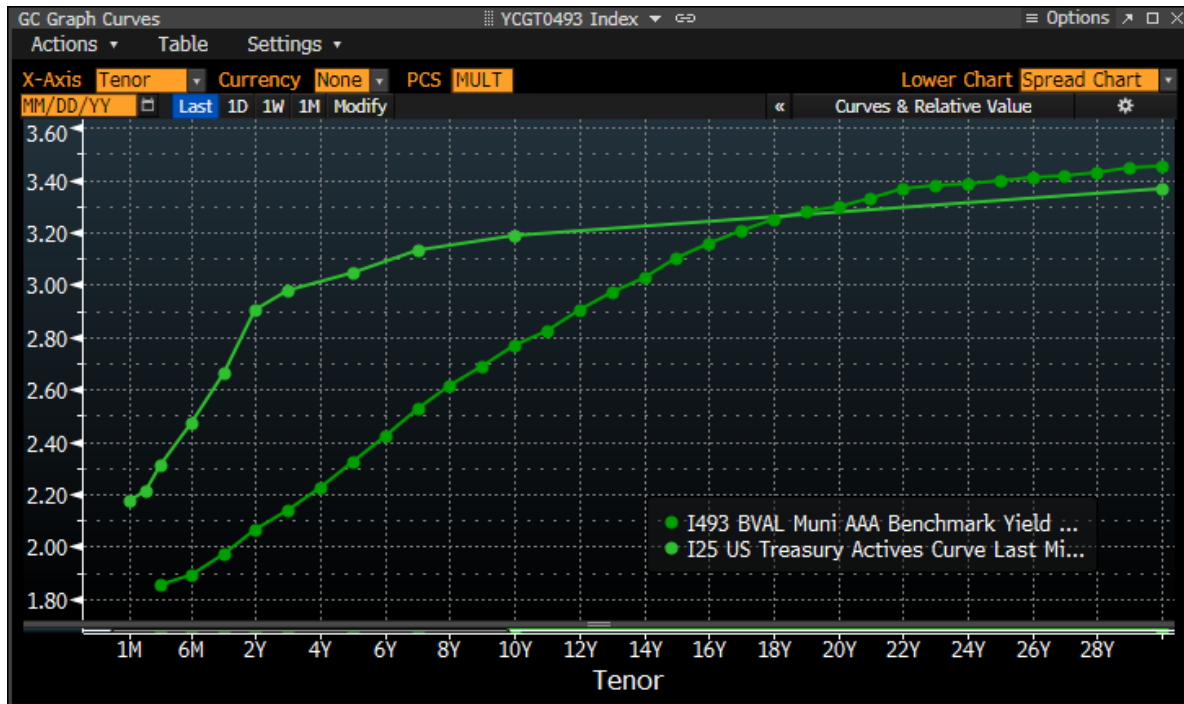




## Jacksonville Electric Downgraded

- Last Thursday evening Moody's downgraded both the Jacksonville Electric Authority (JEA) and the city of Jacksonville, FL three notches to A2 from Aa2 as a result of a lawsuit filed by JEA listing the city as a co-plaintiff to nullify a power purchase agreement (PPA) JEA entered into with GA Muni Electric in 2008.
- Moody's sees JEA's effort as an attempt to ring-fence debt tied to the Vogtle construction project, which it is. The city's rating was pulled down only as part of its participation in the lawsuit as co-plaintiff in addition to JEA being a component unit of the city itself. S&P recently downgraded JEA one notch to A+ citing the same reasons. Both Moody's and S&P have assigned negative outlooks to JEA as they both await what will become of the lawsuit.
- We believe the odds are good that the lawsuit will be withdrawn particularly now that it has affected the city's credit rating. Should the lawsuit continue, the existing PPA will likely be upheld as it has been before. All three rating agencies agree on this point. Further, in the very unlikely event the PPA gets nullified, the bonds that would be most affected would be the GA MEAG project J bonds, which we do not own.

## Municipal vs Treasury Yields



Source: Bloomberg

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