, and for all purposes of any Action or Proceeding arising out of or relating to the transactions contemplated hereby or for recognition or enforcement of any judgment, each Party hereto submits to the personal jurisdiction of the courts of the State of Florida sitting in Duval County and the United States District Court for the Middle District of the State of Florida, and hereby irrevocably and unconditionally agrees that any such Action or Proceeding may be heard and determined in such Florida court or, to the extent permitted by law, in such federal court. Each Party hereto agrees that a final judgment in any such Action

or Proceeding may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by Law.

(b) Each Party hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so:

(i) any objection which it may now or hereafter have to the laying of venue of any Action or Proceeding arising out of or relating to this Agreement or any related matter in any Florida state court located in Duval County or the United States District Court for the Middle District of the State of Florida; and

(ii) the defense of an inconvenient forum to the maintenance of such Action or Proceeding in any such court.

(c) Each Party hereto irrevocably consents to service of process by registered mail, return receipt requested, as provided in Section 8.0614.07. Nothing in this Agreement will affect the right of any Party hereto to serve process in any other manner permitted by Law.

8.14 Waiver of Jury Trial. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR INTERPRET THE PROVISIONS OF THIS AGREEMENT OR THAT OTHERWISE RELATES TO OR ARISES OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF THE PARTIES IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT HEREOF OR THEREOF (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE).

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officer of each Party hereto as of the date first above written.

JEA

By: _____
Name:
Title:

FLORIDA POWER & LIGHT COMPANY

By: _____
Name:
Title:



Proprietary and Confidential



20 Year Intermediate Hybrid Capacity & Energy Indicative Term Sheet

Date: 6/23/2020

Seller: Florida Power & Light
Buyer: JEA
Term: January 1, 2022 (or earlier if desired, such date the “Initial Delivery Date”) through December 31, 2042 (20 Years)
Product: Day-ahead call option on Intermediate Capacity and Energy sourced from FPL’s system of generation.

Capacity: 200 MW

Monthly Capacity

Payment: The Monthly Capacity Payment (MCP) for each Monthly Billing Period shall be determined according to the following formula:

$$MCP = \blacksquare$$

Monthly Energy

Payment: Under normal circumstances, the Monthly Energy Payment (MEP) for each Monthly Billing Period shall be determined according to the following formula:

$$MEP = [\sum_{k=1}^n (ED_k * GHR_k * GI)] + [\sum_{k=1}^n (ED_k * VOM)]$$

Where:

ED = the hourly Energy Delivered for hour k of the Monthly Billing Period, expressed in MWh, not to exceed 200 MW in any given hour.

GHR = Guaranteed Heat Rate shall be \blacksquare MMBtu/MWh.

GI = the daily midpoint price of natural gas (expressed in \$/MMBtu) for the relevant day of delivery of energy for Louisiana-Onshore South Florida Gas, Zone 3, as published in Platt’s Gas Daily Price Survey, plus the Florida Gas Transmission (“FGT”) fuel loss factor, the FGT average usage charge from the applicable FGT tariff, and a \blacksquare MMBtu demand charge. In the event that no such price is published for the relevant Delivery Day, then the following shall be used: (a) the arithmetic average of the daily midpoint price (expressed in \$/MMBtu) of the last published price prior to and the next published price after the relevant day of delivery of energy.

VOM = The Variable Operations and Maintenance charge shall be \blacksquare /MWh.

n = The number of hours in the Monthly Billing Period.

This proposal is subject to prior sale and is not intended to be a binding offer or contract for the purchase and/or sale of electric energy or capacity. Moreover, neither party is obligated to enter into any agreement or to proceed with any possible relationship or transaction. Either party may terminate discussions and/or negotiations regarding this document at any time. The terms and conditions set forth above are subject to negotiation, completion and incorporation into a definitive agreement which is executed by the parties respective managements. Mutually acceptable counterparty credit facilities must also be in place.



Proprietary and Confidential



k = Each hour for the Monthly Billing Period.
Should an event on FPL’s system result in FPL activating its Commercial and Industrial Load Management program during certain hours, then for those hours the following changes to the calculation of the Monthly Energy Payment shall apply:

GHR = the Guaranteed Heat Rate shall be [REDACTED] MMBtu/MWh.

VOM = the Variable Operations and Maintenance charge shall be [REDACTED]/MWh.

Buyer has the option to cancel the Schedule for Energy during the hours that FPL activates Commercial and Industrial Load Management.

- Delivery Point:** Seller shall deliver the Capacity and Energy to the FPL Transmission system.
- Transmission:** Buyer shall be responsible and pay for transmission service from the Delivery Point.
- Firmness:** The level of firmness shall be equal to FPL’s native load customers (i.e. Native Load Firm).
- Scheduling:** On or before 0830 a.m. (EPT) of the prior Business Day, Buyer shall provide Seller its Schedule for Energy for each hour of the applicable Delivery Day, including any intervening non-Business Days. If Seller does not receive notification of a schedule request from Buyer prior to the Scheduling Deadline, then Buyer's Schedule for Energy shall be deemed to be zero (0) MW for all hours of the applicable Delivery Day. Buyer shall be allowed one (1) intraday schedule change by providing at least two (2) hours’ notice prior to the change.
- Fuel:** Seller shall procure and schedule any and all Natural Gas to fulfill Buyers Schedule for Energy.
- Solar Option:** At any time after the Initial Delivery Date, Buyer may request, and if requested, Seller shall provide, pricing proposals for the conversion of the agreement from one based upon delivery of energy and capacity from a Natural Gas fired power plant to one based upon delivery of energy and capacity from one or more solar energy facilities, with such conversion to begin no earlier than the 10th anniversary of the Initial Delivery Date, unless otherwise agreed by both parties. Any such pricing proposals will maintain, in principal, the economic benefits derived by the Buyer and Seller pursuant to the original agreement. If after receipt of the proposals Buyer so desires, the Seller agrees to negotiate in good faith to amend the agreement to reflect such proposal.

This proposal is subject to prior sale and is not intended to be a binding offer or contract for the purchase and/or sale of electric energy or capacity. Moreover, neither party is obligated to enter into any agreement or to proceed with any possible relationship or transaction. Either party may terminate discussions and/or negotiations regarding this document at any time. The terms and conditions set forth above are subject to negotiation, completion and incorporation into a definitive agreement which is executed by the parties respective managements. Mutually acceptable counterparty credit facilities must also be in place.



Proprietary and Confidential



Approval: FPL Senior Management approval is required prior to the execution of any negotiated agreement.

This proposal is subject to prior sale and is not intended to be a binding offer or contract for the purchase and/or sale of electric energy or capacity. Moreover, neither party is obligated to enter into any agreement or to proceed with any possible relationship or transaction. Either party may terminate discussions and/or negotiations regarding this document at any time. The terms and conditions set forth above are subject to negotiation, completion and incorporation into a definitive agreement which is executed by the parties respective managements. Mutually acceptable counterparty credit facilities must also be in place.

**NON-BINDING TERM SHEET
CONFIDENTIAL AND PROPRIETARY
DO NOT DISCLOSE**

Seller (Floating Price Payer):	NextEra Energy Marketing, LLC (“ <u>NEM</u> ”)
Buyer (Fixed Price Payer):	JEA
Governing Agreement:	The transaction will be documented as a transaction confirmation (“ <u>Confirmation</u> ”) under an ISDA Master Agreement with Schedule (“ <u>Master Agreement</u> ”). The Confirmation and Master Agreement will be executed concurrently.
Product:	Financially Settled Natural Gas
Term:	January 1, 2022 through December 31, 2031 (inclusive)
Calculation Period:	Each day during the Term
Determination Period:	Each calendar month during the Term
Calculation Agent:	NEM
Notional Quantity:	██████ MMBtu/Day
Floating Price:	For each Calculation Period, the price in U.S. Dollars per MMBtu equal to the final settlement price for the last trading day of the NYMEX (Henry Hub) Natural Gas Futures contract for such Calculation Period, as made public by NYMEX.
Fixed Price:	[to be inserted]
Monthly Settlement:	<p>For each Calculation Period, the Calculation Agent will calculate a settlement amount equal to (i) the Notional Quantity times (ii) (the Floating Price <i>minus</i> the Fixed Price). The settlement amounts for all Calculation Periods during the Determination Period shall be aggregated into a single net amount (the “<u>Net Settlement Amount</u>”).</p> <p>If the Net Settlement Amount is positive, NEM shall be obligated to pay JEA the Settlement Amount. If the Net Settlement Amount is negative, JEA shall be obligated to pay NEM the absolute value of the Net Settlement Amount.</p>
Net Settlement Amount Payment Date:	The 10 th Local Business Day of the calendar month following each Determination Period. NEM will provide JEA written statement setting for the calculation of the Settlement Amount for the relevant Determination Period.
Disclaimer:	This Term Sheet is subject to prior sale and is not intended to be a binding offer or contract for the purchase and/or sale of natural gas. Moreover, neither party is obligated to enter into any agreement or to proceed with any possible relationship or transaction. Either party may terminate discussions and/or negotiations regarding this document at any time. The terms and conditions set

	forth above are subject to negotiation, completion and incorporation into a definitive agreement which is executed by the parties' respective managements. Mutually acceptable counterparty credit facilities must also be in place.
Confidentiality:	Each of NEM and JEA shall treat the existence of this term sheet, its contents, discussions regarding same and any information disclosed to it by the other party, pursuant to this term sheet, as confidential information.

Scherer Unit 4

June 26, 2020





Plant Scherer

June 26, 2020

> Summary

- **Retirement of Scherer Unit 4 Provides Benefits in the Following Areas:**
 - **Financial**
 - **Operational**
 - **Environmental**



Plant Scherer

June 26, 2020



> Background

Robert W. Scherer Electric Generating Facility

- ❖ Plant Scherer is the largest coal plant in the country, comprised of four, 848 MW units
- ❖ Plant is located in Macon, Georgia, and operated by Georgia Power
- ❖ Unit is fueled with Powder River Basin coal from Wyoming
- ❖ Unit 4 is currently jointly owned by JEA – 23.64% share, and Florida Power and Light – 76.36% portion – 198 MW Net MW to JEA
- ❖ Co-owners on the other three units include Georgia Power, Oglethorpe Power, MEAG, Gulf Power and the City of Dalton (GA)
- ❖ Long the lowest-cost dispatch unit, Scherer is now the most expensive dispatch unit
- ❖ Scherer faces an uphill battle with respect to environmental regulations, particularly those surrounding the management of coal ash

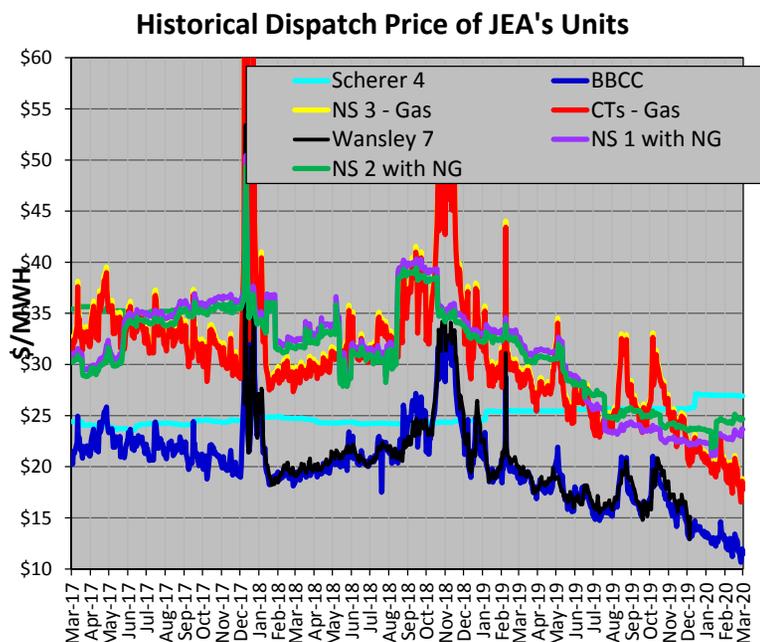


Plant Scherer

- ❖ Proposal has four main components:
 1. Retirement of Scherer Unit 4
 2. Replacement of Scherer Unit 4 capacity and energy with 20-year Power Purchase Agreement (“PPA”) for natural gas-fired system product from FPL
 3. 10-year natural gas hedge
 4. Avoidance of future environmental costs, R&R, etc. associated with Plant Scherer.
- ❖ Current Net Capital Asset Value of JEA’s share of Plant Scherer is approximately \$122M, representing 5% of JEA Electric System value
- ❖ Terms with FPL for the transaction are substantially complete.

June 26, 2020

Scherer 4 Retirement Proposal



- ❖ Scherer is now the most expensive dispatch unit – approximately \$6/MWh higher than Northside 1 and 2, over \$10/MWh higher than combined cycle energy
- ❖ Replace Scherer capacity and energy with system purchase from FPL – saving approximately \$8M/year
- ❖ Consideration for the JEA/FPL Cooperation Agreement includes cash compensation to JEA.
- ❖ Avoid costs associated with future upgrades and compliance capital expenditures
- ❖ Still responsible for current environmental conditions – *but we already are*

June 26, 2020



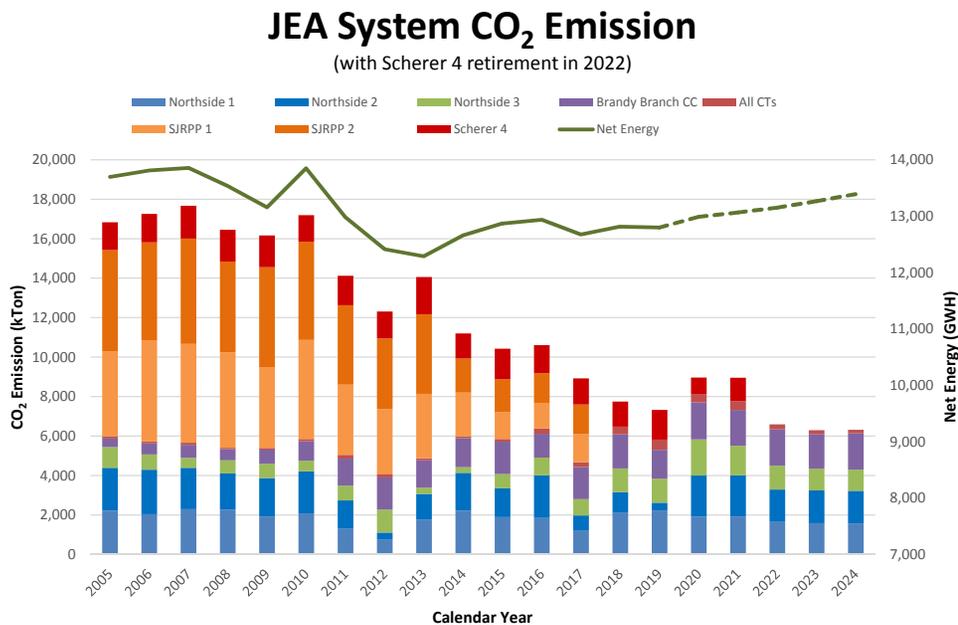


FPL Cape Canaveral 3x1 Combined Cycle

June 26, 2020

Operational

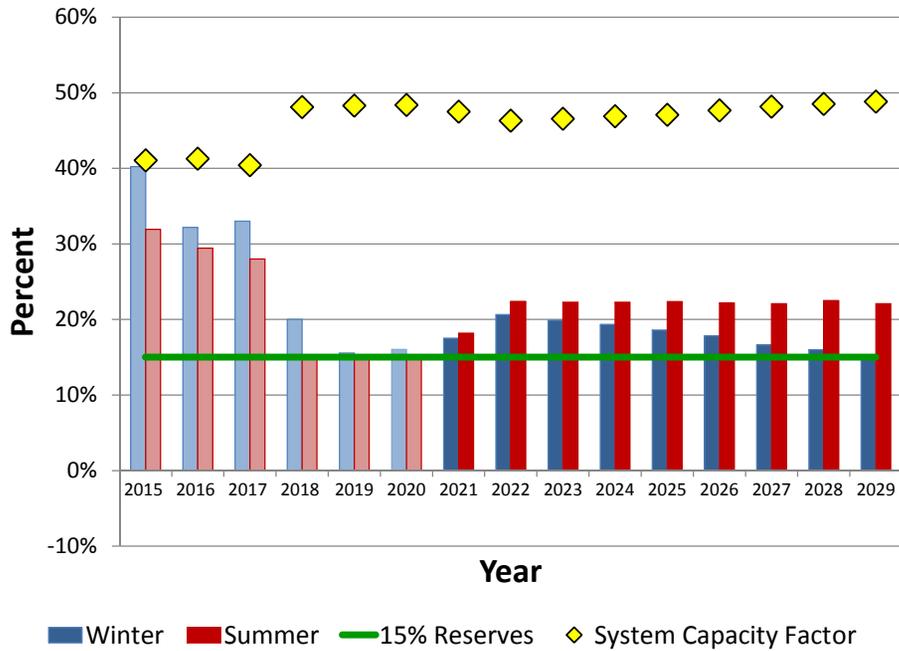
- ❖ Scherer Capacity and Energy to be replaced with “slice of system” product (20-year PPA) from FPL. Benefits include:
 - ❖ No outage schedule on system product
 - ❖ Diversifies generation (transmission from south)
 - ❖ We maintain transmission rights at FL/GA interconnection
 - ❖ Diversifies fuel supply (Sabal Trail pipeline)
 - ❖ Product will include all combined cycles on FPL’s fleet – most efficient/lowest cost units
 - ❖ No restrictions/must-run conditions on taking energy (e.g., currently, if either owner elects to operate the unit, the other owner must take at least their share of the minimum load.)
 - ❖ Option to convert to a solar energy facility based PPA after 10 years



June 26, 2020

Environmental

- ❖ Will avoid cost of future environmental upgrades. These are currently estimated to be as follows:
 - ❖ Effluent Limitations Guidelines (ELG) Cost
 - ❖ 2021-2024 - \$8.2M
- ❖ But remain obligated for the following environmental costs:
 - ❖ Ash Pond Cost
 - ❖ 2021-29 - \$30.2M
 - ❖ 2030-66 - \$19.2M
- ❖ Environmental Benefits of replacement product include:
 - ❖ Lower CO₂ emissions (projected 1.3M tons/year less emissions by 2024, a 64% reduction relative to the peak in 2007)



- ❖ Proposed Transaction has multiple benefits to JEA:
 - ❖ Delivers approximately \$___M NPV to our customers
 - ❖ Ability to defease outstanding Scherer debt
 - ❖ Replaces coal generation with lower cost and lower carbon alternatives
 - ❖ Increased availability (no outages to consider)
 - ❖ Avoids future Scherer environmental compliance costs
 - ❖ Lowers JEA’s CO₂ emissions

June 26, 2020

Conclusion

Next Steps:

- ❖ Authorize negotiation with FPL for the following:
 - ❖ Closure of Scherer Unit 4
 - ❖ Replacement 20-year PPA based upon natural gas-fired system product with option to convert to solar energy facility based PPA after 10 years
 - ❖ 10-year natural gas hedge
- ❖ These actions will require JEA Board Approval

June 26, 2020

 **Next Steps**