



E L E C T R I C

W A T E R

S E W E R

September 18, 2018

Via E-mail

Gregory P. Thompson
Chairman of the Board
MEAG Power
1470 Riveredge Parkway, N.W.
Atlanta, GA 30328-4640

Re: Plant Vogtle Additional Units 3 and 4 (Project)
Amended and Restated Power Purchase Agreement Between MEAG and JEA (PPA)

Dear Mr. Thompson:

I am writing to you in my capacity as Chairman of the Board of JEA. As public power entities, JEA and MEAG Power are uniquely positioned among the Vogtle parties to make decisions that are purely in the best interest of our customers and the communities we serve. We are not inherently conflicted by delivering investor returns to our shareholders. Instead, we can focus solely on delivering reliable, affordable essential services, particularly to those least able to afford them.

We appreciate the magnitude and difficulty of the decision before the MEAG Power Board, especially in light of how much time and money has already been poured into Plant Vogtle. But we in Jacksonville have 50,000 families that live at or below the poverty line to protect, making affordability an essential priority for us and our community. And for the vast majority of our customers, their monthly utility bill is a significant expense. JEA and MEAG Power have a responsibility to make decisions in the financial best interest of the communities we serve, even when those decisions are hard. And this decision is crystal clear: if MEAG Power's Board votes not to proceed with this Project, communities across Georgia, Alabama, and Florida could save at least \$2.5 billion when compared to at least one alternative power option we have identified: money that makes a meaningful difference in the lives of the people we serve.

The choices made this week will endure long past our own lifetimes. These are choices with which our children and our grandchildren will have to live. Choose affordability; vote no.

To better inform your vote, allow me to share the following facts which inform JEA's position that the Project should not proceed.

First, JEA has secured a firm term sheet for 206MW of energy and capacity at a fixed price through 2042 ("JEA Replacement Offer") that, if JEA were to accept the offer, would save JEA customers over \$1.1 billion if the Project is abandoned and those savings include JEA continuing to pay for

Project sunk costs. The JEA Replacement Offer, the mismanagement of the Project, and the state of the current technology and generation market are three major points of consideration JEA's Board has utilized to cement our current position on the Project.

Second, in the spirit of partnership and for the benefit of MEAG's ratepayers, JEA has also secured a term sheet offer for 294MW of energy and capacity at a fixed price through 2042 ("MEAG Replacement Offer"). The capacity and energy under the JEA Replacement Offer and MEAG Replacement Offer is to be supplied by a proven and fully operational generating facility located in Georgia with full standby redundancy. It does not depend on unproven technology and is not subject to construction completion risk. Based upon the MEAG Replacement Offer and MEAG's financial projections provided to JEA on August 31, 2018, cancellation of the Project, repayment of the sunk Project costs and **acceptance of the JEA Replacement Offer and the MEAG Replacement Offer would result in savings in excess of \$2.5 billion** to MEAG, JEA and PowerSouth Energy Cooperative. MEAG alone would save more than **\$800 million** over the initial 20-year life of the PPA. These savings assume the payment of scheduled debt service requirements by MEAG, PowerSouth, and JEA on all Project J and Project P borrowings to date.

To illustrate the value of the savings under the MEAG Replacement Offer, MEAG's fixed contractual rate would have to exceed \$133 per MWh over the remaining 20 years for the MEAG Replacement Offer to be uneconomical relative to proceeding with the completion of the Project. This represents a greater than **350% increase** to current market rates in an environment where numerous forces, including advancements in renewables and storage, are driving prices down. Please note these savings assume the Project is completed in 2021/2022 at a total cost of more than \$30 billion (based on JEA's estimate from information provided by MEAG on August 31, 2018), a questionable assumption given that cost and schedule estimates for the Project to date have been and continue to be incorrect.

One additional fact that MEAG's Board should consider is the current 2018 cost of utility scale solar of approximately \$30 per MWh¹. The current 2018 cost of utility scale storage is approximately \$85 per MWh². The aggregate, carbon-free cost of energy, based on storing half the output of the solar, is estimated at \$73 per MWh. Costs for both solar and storage have dropped significantly over recent years and prices are expected to continue to drop, a fact that is in stark contrast to the megawatt price that will result from the Project. The \$800 million saved by MEAG with the MEAG Replacement Offer, over the initial 20-year period, would provide more than enough capital to pay for more future annual solar generation at utility scale than the annual output of MEAG's current entire system. Any argument that carbon free energy and capacity in 2042 would not otherwise be available or cost justifiable is without merit.

¹ Based on JEA's actual solar pricing plus land and interconnect costs, including investment tax credit awarded in March 2018.

² Based on GTM Research US Energy Storage Monitor: Q3 2018 Executive Summary - \$225/kWh cost of 4-hour storage, assuming 80% depth of discharge, 90 percent efficiency, and a 20-year battery life.

This MEAG Replacement Offer eliminates any doubt for MEAG and its Board of Directors as to the appropriateness of voting to abandon the Project. A decision to continue with the Project is a decision to impose at least \$2.5 billion of unnecessary costs on MEAG's Participants and their customers, PowerSouth and JEA, and is contrary to prudent utility practice. Moreover, JEA believes a decision to proceed in the face of this MEAG Replacement Offer would be a breach of the MEAG Board's duties to its Participants and their customers and a breach of MEAG's duties to JEA under the PPA.

In light of the foregoing, I would respectfully ask that you and your fellow directors on the MEAG Board carefully consider your vote on whether to continue the Project. The duties you owe to your Participants and their respective customers parallel the duties owed by JEA to its customers. JEA believes it would be a breach of your duty to your Participants and their customers to vote in favor of continuing construction of the Project based on the following facts:

- Estimated costs of the Project have increased from \$14.5 billion to over \$30 billion (based on JEA's estimates) in 18 months and there is no guarantee the Project costs will not continue to increase;
- The lack of Project controls as demonstrated by the additional \$2.3 billion in cost overruns announced only six months after the Owners expressed confidence regard completion costs and timing to the Georgia PSC and the public;
- JEA has obtained formal term sheets for the JEA Replacement Power and the MEAG Replacement Offer that could save over \$2.5 billion for MEAG, JEA and PowerSouth as opposed to the cost of completing the Project; and,
- The cost of carbon free and renewable power in the 2018 market is, and in 2042 will more than likely be, at or below the current cost of the Project and continuing to decline on an annual basis.

You are no doubt aware of the lawsuits filed by each of JEA and MEAG against the other. JEA does not take the decision to litigate lightly. However, after receiving zero responses from any of the Project Owners to two separate written requests attached hereto, we felt compelled to act to safeguard the interests of our customers and investors. I am hopeful that a commercial solution can yet be reached that will bring a swift end to the pending litigation.

Finally, JEA filed a petition today with the Federal Energy Regulatory Commission (FERC) for FERC to assert jurisdiction over the PPA. We have asked FERC to find that MEAG was obligated under the Federal Power Act (FPA) to submit the PPA to the Commission for review upon execution and to direct MEAG to promptly make a filing under Section 205 of the FPA seeking approval of the PPA. MEAG will then have the burden of proving that the terms, conditions and rates in the PPA are just and reasonable. We do not believe MEAG can meet this burden.

I am happy to answer any questions you have regarding the foregoing and will make myself available to speak with you directly prior to MEAG Power voting on the Project. Further, if requested, JEA will provide MEAG a formal term sheet for the MEAG Replacement Offer at or prior to the MEAG Board meeting where it intends to take action related to voting on proceeding with the Project. It is my understanding that the MEAG Board plans to vote on this matter at its meeting on September 20, 2018. Please let me know of your availability for a meeting or call prior to the MEAG Power Board voting on this Project.

Sincerely,



G. Alan Howard
JEA Chairman of the Board

Cc: MEAG Board of Directors
Gary Smith, PowerSouth CEO
PowerSouth Board of Directors
Hon. Lenny Curry, Mayor, City of Jacksonville
Jacksonville City Council
JEA Board of Directors
Mr. Aaron Zahn, Interim Managing Director and CEO of JEA

Attached: First Letter Request
Second Letter Request

First Letter Request from September 5, 2018



ELECTRIC

WATER

SEWER

September 5, 2018

Via E-mail or Fascimile

Georgia Power Company
Paul Bowers, President and CEO
241 Ralph McGill Boulevard
Atlanta, GA 30308

Oglethorpe Power Corporation
Michael L. Smith, President and CEO
2100 East Exchange Place
Tucker, GA 30084-5336

Municipal Electric Authority of Georgia
James E. Fuller, President and CEO
1470 Riveredge Parkway, NW
Atlanta, GA 30328-4686

City of Dalton Georgia
Don Cope
1200 V.D. Parrott, Jr. Parkway
Dalton, GA 30721

Re: Plant Alvin W. Vogtle Additional Units 3 and 4 –
Request to Extend Participating Parties Vote to Continue to October
31, 2018

Dear Mr. Bowers, Mr. Smith, Mr. Fuller and Mr. Cope:

As you are aware, JEA and Municipal Electric Authority of Georgia ("MEAG") are parties to an Amended and Restated Power Purchase Agreement related to Plant Vogtle Units 3 & 4 ("Project"). As such, JEA has a significant interest in this Project and ensuring all interested parties reach an amicable and mutually agreeable resolution.

It is our understanding that the owners, Georgia Power, Oglethorpe Power Corporation, MEAG and City of Dalton ("Owners") are to vote on whether to continue with the Project on or before September 21, 2018 and that this date was selected primarily due to the timing of the U.S. Department of Energy's ("DOE") amended and restated loan guarantee (DOE Loan Guarantee). It is also JEA's understanding that DOE is willing to extend the date of the DOE Loan Guarantee closing consistent with an extension of the vote of the Owners.

JEA hereby requests that the Owners extend the formal vote, in accordance with Section 2.0 of the Agreement Regarding Additional Participating Party Rights, Amendment No. 3 to the Plant Alvin W. Vogtle Additional Units Ownership Agreement and Amendment No. 4 to the Plant Vogtle Owners Agreement Authorizing Development, Construction, Licensing and Operation of Additional Generating Units ("Owners Agreement") dated November 2, 2017, on whether to continue the Project, on or after October 31, 2018. JEA believes this postponement may provide sufficient time for all parties to have reasonable conversations and potentially reach a mutually agreeable resolution that benefits all of our interests.

Please acknowledge receipt of this request and indicate the willingness of the Owners to agree to the requested extension within 48 hours of receipt.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'AZ', with a stylized flourish extending to the right.

Aaron Zahn, Interim Managing Director and CEO

Cc: John Sneed, DOE Executive Director/Loan Programs Office
Dong K. Kim, DOE COO/Loan Programs Office
Peter M. Degnan, Esq., MEAG Senior VP & General Counsel
G. Alan Howard, Esq., JEA Chair
Allen Maines, Esq.
Jody L. Brooks, Esq., JEA Chief Legal Officer

Second Letter Request from September 8, 2018

September 8, 2018

Via E-mail

Georgia Power Company
Paul Bowers, President and CEO
241 Ralph McGill Boulevard
Atlanta, GA 30308

Oglethorpe Power Corporation
Michael L. Smith, President and CEO
2100 East Exchange Place
Tucker, GA 30084-5336

Municipal Electric Authority of Georgia
James E. Fuller, President and CEO
1470 Riveredge Parkway, NW
Atlanta, GA 30328-4686

City of Dalton Georgia
Tom Bundros, CEO
1200 V.D. Parrott, Jr. Parkway
Dalton, GA 30721

Re: Plant Alvin W. Vogtle Additional Units 3 and 4 – Second Request to Extend Vote
to Continue Project

Dear Mr. Bowers, Mr. Smith, Mr. Fuller and Mr. Bundros:

JEA and Municipal Electric Authority of Georgia (“MEAG”) are parties to an Amended and Restated Power Purchase Agreement relating to Plant Vogtle Units 3 & 4 (“Project”).

On August 17, 2018, JEA notified MEAG of its formal position that, due to the significant cost and schedule overruns, it was neither financially responsible nor consistent with prudent utility practice that the Project proceed. As such, JEA demanded MEAG use its ~23% position to “vote no” to proceeding with the Project. Our position on “voting no” to continuation of the Project remains consistent. JEA has a significant interest in this Project and in protecting the interest of its rate payers and investors.

We want to ensure all interested parties reach an amicable and mutually agreeable resolution on the decision of whether to proceed with the Project.

On September 5, 2018, I wrote to you and requested that your respective organizations, as the Owners of the Project, extend the scheduled vote to continue the Project from September 21, 2018 to October 31, 2018 (“Extension”). I requested the Extension in order to provide sufficient time

for all parties to discuss a reasonable commercial agreement. My letter on September 5, 2018, requested a response by end of business on September 7, 2018. As of today, September 8, 2018, JEA has not received a response to that correspondence from a single Owner.

This letter is a second request to the Owners to extend the vote to continue the Project.

JEA requests that the Owners confirm their agreement to extend the vote to continue the Project by 5:00 pm, September 11, 2018.

Very Truly Yours,

A handwritten signature in blue ink, appearing to be 'Aaron Zahn', with a stylized, cursive script.

Aaron Zahn, Interim Managing Director and CEO

Cc: Brian McCormack, U.S. Department of Energy Chief of Staff
John Sneed, DOE Executive Director/Loan Programs Office
Dong K. Kim, DOE COO/Loan Programs Office
Peter M. Degnan, Esq., MEAG Senior VP & General Counsel
G. Alan Howard, Esq., JEA Chair
Allen Maines, Esq.
Jody L. Brooks, Esq., JEA Chief Legal Officer