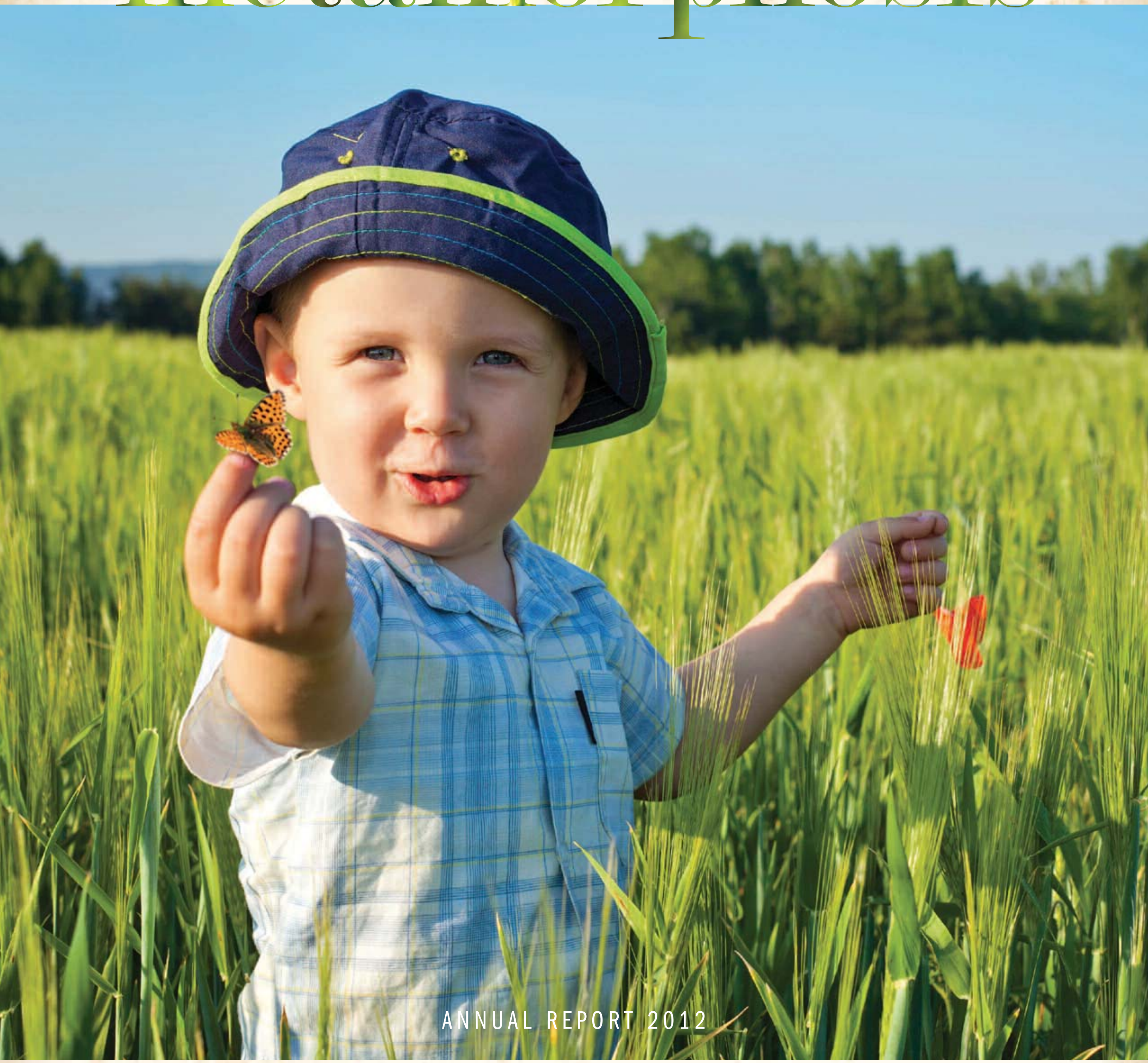
metamorphosis



ANNUAL REPORT 2012

JEA®

Building Community®

metamo

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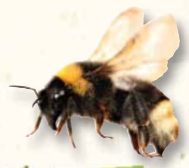


orphosis

Chair and CEO's Letter

Ashton Hudson,
Chair

Probably one of the biggest events that touched everyone in the company in 2012 is that Jim announced his retirement after eight years as Managing Director/CEO. In many ways FY12 was a capstone year for him because JEA marked its third straight year of operational excellence. In fact, JEA hit so many targets in so many departments in 2012 we'll need to create new ways to measure ourselves in the year ahead.

We have many good people doing many good things at JEA and Jim Dickenson is one of them. Thank you, Jim, for your extraordinary service to this extraordinary company. We ended the year, and your tenure, stronger than ever before and in the best possible position to face the years ahead.

Ashton Hudson
Chair

"Best" is not a word we use lightly at JEA. But 2012 presented us with many opportunities to use the word "best." It was our best operating year for the third year in a row. The reliability of our power plants was best-in-their-class. Our rate of recordable incidents, or safety rate, was one of the best in the nation. And, once again, we enjoyed one of the best bond ratings in the industry.

Indeed, JEA has gone through a metamorphosis over the years to bring us to this point. For example, in January 2006 JEA had just one day of cash on hand. It takes $3 million a day to run JEA. Six years later, as FY12 ended, we had 125 days of cash on hand, well-exceeding our target of 90 – 100 days.

Jim Dickenson,
Managing Director and CEO

Jim Dickenson
Managing Director and CEO

Board of Directors

Ron Townsend
Communications Consultant

Jim Gilmore, Secretary 10/1/11 – 2/29/12
Founding Partner, Infinity Global Solutions, LLC

Mike Hightower, Vice Chair
Vice President, Blue Cross and Blue Shield of Florida

Cynthia Austin, Secretary 3/1/12 – Present
Legal Director of Counsel, Broad and Cassel Law Firm

Lisa Strange Weatherby
First Vice President, Investments, Wells Fargo Advisors

Jay Fant

Not Shown: Charlie Appleby
Chairman & CEO, Advanced Disposal
2/17/12 – 9/24/12

Executive Management Team

Jim Dickenson, CEO and Managing Director; **James Chansler,** Chief Operating Officer; **Susan Hughes,** Chief Human Resources Officer; **Wanyonyi Kendrick,** Chief Information Officer; **Paul McElroy,** Chief Financial Officer; **Bud Para**, Chief Public Affairs Officer; **Mike Brost,** Vice President, Electric Systems; **Jon Eckenbach,** Vice President, Engineering Services; **Ted Hobson,** Vice President, Fuels, Purchased Power and Compliance; **Scott Kelly,** Vice President, Water and Wastewater Systems; **Athena Mann,** Vice President, Environmental Services; **Marlene Murphy-Roach,** Vice President, Customer Relationships; **Greg Perrine,** Vice President, Facilities and Logistics Services

metamorphosis

Metamorphosis is the physical process that transforms caterpillars into butterflies, tiny larvae into bees and tadpoles into frogs. It's a process that doesn't happen overnight, but in stages. We're applying the process of metamorphosis to JEA because in 2012 we watched ourselves grow into an even better version of ourselves. Just like those butterflies, bees and frogs, we adapted, developed and enhanced our core service areas to bring customers our best possible products at the lowest possible cost.

metamorphosis

Produced Rate Changes

Our 422,000 electric customers saw lower electric bills in FY12. The Board lowered the variable fuels rate, which meant the average residential customer using 1,250 kilowatt hours per month saved $4.14 on his or her bill starting in July 2012.

Metamorphosis Produced Rate Changes

We were able to cut the fuels rate and pass the savings on to customers because of the dramatic decrease in the price of natural gas. To give you an idea how fuel generation has changed at JEA, we need to go back to FY08, when natural gas accounted for just 14 percent of our power supply mix and solid fuels accounted for 80 percent. The rest, 6 percent, came from other sources. In FY12, however, those percentages were vastly different. Gas accounted for 39 percent of our power supply mix, while solid fuels accounted for 49 percent. The remainder, 12 percent, came from other sources like landfill gas, solar power and purchased power. Since we can burn either coal or natural gas now, we shop for fuel just like most folks shop for groceries: by price.

The Board also changed course on a planned increase in water and sewer fees for 67 percent of our customers. That increase was planned back in 2009

and scheduled to take effect October 1, 2012. But, the Board decided the increases weren't necessary and water and sewer fees remained steady for most of our 540,000 water and/or sewer customers. However, the Board sustained a planned volumetric rate increase to JEA water customers who use more than 6,000 gallons of water per month. This increase affected 33 percent of our residential water customers and all our commercial customers who exceed the 6,000 gallons threshold.

The outlook for rates on both sides of our business—electric and water and sewer—is stable. This will help support the community as it continues to recover from the recession.

JEA took a second step toward nuclear power in FY12. We reserved an option to buy partial ownership in a two-unit nuclear generation station to be built in Cherokee County, S.C. by Duke Energy. If we exercise this option, we'd get enough electricity from those units alone to power about 175,000 homes.

metamorphosis

Produced Operational Excellence

For the third year in a row, JEA demonstrated operational excellence companywide in FY12. In particular, we proved this excellence in two core areas: electric safety and reliability. On the safety side, our recordable incident rate (RIR) of 1.44 was one of the lowest in the nation, down considerably from the industry average RIR of 2.35. In terms of reliability, our power plants were best-in-class in 2012. The industry average for unit forced-outage rate is around 6 percent. Two percent is considered top decile performance. For FY12, every JEA generating unit performed better than 1 percent, with the exception of our combined-cycle unit at Brandy Branch and the St. Johns River Power Park Unit 1, which came in at 1.2 percent and 1.3 percent respectively – still top decile performance.

In 2012 we experienced five outages per customer over the course of the year. That's compared to six in FY11 and over 10 back in FY08. The typical JEA customer lost power for a total of 87 minutes. That's also down considerably from 110 minutes in FY11 and 135 minutes in FY08.

In May 2012, JEA won the prestigious Reliable Public Power Provider (RP3) designation from the American Public Power Association. We were honored for providing our customers with the highest degree of reliable and safe electric service. JEA was one of only 176 of the nation's more than 2,000 public power utilities to earn the RP3 designation.

Most importantly, because of our operational excellence, JEA was able to contribute a record $104.2 million to the City of Jacksonville's operating fund, along with over $39 million in franchise fees, plus $80.8 million in public services taxes. We managed to make this record contribution while still cutting 2012 payroll expenses to below 2008 levels and by collecting $125 million less from customers in FY12. JEA expects to increase its city contribution to $106 million in the fiscal year ahead.

metamorphosis

Produced Innovation

In FY12, JEA's Northside Generating Station (NGS) was recognized as one of the top six plants in the world by POWER Magazine, a magazine that's been considered the definitive information source for the power generation market for the last 130 years.

Metamorphosis Produced Innovation

We were recognized for our innovation and hard work after successfully fixing a complicated problem that plagued NGS with shutdowns for years. Rock hard ash would build-up on the boiler tubes causing poor performance. After many months of trying different solutions, JEA engineers realized the key to preventing this ash agglomeration was better airflow control around the boiler tubes. They also realized adding a specialized additive to the fuel as it's fed into the boiler helped a lot, too. It was a big problem for us, now proudly solved.

Innovation also brought new value to our customers in FY12, especially when it came to our website, jea.com. We wanted to make the site more effective in meeting the needs of our customers. To accomplish this, we made it easier to navigate. There are now three predominant tabs on the homepage: Manage My Account, In Our Community and Working with JEA. If you mouse over one of these tabs, a mega-menu appears that takes you deeper into the website.

We tested our new website design every step of the way with our informal customer focus group called "Your Two Cents Worth." For instance, an overwhelming number of focus group members told us they wanted more information on how to save on their electric and water consumption. In response, we started producing How-to-in-Two videos with JEA Savings Coach Brian Pippin that can be viewed on our website. The videos are short, simple and extremely popular. We also began to reach out to customers with social media in May with the start of our first Twitter account – @NewsfromJEA. It quickly garnered hundreds of followers, a number that grows daily. We look forward to starting a Facebook page in FY13.

metamorphosis

Produced Market Changes

With the cost of conducting business at a JEA branch up to seven times more expensive than other alternatives, we began closing branches in FY12. At the same time, we started increasing the number of alternate payment locations not operated by JEA.

Metamorphosis Produced Market Changes

For instance, in late September 2012, we closed our branch in Highlands Square, a shopping center on Dunn Avenue.

Several days later customers began paying their utility bill at any one of the nine Duval County Tax Collector offices. Some of those tax collector offices are well-located for us, too. When we close our Northside branch in FY13 at Gateway Mall, customers can still pay their bill at the same mall at the Duval County Tax Collector office there. That tax collector office even has a drive-thru window. Our main customer care office on Church Street remains open.

Meanwhile, customers took advantage of their ability to pay their bill at any one of our more than 140 authorized payment locations, including 30 Winn-Dixie stores. Winn-Dixie stores, by the way, are proving to

be especially popular payment locations. Forty-five percent of all customers who paid in person in September 2012 paid at a Winn-Dixie store. In the end, this adds up to more choices, more options and more service for our customers.

By adapting to market conditions in FY12, JEA's Finance Department took advantage of JEA's strong credit ratings and historically low interest rates to refinance $1.6 billion of fixed rate bonds. This enabled JEA to achieve $165 million of interest cost savings over the life of the bonds. Annual capital costs were 35 percent or $150 million lower as compared to FY09 and were paid primarily from operating revenues and capacity charges. Furthermore, we remain committed to paying capital improvements through 2017 on a pay-as-you-go basis.

metamorphosis

Produced Environmental Stewardship and Community

We took another important step aimed at preserving the Floridan aquifer when we installed a critical portion of 36-inch diameter pipe under the St. Johns River near the Mathews Bridge. When this entire 8.3 mile project is complete in 2013, it will help JEA balance water draws from the aquifer by transferring water from wells on the west side of the river to customers on the east side. JEA will eventually spend $50.7 million to balance our water draws throughout the service area as part of our Total Water Management Plan.

We continued to reduce the amount of cooking oil dumped down the drain and into the sewer system in FY12. Cooking oil continues to be our number one cause of sanitary sewer overflows (SSOs). JEA experienced only 29 SSOs in FY12. That's down considerably from 2002 when we used to respond to an average of 43 SSOs a month. In FY12 we strengthened our community partnership with Metro-Rooter, a Jacksonville plumbing company. Metro-Rooter collects used cooking oil from restaurants and recycles it into biodiesel.

JEA also helped save endangered wood storks in 2012 after we got a call from the Jacksonville Zoo. Wood storks had taken up residence at the zoo, and were using it as a breeding ground. When young wood storks tried testing their wings, many flew into a JEA power line and died. The line used to be buried deep in the woods was exposed in FY12 when the zoo cleared a large wooded area and built a parking lot. The young wood storks had a hard time seeing the distribution line as they tried to land in a retention pond beside the new parking lot.

JEA considered burying the line underground but that would have been a lengthy and costly process. Instead, we bought two dozen inexpensive flight diverters that look like dart boards with a bright green center. JEA hung them from the distribution line so the birds could see the line when in flight. No wood storks have been electrocuted at the zoo since the diverters were installed.

JEA employees donated more than $400,000 to our community through United Way last year. Beyond that, our more than 2,000 employees volunteered across JEA's service territory to serve the community in countless ways. We lent our minds and our experience to non-profit boards. We painted homes, sorted groceries and cooked meals for the homeless. We even mentored high school students as they conducted research in our biology and chemistry labs.

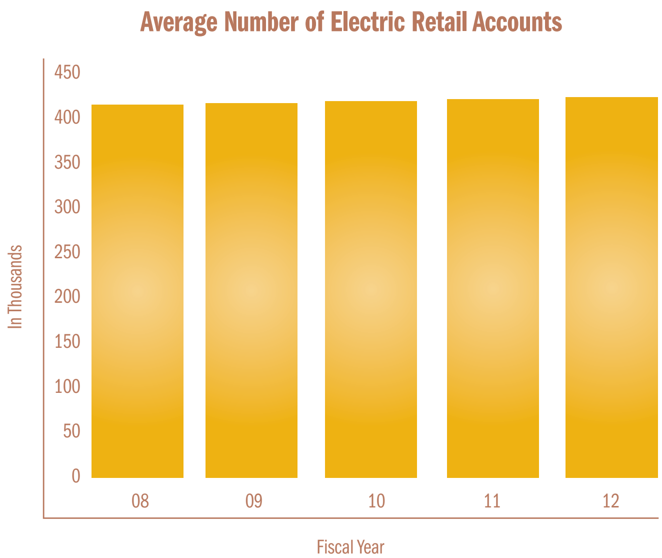
JEA employees worked tirelessly in 2012 to deliver the best possible service at the lowest possible cost to our customers 24 hours a day, 365 days a year. We're committed to what we do because many of us are JEA customers, too. At JEA we're building community because it's our community.

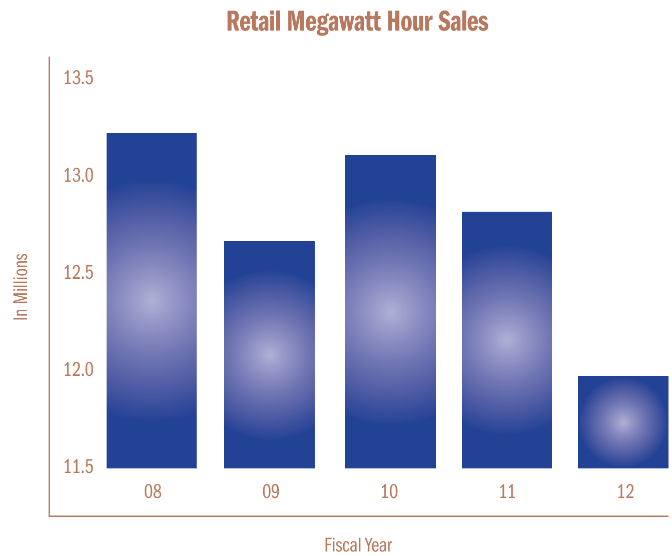
JEA Finan

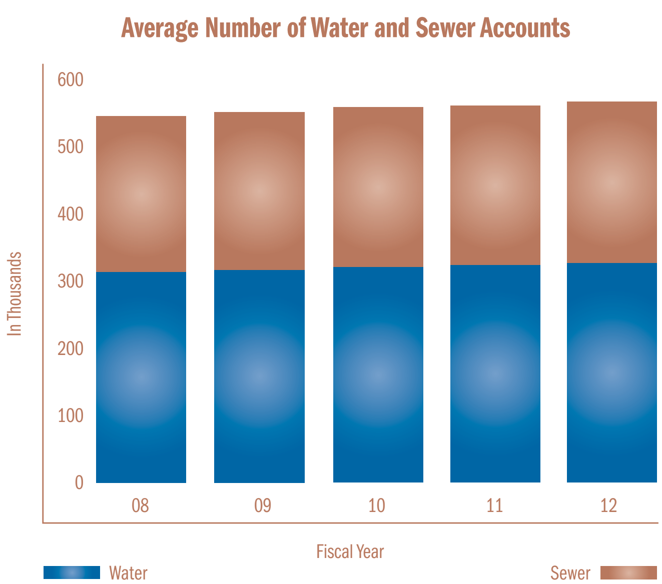
cial Report

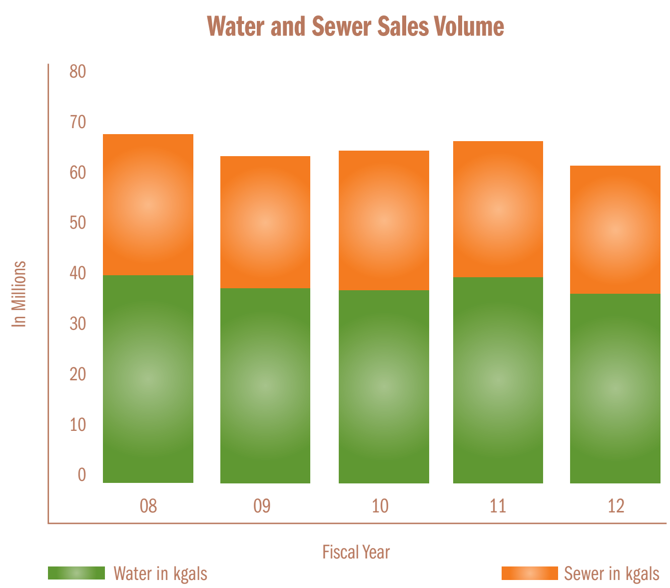
Financial and Operating Highlights

Years Ended September 30	2012	2011	2010	2009	2008	% Change 2012 - 2011
ELECTRIC FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$1,524,963	$1,684,131	$1,606,474	$1,584,572	$1,385,234	-9.45%
Fuel and purchased power expenses (thousands)	$548,030	$733,296	$741,374	$719,296	$694,007	-25.26%
Total operating expenses (thousands)	$1,164,512	$1,295,017	$1,273,327	$1,234,540	$1,194,462	-10.08%
Debt service coverage:						
Senior and subordinated - Electric	2.69x	2.75x	3.35x	2.99x	2.40x	-2.18%
Senior - Electric	5.61x	5.69x	6.21x	4.82x	4.42x	-1.41
Bulk Power Supply System	2.89x	1.47x	3.00x	-	-	96.60%
St. Johns River Power Park 1st Resolution	1.27x	1.25x	1.25x	1.25x	1.25x	1.60%
St. Johns River Power Park 2nd Resolution	1.15x	1.15x	1.15x	-	-	-
WATER & SEWER FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$395,437	$368,087	$313,136	$259,275	$257,657	7.43%
Operating expenses (thousands)	$275,879	$244,599	$251,100	$243,030	$239,061	12.79%
Debt service coverage:						
Senior and subordinated	2.24x	2.08x	1.82x	1.65x	1.60x	7.69%
Senior	2.40x	2.33x	2.06x	1.85x	1.96x	3.00%
ELECTRIC OPERATING HIGHLIGHTS						
Sales (megawatt hours)	13,854,707	15,462,628	16,521,876	15,915,031	16,325,894	-10.40%
Peak demand - megawatts 60 minute net	2,665	3,062	3,224	3,064	2,914	-12.97%
Total accounts - average number	422,315	419,703	418,505	417,227	414,417	0.62%
Sales per residential account (kilowatt hours)	12,932	14,733	15,481	14,408	14,670	-12.22%
Average residential revenue per kilowatt hour	$12.52	$12.61	$11.56	$12.18	$10.42	-0.71%
Power supply (%):						
Coal	43	50	53	52	51	-14.00%
Natural gas	39	26	16	12	14	50.00%
Petroleum coke	6	13	18	23	19	-53.85%
Coal fired purchases	-	-	6	10	10	-
Other purchases	11	11	6	3	5	-
Oil	1	-	1	-	1	-
WATER & SEWER OPERATING HIGHLIGHTS						
WATER						
Total sales (kgals)	35,345,044	38,982,907	36,750,266	36,845,945	39,610,301	-9.33%
Total accounts - average number	309,221	307,385	306,046	305,076	304,239	0.60%
Average sales per residential account (kgals)	66.30	74.36	71.12	71.35	76.73	-10.84%
Average residential revenue per kgal	$5.03	$4.43	$4.00	$3.38	$3.15	13.54%
REUSE						
Total sales (kgals)	1,330,359	1,551,175	989,010	805,925	547,878	-14.24%
Total accounts - average number	2,241	1,666	1,201	837	502	34.51%
SEWER						
Total sales (kgals)	24,490,071	25,919,479	25,126,672	24,767,666	26,390,812	-5.51%
Total accounts - average number	235,615	233,592	231,735	230,358	229,205	0.87%
Average sales per residential account (kgals)	64.56	72.10	69.22	67.47	72.27	-10.46%
Average residential revenue per kgal	$8.99	$7.44	$6.69	$5.92	$5.50	20.83%


Average Number of Electric Retail Accounts
450
400
350
300
250
200
150
100
50
0
In Thousands
08
09
10
11
12
Fiscal Year


Retail Megawatt Hour Sales
13.5
13.0
12.5
12.0
11.5
In Millions
08
09
10
11
12
Fiscal Year


Average Number of Water and Sewer Accounts
600
500
400
300
200
100
0
In Thousands
08
09
10
11
12
Fiscal Year
Water
Sewer

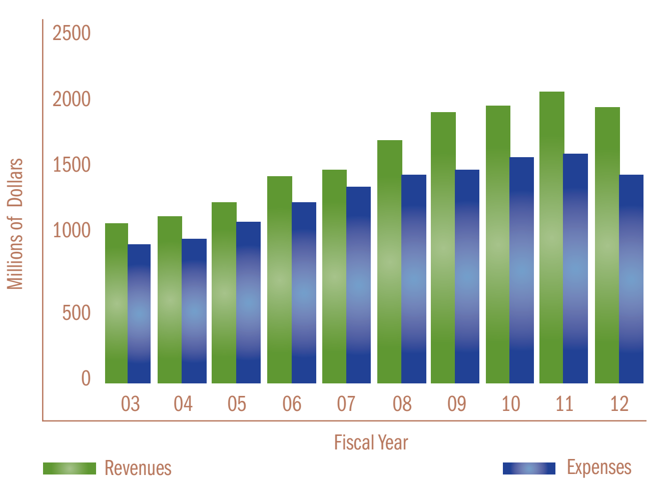

Water and Sewer Sales Volume
80
70
60
50
40
30
20
10
0
In Millions
08
09
10
11
12
Fiscal Year
Water in kgals
Sewer in kgals

Financial Summary

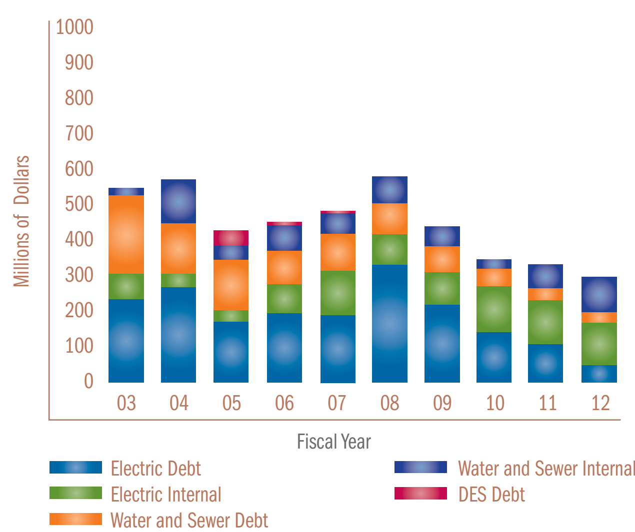
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

		2012-11	2011-10
Operating revenues:	Electric	$1,473,134	$1,624,473
	Water and sewer	385,631	358,176
	District Energy System	8,571	8,067
	Other, net	41,046	48,842
	Total operating revenues	1,908,382	2,039,558
Operating expenses:	Fuel and purchased power	548,030	733,296
	Operations and maintenance	366,751	334,066
	Depreciation	379,570	351,931
	State utility and franchise taxes	72,925	78,787
	Recognition of deferred costs/revenues	59,153	27,014
	Total operating expenses	1,426,429	1,525,094
Operating Income		481,953	514,464
Nonoperating revenues (expenses):	Earnings from The Energy Authority	6,328	12,265
	Investment income (loss)	8,804	11,908
	Other nonoperating revenue	16,420	7,698
	Interest on debt	(248,681)	(289,320)
	Other interest	(23)	(109)
	Allowance for funds used during construction	3,365	5,387
	Water & Sewer Expansion Authority	-	(485)
	Gain (loss) sale of asset	-	-
	Total nonoperating revenues (expenses), net	(213,787)	(252,656)
Income (loss) before contributions		268,166	261,808
Contributions (to) from:			
	General fund, City of Jacksonville	(104,188)	(101,688)
	Capital Contributions:		
	Developers and other	18,774	23,539
	City of Jacksonville Better Jacksonville Plan	-	-
	Water & Sewer Expansion Authority	-	11,465
	Total other revenues (expenses)	(85,414)	(66,684)
Change in net position		182,752	195,124
Net assets – beginning of year		$1,808,559	1,613,435
Effect of change in accounting		-	-
Net assets – beginning of year as restated		1,808,559	1,613,435
Net assets – end of year		$1,991,311	$1,808,559

Total Operating Revenues and Expenses

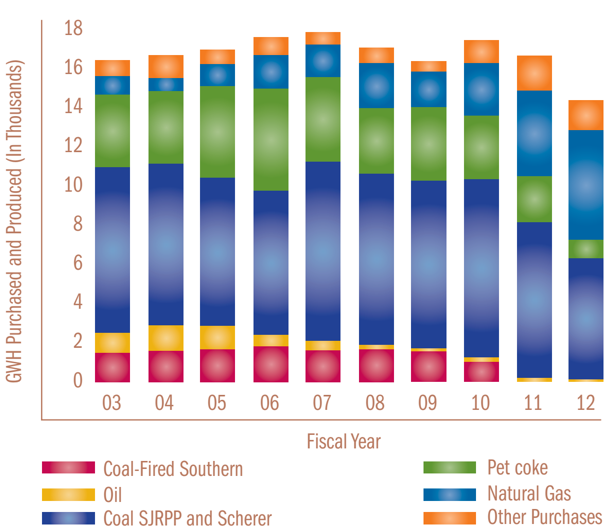


Sources of Capital Project Funding

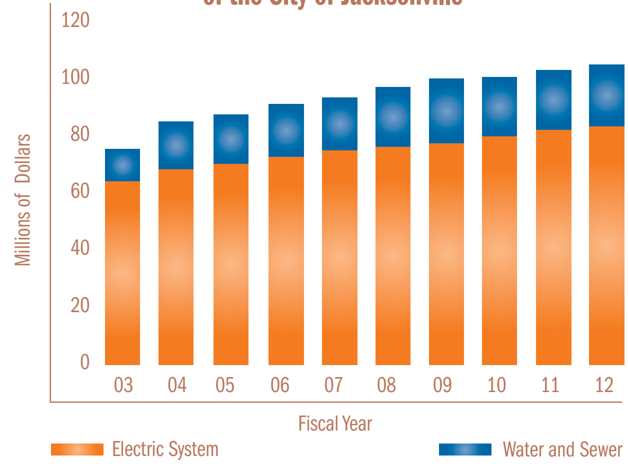


2010-09	2009-08	2008-07	2007-06	2006-05	2005-04	2004-03	2003-02
$1,548,248	$1,525,966	$1,330,280	$1,164,747	$1,160,463	$973,326	$840,210	$830,519
303,241	249,813	248,115	238,256	214,906	182,961	173,579	161,053
7,595	6,914	6,162	5,748	3,054	1,297	-	-
50,692	48,687	48,863	47,176	50,649	42,388	54,803	44,147
1,909,776	1,831,380	1,633,420	1,455,927	1,429,072	1,199,972	1,068,592	1,035,719
741,374	719,296	694,007	600,170	599,426	494,721	409,690	371,074
322,672	295,480	311,071	305,888	273,578	251,099	248,269	249,945
353,606	344,158	326,301	302,374	297,614	278,531	251,493	252,778
73,120	72,127	48,551	26,399	26,807	21,791	18,941	19,323
22,149	33,108	43,345	45,952	40,428	44,141	44,184	29,110
1,512,921	1,464,169	1,423,275	1,280,783	1,237,853	1,090,283	972,577	922,230
396,855	367,211	210,145	175,144	191,219	109,689	96,015	113,489
6,103	4,088	22,374	20,192	21,910	17,382	15,924	14,593
(3,604)	23,463	17,307	38,112	23,088	14,460	13,832	19,466
3,832	-	-	-	-	-	-	-
(285,669)	(264,701)	(249,622)	(246,787)	(232,370)	(238,454)	(203,100)	(197,148)
(54)	(72)	(451)	(1,877)	(1,600)	(1,246)	(1,167)	(1,178)
9,713	12,708	19,448	28,425	32,044	34,637	32,010	42,577
(719)	(864)	(1,216)	(1,601)	(762)	(302)	-	-
-	(986)	740	(3,762)	-	-	-	-
(270,398)	(226,364)	(191,420)	(167,298)	(157,690)	(173,523)	(142,501)	(121,690)
126,457	140,847	18,725	7,846	33,529	(63,834)	(46,486)	(8,201)
(99,187)	(96,687)	(94,188)	(91,437)	(88,688)	(85,938)	(83,187)	(74,253)
19,883	38,071	47,471	119,525	97,775	58,406	56,578	47,381
-	1,516	2,857	29,091	14,546	385	9,118	7,548
-	-	-	-	-	(254)	-	-
(79,304)	(57,100)	(43,860)	57,179	23,633	(27,401)	(17,491)	(19,324)
47,153	83,747	(25,135)	65,025	57,162	(91,235)	(63,977)	(27,525)
1,566,282	1,482,535	1,507,670	1,440,241	1,383,079	1,474,314	1,538,291	1,565,816
-	-	-	2,404	-	-	-	-
1,566,282	1,482,535	1,507,670	1,442,645	1,383,079	1,474,314	1,538,291	1,565,816
$1,613,435	$1,566,282	$1,482,535	$1,507,670	$1,440,241	$1,383,079	$1,474,314	$1,538,291

Fuel Sources



Contribution to the General Fund of the City of Jacksonville



Operating Summary

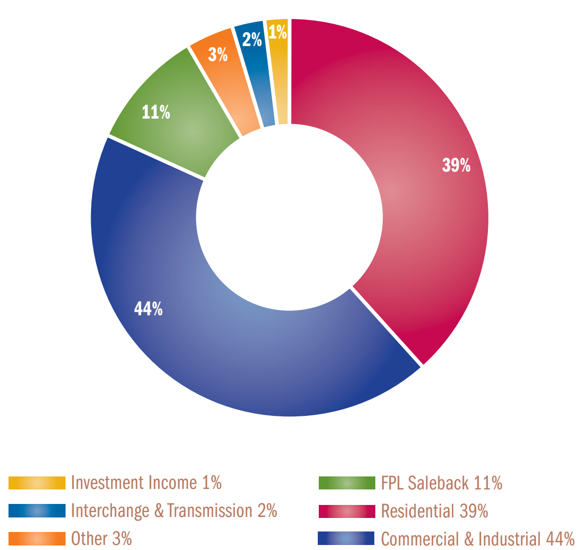
Electric System, Bulk Power System and St Johns River Power Park

		2012-11	2011-10
Electric revenues (000's omitted):	Residential	$601,581	$686,706
	Commercial and industrial	670,983	704,976
	Public street lighting	15,311	15,347
	Sales for resale	37,153	41,155
	Florida Power & Light saleback	166,873	196,353
	Total	$1,491,901	$1,644,537
Sales (megawatt hours):	Residential	4,806,144	5,444,926
	Commercial and industrial	6,670,200	6,908,240
	Public street lighting	122,614	122,402
	Sales for resale		
	Territorial	374,116	394,548
	Off-system	74,852	99,953
	Florida Power & Light saleback	1,806,781	2,492,559
	Total	13,854,707	15,462,628
Average number of accounts:	Residential	371,658	369,566
	Commercial and industrial	47,230	46,710
	Public street lighting	3,424	3,424
	Sales for resale (1)	3	3
	Total	422,315	419,703
System installed capacity – MW (2)		3,759	3,759
Peak demand – MW (60 minute net)		2,665	3,062
System load factor – %		53%	50%
Residential averages – annual:	Revenue per account – $	1,618.64	1,858.14
	kWh per account	12,932	14,733
	Revenue per kWh – ¢	12.52	12.61
All other retail – annual:	Revenue per account – $	13,548.66	14,367.95
	kWh per account	134,102	140,237
	Revenue per kWh – ¢	10.10	10.25
Heating-cooling degree days		3618	4,345

(1) Includes Florida Power and Light, but does not include off-system non-firm sales customers.

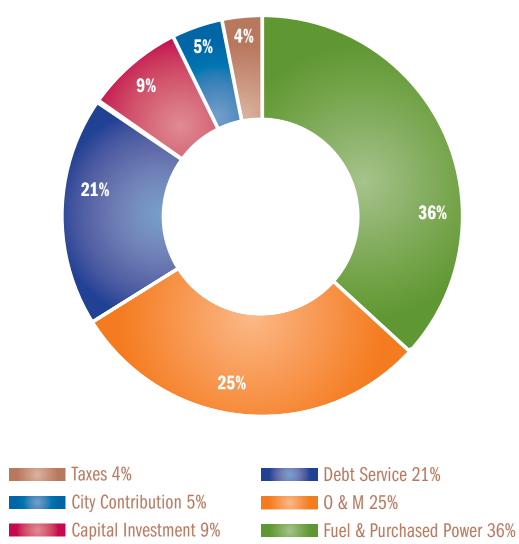
(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

Electric System Revenue Sources



2010-09	2009-08	2008-07	2007-06	2006-05	2005-04	2004-03	2003-02
$659,829	$645,725	$559,042	$490,935	$511,389	$426,316	$370,323	$372,247
647,316	678,218	588,910	490,089	488,304	384,808	319,659	321,196
14,203	14,440	12,066	10,242	10,086	8,622	7,919	7,880
53,990	52,941	49,660	48,522	45,961	41,330	38,358	30,061
190,293	157,898	137,910	137,463	117,816	122,256	112,938	105,483
$1,565,631	$1,549,222	$1,347,588	$1,177,251	$1,173,556	$983,332	$849,197	$836,867
5,707,670	5,300,203	5,363,697	5,478,280	5,650,986	5,542,498	5,389,616	5,438,697
6,932,123	6,849,291	7,314,128	7,160,361	7,157,602	6,948,730	6,696,646	6,840,708
121,413	120,191	116,966	112,760	110,178	107,757	111,483	114,840
418,867	406,051	437,870	479,425	522,134	492,716	468,324	435,934
391,559	579,730	457,421	649,193	593,750	568,442	630,007	374,728
2,950,244	2,659,565	2,635,812	3,059,195	2,649,427	2,577,860	2,656,556	2,912,075
16,521,876	15,915,031	16,325,894	16,939,214	16,684,077	16,238,003	15,952,632	16,116,982
368,682	367,864	365,632	364,284	357,232	349,139	341,162	335,915
46,325	45,810	45,207	44,440	41,342	39,151	38,610	37,917
3,495	3,550	3,576	3,565	3,561	3,539	3,581	3,543
3	3	3	6	7	3	3	3
418,505	417,227	414,418	412,295	402,142	391,832	383,356	377,378
3,376	3,376	3,241	3,241	3,213	3,049	3,095	3,095
3,224	3,064	2,914	2,897	2,919	2,860	2,644	3,055
49%	49%	54%	55%	55%	55%	57%	49%
1,789.70	1,755.34	1,528.97	1,347.67	1,431.53	1,221.05	1,085.48	1,108.16
15,481	14,408	14,670	15,038	15,819	15,875	15,798	16,191
11.56	12.18	10.42	8.96	9.05	7.69	6.87	6.84
13,278.18	14,032.78	12,319.37	10,422.48	11,099.26	9,215.98	7,764.17	7,937.19
141,580	141,197	152,330	151,508	161,855	165,296	161,364	167,765
9.38	9.94	8.09	6.88	6.86	5.58	4.81	4.73
4,705	4,094	3,785	3,803	4,053	4,035	4,217	4,167

Electric System Revenue Uses

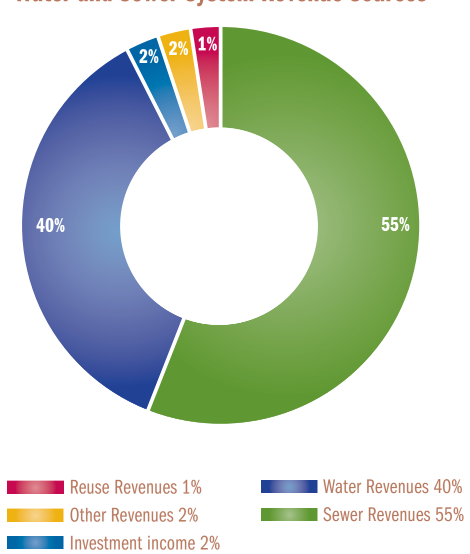


Operating Summary

Water and Sewer System

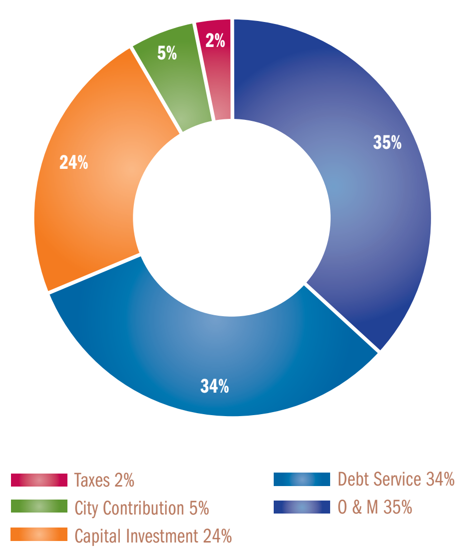
		2012-11	2011-10
Water revenues (000's omitted):	Residential	$83,390	$81,859
	Commercial and Industrial	43,629	40,299
	Irrigation	34,802	35,932
	Total	$161,821	$158,090
Water Sales (kgals):	Residential	16,589,517	18,485,853
	Commercial and Industrial	12,134,488	12,271,645
	Irrigation	6,621,039	8,225,409
	Total	35,345,044	38,982,907
Average Number of Accounts:	Residential	250,204	248,605
	Commercial and Industrial	23,365	23,221
	Irrigation	35,652	35,559
	Total	309,221	307,385
Residential averages – annual:	Revenue per account-$	333.29	329.27
	kgals per account	66.30	74.36
	Revenue per kgal-$	5.03	4.43
Rainfall (inches)		55.24	42.18
Reuse revenues (000's omitted):		$3,936	$3,622
Reuse Sales (kgals):		1,330,359	1,551,175
Average Number of Accounts:		2,241	1,666
Sewer revenues (000's omitted):	Residential	$126,722	$116,024
	Commercial and Industrial	94,232	81,633
	Total	$220,954	$197,657
Volume (kgals):	Residential	14,091,702	15,597,512
	Commercial and Industrial	10,398,369	10,321,967
	Total	24,490,071	25,919,479
Average Number of Accounts:	Residential	218,264	216,323
	Commercial and Industrial	17,351	17,269
	Total	235,615	233,592
Residential averages – annual:	Revenue per account-$	580.59	536.35
	kgals per account	64.56	72.10
	Revenue per kgal-$	8.99	7.44

Water and Sewer System Revenue Sources



2010-09	2009-08	2008-07	2007-06	2006-05	2005-04	2004-03	2003-02
$70,396	$59,441	$59,297	$57,620	$52,299	$44,337	$40,661	$36,552
34,872	27,591	26,692	24,483	22,404	17,546	17,182	16,545
26,876	19,080	19,679	21,143	18,105	13,782	12,088	10,326
$132,144	$106,112	$105,668	$103,246	$92,808	$75,665	$69,931	$63,423
17,609,301	17,572,032	18,848,414	20,499,442	19,890,048	17,666,292	17,971,271	15,663,602
12,091,091	12,184,482	12,837,866	12,917,475	12,785,160	12,610,550	12,322,567	11,980,925
7,049,874	7,089,431	7,924,021	9,683,871	8,560,591	6,816,341	7,065,790	5,975,976
36,750,266	36,845,945	39,610,301	43,100,788	41,235,799	37,093,183	37,359,628	33,620,503
247,609	246,276	245,659	245,420	237,990	227,253	217,927	204,826
22,996	23,460	23,473	23,302	22,577	21,775	21,322	20,618
35,441	35,340	35,107	34,515	33,122	30,581	27,346	23,702
306,046	305,076	304,239	303,237	293,689	279,609	266,595	249,146
284.30	241.36	241.38	234.78	219.75	195.10	186.58	178.45
71.12	71.35	76.73	85.53	83.58	77.74	82.46	76.47
4.00	3.38	3.15	2.81	2.63	2.51	2.26	2.33
40.53	53.67	65.72	39.35	47.89	56.22	67.56	50.24
$2,093	$1,156	$1,079.00	$739.00	$196.00	$33.00	$49.00	$37.00
989,010	805,925	547,878	678,185	451,367	90,671	231,930	124,139
1,201	837	502	85	16	13	12	11
$99,327	$84,961	$84,102	$80,717	$72,433	$60,502	$59,058	$51,963
70,831	59,017	58,640	54,281	50,183	47,629	46,153	46,345
$170,158	$143,978	$142,742	$134,998	$122,616	$108,131	$105,211	$98,308
14,847,431	14,353,777	15,293,138	16,464,215	15,772,717	13,784,344	14,027,600	11,504,645
10,279,241	10,413,889	11,097,674	11,120,273	10,977,474	11,158,375	10,685,149	11,220,343
25,126,672	24,767,666	26,390,812	27,584,488	26,750,191	24,942,719	24,712,749	22,724,988
214,506	212,741	211,607	210,609	202,892	191,812	182,418	169,921
17,229	17,617	17,598	17,421	16,918	16,331	15,904	15,300
231,735	230,358	229,205	228,030	219,810	208,143	198,322	185,221
463.05	399.36	397.44	383.25	357.00	315.42	323.75	305.81
69.22	67.47	72.27	78.17	77.74	71.86	76.90	67.71
6.69	5.92	5.50	4.90	4.59	4.39	4.21	4.52

Water and Sewer System Revenue Uses



FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION, AND BOND COMPLIANCE INFORMATION

JEA

Years Ended September 30, 2012 and 2011
With Report of Independent Certified Public Accountants

Ernst & Young LLP

JEA

Financial Statements, Supplementary Information,
and Bond Compliance Information

Years Ended September 30, 2012 and 2011

Contents

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Report of Independent Certified Public Accountants

The Board of Directors
JEA
Jacksonville, Florida

We have audited the accompanying balance sheets of JEA, a component unit of the City of Jacksonville, Florida, as of September 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended. These financial statements are the responsibility of JEA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of JEA's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JEA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JEA as of September 30, 2012 and 2011, and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, on our consideration of JEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that Management's Discussion and Analysis and the Schedules of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements. The supplementary combining balance sheets, statements of revenues, expenses, and changes in net position and cash flows as of and for the years ended September 30, 2012 and 2011, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

December 3, 2012

Management's Discussion and Analysis

Introduction

JEA is a municipal utility operating in Jacksonville, Florida (Duval County) and parts of three adjacent counties. The operation is composed of three enterprise funds – the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System (DES). The Electric Enterprise Fund is comprised of the JEA Electric System, Bulk Power Supply System (Scherer), and St. Johns River Power Park System (SJRPP). The Electric Enterprise Fund, Water and Sewer Fund, and DES are presented on a combined basis in the accompanying balance sheets, statements of revenues, expenses and changes in net position, and statements of cash flows.

Overview of the Combined Financial Statements

This discussion and analysis serves as an introduction to JEA's basic financial statements. The information presented here should be read in conjunction with the financial statements and accompanying notes.

The basic financial statements are presented on a comparative basis for the fiscal years ended September 30, 2012 and 2011. The balance sheets present JEA's assets, deferred outflows of resources, liabilities, and deferred inflow of resources, with the residual reported as net position. Revenues and expenses information is presented in the accompanying statements of revenues, expenses, and changes in net position. The accompanying statements of cash flows present JEA's sources and uses of cash and cash equivalents. The accompanying statements of cash flows are presented using the direct method. This method provides broad categories of cash receipts and cash disbursements pertaining to cash provided by or used in operations, investing, and financing activities.

The Notes to the Financial Statements are an integral part of JEA's basic financial statements and contain information on accounting principles and additional information on certain components of these statements.

The following tables summarize the financial condition and operations of JEA for the 2012, 2011, and 2010 fiscal years:

Condensed Balance Sheets

	2012	2011	2010
		(In millions)	
Assets and deferred outflows			
Current assets	**$ 818**	$ 749	$ 694
Other noncurrent assets	**1,127**	1,193	1,113
Capital assets, net	**6,565**	6,676	6,703
Deferred outflows of resources	**195**	177	159
Total assets and deferred outflows	**$ 8,705**	$ 8,795	$ 8,669
Liabilities and net position			
Current liabilities	**$ 203**	$ 193	$ 231
Liabilities payable from restricted assets	**470**	580	469
Noncurrent liabilities	**149**	115	118
Long-term debt	**5,891**	6,099	6,238
Deferred inflows of resources	**1**	–	–
Net position			
Net investment in capital assets	**891**	844	835
Restricted	**506**	442	333
Unrestricted	**594**	522	445
Total liabilities and net position	**$ 8,705**	$ 8,795	$ 8,669

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2012	2011	2010
		(In millions)	
Operating revenues	$ 1,908	$ 2,040	$ 1,909
Operating expenses	(1,426)	(1,525)	(1,513)
Operating income	482	515	396
Nonoperating expenses	(214)	(253)	(270)
Contributions	(85)	(67)	(79)
Increase in net position	183	195	47
Net position – beginning of the year	1,808	1,613	1,566
Net position – end of the year	$ 1,991	$ 1,808	$ 1,613

Financial Analysis of JEA for fiscal years 2012 and 2011

Operating Revenues

2012 Compared to 2011:

Total Electric Enterprise Fund operating revenues for the fiscal year 2012 decreased $159.2 million (9.5%) compared to fiscal year 2011. Operating revenues decreased $151.6 million (9.2%), and other operating revenues decreased $7.6 million (17.8%). The decrease in operating revenues was due to a decrease in unit sales as a result of mild weather conditions, with a 16.7% decrease in degree days, and a decrease in the variable fuel rate. Effective July 1, 2012, the Board of Directors of JEA (the Board) voted to reduce the variable fuel rate from $47.74 to $43.60 per 1000 kWh, which represents an 8.7% decrease over the previous fuel charge. Territorial sales decreased 10.3%, and total sales decreased 15.0% when off-system sales are included. Total sales for the year decreased from 15,462.7 GWh to 13,854.7 GWh. The number of customers increased slightly when compared with fiscal year 2011. The $7.6 million decrease in other operating revenues was due to certain one-time revenues recorded in 2011.

Total Water and Sewer Fund operating revenues increased $27.4 million, a 7.4% increase. The increase in operating revenues was mainly due to an increase in water and sewer rates, effective October 1, 2011, of approximately 9.0%, offset by an 8.0% decrease in consumption. The volume of water and sewer sales decreased from 66,453,561 kgals to 61,165,474 kgals. The number of customers increased slightly when compared with fiscal year 2011.

Total DES revenues increased $0.5 million (6.2%) for fiscal year 2012 compared to fiscal year 2011. The increase in revenues was due to increased sales volume.

2011 Compared to 2010:

Total Electric Enterprise Fund operating revenues for the fiscal year 2011 increased $77.7 million (4.8%) compared to fiscal year 2010. Operating revenues increased $79.3 million (5.1%), and other operating revenues decreased $1.7 million (3.8%). The increase in operating revenues was due to an increase in rates offset in part by a decrease in megawatt sales. The fuel rate increased $6.48 to $50.64 per 1000 kWh, which represents a 14.7% increase over the previous fuel charge. The base rate increased 3.0% and is the final year of a four-year increase. Territorial sales decreased 2.4%, and total sales decreased 4.4% when off-system sales are included. Total sales for the year decreased from 13,572 GWh to 12,970 GWh. The number of customers remained constant as compared with fiscal year 2010. The $1.7 million decrease in other operating revenues was primarily due to a reduction in transmission sales offset by certain one-time revenues recorded in 2011.

Total Water and Sewer Fund operating revenues increased $55.0 million, a 17.5% increase. The increase in operating revenues was mainly due to an increase in water and sewer rates of approximately 12.0% and a 5.7% increase in consumption. The volume of water and sewer sales increased from 62,865,948 kgals to 66,453,561 kgals. The number of customers remained constant as compared with fiscal year 2010.

Total DES revenues increased $0.5 million (6.2%) for fiscal year 2011 compared to fiscal year 2010. The increase in revenues was due to increased sales volume.

Operating Expenses

2012 Compared to 2011:

Total Electric Enterprise Fund operating expenses for fiscal year 2012 decreased $130.5 million or 10.1% compared to fiscal year 2011. The factors contributing to the decrease were a decrease in fuel and purchased power expense, as discussed below, and a decrease in taxes of $6.5 million as a result of decreased revenues. Other operating and maintenance expenses increased $18.9 million primarily due to increased spending related to Plant Scherer and an increase in payroll related benefit expenses. Depreciation expense increased $10.2 million due to increased depreciation rates and assets placed in service. Recognition of costs to be recovered increased $32.1 million related to SJRPP.

Total fuel and purchased power expense decreased $185.3 million compared to the prior year. Fuel expense decreased $153.5 million, and purchased power expense decreased $31.8 million. The decrease was due to a 35.8% decrease in the price of natural gas and an 8.1% decrease in megawatts generated and purchased. As the price of solid fuels, gas, oil, and purchased power have fluctuated from year to year, the components of fuel and purchased power expenses have shifted to take advantage of the most economical source of power. Energy produced from JEA's generating stations increased 3.1% and energy purchased decreased 18.4% from the prior fiscal year. JEA's power supply mix for fiscal year 2012 was 43% coal (from JEA units), 39% natural gas, 6% petroleum coke, 11% other power purchases, and 1% oil. During fiscal year 2011, JEA's power supply was 50% coal (from JEA units), 27% natural gas, 12% petroleum coke, and 11% other power purchases.

Total operating expenses for the Water and Sewer Fund increased $31.3 million, an increase of 12.8%. Other operating and maintenance expenses increased $13.3 million, mainly due to increases in: salaries and payroll related benefit expenses, intercompany shared service expenses, electric charges, pumping and treatment expenses, and the recognition of expenses related to tropical storms. Offsetting the increases was a decrease in maintenance expenses primarily due to the termination of the United Water contract. Depreciation expense increased $17.4 million primarily due increased depreciation rates and assets placed in service. Franchise fees increased $0.6 million due to increased revenues.

The operating expenses for DES increased $0.4 million (6.8%) due to increased utility charges as a result of the multiyear progressive rate increases.

2011 Compared to 2010:

Total Electric Enterprise Fund operating expenses for fiscal year 2011 increased $21.7 million or 1.7% compared to fiscal year 2010. The increase was due to an increase in other operating and maintenance expenses, depreciation expense, state utility taxes and franchise fees, and recognition of costs to be recovered offset by a decrease in fuel and purchased power, as discussed below. Other operating and maintenance expenses increased $11.6 million primarily due to increased renewal and replacement expenses related to SJRPP and an increase in the accrued environmental remediation reserve. Depreciation expense increased $9.0 million due to increased assets placed in service. State utility taxes and franchise fees increased $4.3 million due to increased revenues, as discussed above. Recognition of costs to be recovered increased $4.8 million related to Scherer.

Total fuel and purchased power expense decreased $8.1 million compared to the prior year. Fuel expense decreased $1.0 million, and purchased power decreased $7.1 million. The decrease was primarily due to a 4.3% decrease in MWh produced and purchased as a result of decreased demand, offset in part by a 3.2% increase in total cost per MWH produced and purchased. As the price of solid fuels, gas and oil, and purchased power have fluctuated from year to year, the components of fuel and purchased power expenses have shifted to take advantage of the most economical source of power. Energy produced from JEA's generating stations increased 4.0%, energy purchased decreased 10.9%, and total energy produced and purchased decreased 4.3% from the prior fiscal year. JEA's power supply mix for fiscal year 2011 was 50% coal (from JEA units), 27% natural gas, 12% petroleum coke, and 11% other power purchases. During fiscal year 2010, JEA's power supply was 53% coal (from JEA units), 18% petroleum coke, 16% natural gas, 6% coal-fired purchases, 6% other power purchases, and 1% oil.

Total operating expenses for the Water and Sewer Fund decreased $6.5 million, a decrease of 2.6%. Other operating and maintenance expenses increased $2.8 million, mainly due to increases in: salaries and payroll-related benefits, intercompany shared service expenses, electric charges, industrial services, pumping and treatment expenses, and the recognition of an expense related to interlocal agreements. Offsetting the increases was a decrease in maintenance expenses primarily due to the termination of the United Water contract. Depreciation expense decreased $10.7 million primarily due to various intangible assets becoming fully depreciated. Franchise fees increased $1.4 million due to increased revenues, as discussed above.

The operating expenses for DES were consistent with prior year expenses.

Nonoperating Revenues and Expenses

2012 Compared to 2011:

There was a net decrease of $38.9 million (15.4%) in total net nonoperating revenues and expenses in fiscal year 2012. The Energy Authority (TEA) earnings, a municipal power marketing joint venture in which JEA is a member, decreased $5.9 million due to decreased purchases by JEA and lower margins on purchases and sales of energy. Investment income decreased $3.1 million in fiscal year 2012. The year-to-year change reflects certain gains realized on the sale of investments in 2011 and an increase in the fair market value of investments in 2012. Other nonoperating revenue increased $8.7 million due to a payment from the City of Jacksonville for the termination of a radio maintenance agreement. Interest expense decreased $40.6 million due primarily to lower debt balances as a result of increased debt repayments and debt refunding savings. Allowance for funds used for construction (AFUDC) decreased $2.0 million due to the transfer of capital assets from construction work in progress to plant in service.

2011 Compared to 2010:

There was a net decrease of $17.8 million (6.6%) in total net nonoperating revenues and expenses in fiscal year 2011. The Energy Authority (TEA) earnings, a municipal power marketing joint venture in which JEA is a member, increased $6 million due to increased purchases by JEA and higher margins on purchases and sales of energy. Investment income increased $15.5 million in fiscal year 2011. The year-to-year change was mainly due to an early termination of a forward swap in fiscal year 2010 and a $6.4 million gain realized on the sale of investments in 2011. Other factors affecting investment income were a negative adjustment of fair market on investments, the realization of certain gains on investments and an increase in invested balances and higher average interest rates on invested funds. Interest expense increased $3.7 million due to variable to fixed rate refundings, interest on new money fixed rate bonds issued, and higher average variable interest rates on bank purchased bonds. The increase was offset in part by a decrease in debt management strategy expenses. See note 7 for further discussion on debt management strategy. Other nonoperating revenue increased $3.9 million due to Build America Bonds subsidy payments from the United States Treasury. Allowance for funds used for construction decreased $4.3 million due to the transfer of capital assets from construction work in progress to plant in service.

Capital Assets and Debt Administration for Fiscal Years 2012 and 2011

Capital Assets

As of September 30, 2012, JEA had approximately $6.6 billion in capital assets, net of accumulated depreciation. This included $3.8 billion in electric plant, $2.7 billion in water and sewer plant, and $41.3 million in chilled water plant. During fiscal year 2012, capital additions were $492.2 million, which included $282.5 million in electric plant, $208.8 million in water and sewer plant, and $856.5 thousand in chilled water plant. As of September 30, 2011, JEA had approximately $6.7 billion in capital assets, net of accumulated depreciation. This included $3.9 billion in electric plant, $2.6 billion in water and sewer plant, and $42.1 million in chilled water plant. During fiscal year 2011, capital additions were $293.9 million, which included $201.5 million in electric plant, $91.9 million in water and sewer plant, and $567 thousand in chilled water plant. More detailed information about JEA's capital asset activity is presented in note 4 to the financial statements.

JEA has ongoing capital improvement programs for the Electric Enterprise Fund and the Water and Sewer Fund. The capital programs consist of: (a) the Electric Enterprise Fund capital requirements for additional generating facilities, as well as improvements to existing generating facilities, that are determined to be necessary as a result of JEA's annual resource planning process; (b) the Electric Enterprise Fund's remaining capital requirements for transmission and distribution facilities and other capital items; and (c) the Water and Sewer Fund capital requirements that are determined to be necessary as a result of the annual resource planning process. The cost of the capital improvement program is planned to be provided from revenues generated from operations and existing construction fund balances.

The projected total capital expenditures for fiscal year 2013 are as follows:

	In millions
Electric Enterprise Fund (Electric System, SJRPP and Scherer)	$ 186.0
Water and Sewer Fund	147.0
DES	0.8

SJRPP and Plant Scherer are subject to joint ownership agreements. JEA's share of the estimated capital expenditures relating to these plants is included in the Electric Enterprise Fund amounts above.

Debt Administration

Debt outstanding at September 30, 2012, was $5.97 billion, a decrease of approximately $366 million from the prior fiscal year.

Debt outstanding at September 30, 2011, was $6.33 billion, a decrease of approximately $51 million from the prior fiscal year.

JEA's debt ratings on its long-term debt as of September 2012 and 2011 were as follows:

	2012				2011			
	Electric System	SJRPP	Scherer	Water and Sewer System	Electric System	SJRPP	Scherer	Water and Sewer System
Senior debt:								
Fitch	AA-	AA-	AA-	AA	AA-	AA-	AA-	AA
Standard & Poor's	AA-	AA-	AA-	AA	AA-	AA-	AA-	AA-
Moody's Investors Service	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2	Aa2
Subordinated debt:								
Fitch	AA-	–	–	AA	AA-	–	–	AA
Standard & Poor's	A+	–	–	AA	A+	–	–	AA-
Moody's Investors Service	Aa3	–	–	Aa2	Aa3	–	–	Aa2

Also, at September 30, 2012 and 2011, the ratings on JEA's DES bonds were A+ from Fitch Ratings and Aa2 from Moody's Investors Service. These ratings reflect the direct pay letter of credit provided by State Street Bank and Trust Company.

Setting of Rates

The setting of rates is the responsibility of the Board. Rate changes are implemented after public rate hearing and Board approval. Below is the rate changes approved during fiscal year 2012.

Effective January 1, 2012, the board approved a $2.90 per 1000 kWh reduction in the fuel rate, from $50.64 to $47.74 per 1000 kWh, and a corresponding $2.90 per 1000 kWh increase in the base rate.

Effective July 1, 2012, with the approval of the Board, the fuel rate decreased $4.14, from $47.74 to $43.60 per 1000 kWh, which represents an 8.7% decrease in the fuel charge.

In May 2009, the Board approved water and sewer rate structure changes and rate adjustments for fiscal years 2010 through 2013, whereas the rates will become effective October 1 of each year. The rate changes included a projected increase of 9% in fiscal year 2013.

In June 2012, the Board eliminated the previously approved increase in commercial and residential service availability charges and environmental charges scheduled to become effective October 1, 2012, while maintaining the volumetric rate increases for commercial as well as residential use in excess of 6,000 gallons per month. The change is projected to achieve an approximate 3% increase over fiscal year 2012.

The consumption rate for chilled water related to the DES decreased from 12.19 cents per ton hour to 12.15 cents per ton hour, effective January 1, 2012, and reduced again from 12.15 cents per ton hour to 11.75 cents per ton hour effective July 1, 2012. The consumption rate is variable and is modified similarly to the electric fuel charge.

Requests for Information

The financial report is designed to provide a general overview of JEA's finances for all those with an interest in JEA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Accounting Services, JEA, 21 West Church Street, Jacksonville, Florida, 32202.

Financial Statements

JEA

Balance Sheets

(In Thousands)

	September 30 2012	September 30 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 389,905	$ 339,385
Investments	24,989	11,036
Accounts and interest receivable, less allowance for doubtful accounts of $4,626 for 2012 and $5,165 for 2011	246,478	252,195
Inventories:		
Fuel	85,281	75,424
Materials and supplies	71,660	70,895
Total current assets	818,313	748,935
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	323,429	682,824
Investments	722,434	397,327
Accounts and interest receivable	4,754	8,965
Total restricted assets	1,050,617	1,089,116
Deferred costs	54,615	49,693
Investment in The Energy Authority	9,510	9,009
Costs to be recovered from future revenues	11,706	45,478
Total noncurrent assets	1,126,448	1,193,296
Capital assets:		
Land and easements	124,835	119,160
Plant in service	10,176,929	10,055,215
Less: accumulated depreciation	(3,993,190)	(3,747,280)
Plant in service, net	6,308,574	6,427,095
Construction work in progress	256,792	248,574
Net capital assets	6,565,366	6,675,669
Total assets	8,510,127	8,617,900
Deferred outflows of resources		
Accumulated decrease in fair value of hedging derivatives	194,658	176,758
Total assets and deferred outflows of resources	$ 8,704,785	$ 8,794,658

JEA

Balance Sheets (continued)

(In Thousands)

	September 30	
	2012	2011
Liabilities, deferred inflows of resources and net position		
Current liabilities:		
Accounts and accrued expenses payable	$ 146,466	$ 139,932
Customer deposits	56,350	52,655
Total current liabilities	202,816	192,587
Current liabilities payable from restricted assets:		
Debt due within one year	251,803	310,754
Interest payable	93,116	129,602
Construction contracts and accounts payable	34,988	49,596
Renewal and replacement reserve	90,000	90,000
Total current liabilities payable from restricted assets	469,907	579,952
Noncurrent liabilities:		
Deferred credits and other liabilities	46,525	50,138
Revenues to be used for future costs	102,689	64,705
Total noncurrent liabilities	149,214	114,843
Long-term debt:		
Bonds and commercial paper payable, less current portion	5,716,655	6,023,609
Unamortized premium, net	134,823	41,860
Unamortized deferred losses on refundings	(155,334)	(142,847)
Fair value of debt management strategy instruments	194,658	176,095
Total long-term debt	5,890,802	6,098,717
Total liabilities	6,712,739	6,986,099
Deferred inflows of resources		
Accumulated increase in fair value of hedging derivatives	735	–
Net position		
Net investment in capital assets	890,648	843,732
Restricted	506,207	442,581
Unrestricted	594,456	522,246
Total net position	1,991,311	1,808,559
Total liabilities, deferred inflows of resources and net position	$ 8,704,785	$ 8,794,658

See accompanying notes.

JEA

Statements of Revenues, Expenses, and Changes in Net Position

(In Thousands)

	Year Ended September 30	
	2012	2011
Operating revenues:		
Electric	$ 1,473,134	$ 1,624,473
Water and sewer	385,631	358,176
District Energy System	8,571	8,067
Other	41,046	48,842
Total operating revenues	1,908,382	2,039,558
Operating expenses:		
Operations:		
Fuel	480,875	634,377
Purchased power	67,155	98,919
Other	269,451	237,925
Maintenance	97,300	96,141
Depreciation	379,570	351,931
State utility and franchise taxes	72,925	78,787
Recognition of deferred costs and revenues, net	59,153	27,014
Total operating expenses	1,426,429	1,525,094
Operating income	481,953	514,464
Nonoperating revenues (expenses):		
Earnings from The Energy Authority	6,328	12,265
Investment income	8,804	11,908
Other nonoperating income	16,420	7,698
Interest on debt	(248,681)	(289,320)
Other interest	(23)	(109)
Allowance for funds used during construction	3,365	5,387
Water and Sewer Expansion Authority	–	(485)
Total nonoperating revenues (expenses)	(213,787)	(252,656)
Income before contributions	268,166	261,808
Contributions (to) from:		
General Fund, City of Jacksonville	(104,188)	(101,688)
Developers and other	18,774	23,539
Water and Sewer Expansion Authority	–	11,465
Total contributions	(85,414)	(66,684)
Change in net position	182,752	195,124
Net position, beginning of year	1,808,559	1,613,435
Net position, end of year	$ 1,991,311	$ 1,808,559

See accompanying notes.

JEA

Statements of Cash Flows

(In Thousands)

	September 30 2012	2011
Operating activities		
Receipts from customers	$ 1,872,883	$ 1,998,094
Other receipts	44,831	52,512
Payments to suppliers	(793,807)	(1,035,610)
Payments to employees	(207,417)	(199,739)
Net cash provided by operating activities	916,490	815,257
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	(103,812)	(101,448)
Contribution to Water & Sewer Expansion Authority – operating	–	(485)
Payment from City of Jacksonville	8,548	–
Build America Bonds subsidies	7,871	7,698
Net cash used in noncapital activities	(87,393)	(94,235)
Capital and related financing activities		
Acquisition and construction of capital assets	(273,774)	(297,790)
Proceeds from issuance of debt, net	1,549,468	512,274
Defeasance of debt	(1,584,671)	(344,535)
Repayment of debt principal	(234,709)	(206,290)
Interest paid on debt	(282,653)	(275,821)
Developer and other contributions	11,069	12,123
Proceeds from sale of property	674	766
Net cash used in capital and related financing activities	(814,596)	(599,273)
Investing activities		
Purchases of investments	(2,676,373)	(3,169,333)
Proceeds from sales and maturities of investments	2,338,303	3,084,086
Investment income	8,867	15,369
Distributions from The Energy Authority	5,827	12,875
Net cash used in investing activities	(323,376)	(57,003)
Net change in cash and cash equivalents	(308,875)	64,746
Cash and cash equivalents at beginning of year	1,022,209	957,463
Cash and cash equivalents at end of year	$ 713,334	$ 1,022,209

JEA

Statements of Cash Flows (continued)

(In Thousands)

	September 30	
	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 481,953	$ 514,464
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	381,092	352,725
Recognition of deferred costs and revenues, net	59,153	27,014
Changes in noncash assets and noncash liabilities:		
Accounts and interest receivable	3,923	37
Accounts and interest receivable, restricted	3,785	3,670
Inventories	(10,623)	(31,380)
Other	(9,551)	(2,785)
Accounts and accrued expenses payable	11,052	(39,940)
Liabilities payable from restricted assets	238	(9,665)
Deferred credits and other liabilities	(4,532)	1,117
Net cash provided by operating activities	$ 916,490	$ 815,257
Noncash activity:		
Contribution of capital assets from developers	$ 7,705	$ 11,416
Contribution of capital assets from Water & Sewer Expansion Authority	–	11,465
	$ 7,705	$ 22,881

See accompanying notes.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices

(a) Reporting Entity

JEA (formerly known as the Jacksonville Electric Authority) is currently organized into three enterprise funds – the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System (DES). The Electric Enterprise Fund is comprised of the Electric System; the Bulk Power Supply System (Scherer), which consists of Scherer Unit 4, a coal-fired, 846-megawatt generating unit operated by Georgia Power Company and owned by JEA (23.64% ownership interest) and Florida Power & Light Company (FPL) (76.36% ownership interest); and St. Johns River Power Park System (SJRPP), which has two coal-fired generating units (638 net megawatts each) jointly owned and operated by JEA (80% ownership interest) and FPL (20% ownership interest). The Water and Sewer Fund consists of Water and Sewer System activities. The DES consists of chilled water activities. These financial statements include JEA's ownership interests in the Bulk Power Supply System and SJRPP. Separate accounting records are currently maintained for each system. The following information relates to JEA's ownership of the respective plants as of September 30, 2012 and 2011:

	2012	2011
Bulk Power Supply System:		
Capital assets, net	$ 187,037	$ 185,965
Inventory	4,715	5,817
Revenues to be used for future costs	60,827	64,705
Other noncurrent assets	11,706	10,895
Long-term debt	124,610	126,085
Other liabilities	1,475	–
SJRPP:		
Capital assets, net	716,480	738,308
Current assets	151,272	136,053
Restricted assets	390,983	421,834
Other noncurrent assets	5,863	41,778
Long-term debt	851,335	976,237
Other liabilities	313,479	282,318

The Electric Enterprise Fund, Water and Sewer Fund, and the DES are governed by the Board Members of JEA (Board). The Board is responsible for setting rates based on operating and maintenance expenses and debt service of the respective operations. The operations of the Bulk Power Supply System and SJRPP are subject to joint ownership agreements, and rates are established on a cost-of-service basis, including operating and maintenance expenses and debt service. See note 1 (q).

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(b) Basis of Accounting

JEA consists of the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System. The Electric Enterprise Fund includes the operations of the Electric System, the Bulk Power Supply System, and SJRPP. JEA is presenting financial statements combined for the three funds. JEA uses the accrual basis of accounting for its operations and has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission for the Electric Enterprise Fund and the National Association of Regulatory Utility Commissioners for the Water and Sewer Fund. The investments in The Energy Authority (TEA) and Colectric Partners, Inc. (Colectric) are recorded on the equity method.

The accompanying financial statements have been prepared in conformity with the Governmental Accounting Standards Board (GASB) codification, which defines JEA as a component unit of the City of Jacksonville, Florida (the City). Accordingly, the financial statements of JEA are included in the Comprehensive Annual Financial Report of the City.

JEA presents its financial statements in accordance with the GASB pronouncements that establish standards for external financial reporting for all state and local governmental entities that include a statement of net position or balance sheet, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets and increased/reduced by costs to be recovered from future revenues or revenues to be used for future costs.

- Restricted – consists of assets that have constraints placed upon their use through external constraints imposed either by creditors (such as through debt covenants) or through laws, regulations, or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

- Unrestricted – consists of net position that does not meet the definition of restricted or net invested in capital assets.

JEA's bond resolutions specify the flow of funds from revenues and specify the requirements for the use of certain restricted and unrestricted assets.

(c) Revenues

Operating revenues are defined as revenues generated from the sale of primary products or services through normal business operations. Nonoperating revenues include investment income and earnings from investments recorded on the equity method.

Operating revenues reported in the accompanying statements of revenues, expenses, and changes in net position are shown net of discounts and estimated allowances for bad debts. Discounts and allowances totaled $42,915 in fiscal year 2012 and $45,718 in fiscal year 2011. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 11.2% of its electric revenue from electricity sold to FPL in fiscal year 2012 and 12.0% in fiscal year 2011. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $77,539 in 2012 and $70,942 in 2011.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(d) Capital Assets

Utility plant represents four classes of capital assets – real property, tangible property, tangible personal property and intangible property. All capital assets are recorded at historical cost and must have a useful life greater than one year. The costs of capital asset additions and replacements are capitalized. The costs of capital projects include direct labor and benefits of JEA employees working on capital projects and an allocation of overhead from certain JEA departments. Maintenance and replacements of minor items are charged to operating expenses. The cost of depreciable plant retired is removed from the capital asset accounts, and such cost plus removal expense less salvage value is charged to accumulated depreciation.

SJRPP and Scherer are required by its bond resolutions to deposit certain amounts in a renewal and replacement fund. These amounts are then required to be expended on capital expenditures to maintain and improve the system or applied to other designated uses as specifically allowed under the bond resolutions. The Electric Fund records the amounts deposited in the fund as a purchased power expense when deposited. The purchase of capital assets funded from the renewal and replacement fund is not capitalized by either SJRPP nor Scherer.

(e) Allowance for Funds Used During Construction

An allowance for funds used during construction (AFUDC) is included in construction work-in-progress and as a reduction of interest expense. JEA capitalizes interest on construction projects financed with revenue bonds, commercial paper, and renewal and replacement funds. The average AFUDC rate for the Electric Enterprise Fund fixed and variable rate debt was 3.4% for fiscal years 2012 and 2011. The average AFUDC rate for the Water and Sewer Fund fixed and variable rate debt was 3.9% for fiscal year 2012 and 4.0% for fiscal year 2011. The average AFUDC rate for the DES variable rate debt was 1.8% for fiscal year 2012 and 1.3% for fiscal year 2011. The amount capitalized is the interest cost of the debt less any interest earned on investment of debt proceeds from the date of the borrowing until the assets are placed in service. Total interest incurred was $248,704 for fiscal year 2012 and $289,429 for fiscal year 2011. Interest expense of $3,365 and investment income on bond proceeds of $33 was capitalized during fiscal year 2012. Interest expense of $5,387 and investment income on bond proceeds of $121 was capitalized during fiscal year 2011.

(f) Depreciation

Depreciation of capital assets, all of which is charged to operations, is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. The depreciation rates are based on depreciation studies performed by an outside consultant that are updated periodically, most recently in fiscal year 2011. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.8% for fiscal year 2012 and 3.5% for fiscal year 2011. The average depreciable life of the depreciable capital assets for the Electric System is 24.6 years as of September 30, 2012, and 25.2 years as of September 30, 2011. The average depreciable life of the depreciable capital assets for the Water and Sewer Fund is 27.5 years as of September 30, 2012, and 27.1 years as of September 30, 2011. The average depreciable life of the depreciable capital assets for the DES is 25.8 years as of September 30, 2012, and 26.1 years as of September 30, 2011.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(g) Amortization

Amortization of debt issue costs and bond discounts and premiums is computed on a straight-line basis, which approximates the effective-interest method over the remaining term of the outstanding bonds.

(h) Losses on Refundings

Losses on refundings of JEA revenue bonds are deferred and amortized as a component of interest on debt using the straight-line method over the remaining life of the old debt or the new debt, whichever is shorter. Unamortized deferred losses on refundings are reported as a reduction of long-term debt on the balance sheets. Whereas JEA has, incurred accounting losses on refundings, calculated as the difference between the net carrying value of the refunded and the refunding bonds, JEA has over time, realized economic gains calculated as the present value difference in the future debt service on the refunded and refunding bonds.

(i) Investments

Investments in U.S. Treasury, government agency, state and local government securities, and local government investment pools are recorded at fair value as determined by quoted market prices. Investments in money market mutual funds and commercial paper are recorded at cost, which approximates fair value. Realized and unrealized gains and losses for all investments are included in investment income on the accompanying statements of revenues, expenses and changes in net position.

(j) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, bank demand accounts, money market mutual funds, and short-term liquid investments purchased with an original maturity of 90 days or less.

(k) Interest Rate Swap Agreements

JEA's risk management policies allow for the use of interest rate swaps to manage financial exposures, but prohibit the use of these instruments for speculative or trading purposes. JEA utilizes interest rate swaps to manage the interest rate risk associated with various assets and liabilities. Interest rate swaps are used in the area of debt management to take advantage of favorable market interest rates. Interest rate swaps are authorized under the policy to be used in the area of investment management to increase the yield on revolving short-term investments.

JEA applies GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, where applicable, for effective hedging instruments. For effective hedging instruments, the changes in fair value are recorded on the accompanying balance sheets as deferred outflows and inflows of resources. For ineffective hedging instruments or investment derivatives, the changes in fair value are recorded on the accompanying statements of revenues, expenses, and changes in net position as an adjustment to investment income.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

Under JEA's interest rate swap programs, JEA either pays a variable rate of interest, which is based on various indices, and receives a fixed rate of interest for a specified period of time (unless earlier terminated), or JEA pays a fixed rate of interest and receives a variable rate of interest, which is based on various indices for a specified period of time (unless earlier terminated). These indices are affected by changes in the market. The net amounts received or paid under the swap agreements are recorded either as an adjustment to investment income (asset management) or interest on debt (debt management) in the accompanying statements of revenues, expenses, and changes in net position. No money is initially exchanged when JEA enters into a new interest rate swap transaction.

During fiscal years 2012 and 2011, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See the Debt Management Strategy section of the Long-Term Debt note for more information on JEA's debt management interest rate swap program.

(l) Inventory

Inventories are maintained for fuel and materials and supplies. Fuel inventories are maintained at levels sufficient to meet generation requirements. Inventories are valued at average cost, net of an estimated allowance for obsolescence for the materials and supplies inventories.

(m) Fuel Management Program

JEA has developed and implemented a fuel management program with the objective of reducing fuel rate increases, reducing energy price volatility, and minimizing system costs. Pursuant to this program, JEA may direct TEA to execute fixed price and option contracts to reduce JEA's exposure to volatility in the natural gas market. JEA has executed an operating agreement with TEA, whereby TEA may be tasked with developing and implementing a fuel price hedging program for other fuel types on behalf of JEA, in addition to natural gas. The fair value of such contracts, executed either by JEA or TEA, is recorded at fair value on the accompanying balance sheets. Because these instruments have been determined to qualify for hedge accounting under GASB Statement No. 53, such amounts are included in deferred outflows of resources on the accompanying balance sheets. Any associated margin deposits are recorded in noncurrent assets. The net amounts received or paid under the expired or closed fuel contracts are recorded as an adjustment to fuel expense. See note on Fuel Management Program.

(n) Capital Contributions

Capital contributions for the Water and Sewer Fund represent contributions of cash and capital assets from the City, developers, customers, and other third parties. Capital contributions are recorded in the accompanying statements of revenues, expenses, and changes in net position at the time of receipt. Depreciation is recorded on contributed capital assets on a straight-line basis.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(o) Compensated Absences

JEA employees accumulate earned personal leave benefits (compensated absences) at various rates within limits specified in collective bargaining agreements and other employment plans. Accrued leave may be taken at any time when authorized. In addition, employees may elect to sellback any leave accrued during the fiscal year. Leave accrued over the maximum allowed leave balances is paid to the employee after the end of the fiscal year. Upon termination from employment, employees are paid for their unused leave balances. In accordance with GASB Statement No. 16, the amount reflected as the current portion is estimated based upon historical trends of retirements and attrition.

This liability reflects amounts attributable to employee services already rendered, cumulative, probable for payment, and reasonably estimated, in conformity with GASB Statement No. 16, *Accounting for Compensated Absences*.

Compensated absences liabilities are accrued when incurred in the financial statements, in conformity with generally accepted accounting principles (GAAP). Compensated absences liability is determined based on current rates of pay.

The compensated absence liability as of September 30, 2012, was $28,333. Of this amount, $5,000 was included in accounts and accrued expenses payable on the accompanying balance sheets. The remaining balance of $23,333 was included in deferred credits and other liabilities on the accompanying balance sheets. During fiscal year 2012, annual leave earned totaled $14,472 and annual leave taken totaled $14,765. The compensated absence liability as of September 30, 2011, was $28,703. Of this amount, $3,397 was included in accounts and accrued expenses payable on the balance sheet. The remaining balance of $25,306 was included in deferred credits and other liabilities on the accompanying balance sheets. During fiscal year 2011, annual leave earned totaled $15,634 and annual leave taken totaled $16,119.

(p) Pollution Remediation Obligations

JEA applies GASB Statement No. 49, *Pollution Remediation Obligation*, and has decreased the liability by $2,540 in 2012 and increased the liability by $3,800 in 2011. JEA has recognized liabilities in the amount of $18,360 and $20,900 at September 30, 2012 and 2011 under the heading of deferred credits and other liabilities on the accompanying balance sheets. The changes to the pollution remediation obligation is included in other operating expenses in the accompanying statements of revenues, expenses, and changes in net position. See note 14, Commitments and Contingent Liabilities, for further discussion.

(q) Costs to Be Recovered from Future Revenues/Revenues to Be Used for Future Costs

Cost-based Regulation – The Bulk Power Supply System and SJRPP record certain assets and liabilities that result from the effects of the rate-making process that would not be recorded under generally accepted accounting principles for nonregulated entities. Currently, the electric utility industry is predominantly regulated on a basis designed to recover the cost of providing electric power to its customers. If cost-based regulation were to be discontinued in the electric industry for any reason, market prices for electricity could be reduced or increased, and utilities might be required to reduce their balance sheet amounts to reflect market conditions.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

Discontinuance of cost-based regulation could also require affected utilities to write off their associated regulatory assets and liabilities. Management cannot predict the potential impact, if any, of the change in the regulatory environment on JEA's future financial position and results of operations.

The rates for SJRPP and the Bulk Power Supply System are established on a cost-of-service basis, which is based upon debt service, if any, and operating fund requirements. Straight-line depreciation is not considered in the cost-of-service calculation used to design rates.

Costs to Be Recovered From Future Revenues – SJRPP deferred debt-related costs of $0 at September 30, 2012, and $34,583 at September 30, 2011, are the result of differences between expenses in determining rates and those used in financial reporting and are shown under other noncurrent assets on the accompanying balance sheets. SJRPP has a contract with the JEA Electric System and FPL to recover these costs from future revenue that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statements of revenues, expenses, and changes in net position. SJRPP recognized $4,028 in fiscal year 2012 and $33,245 in fiscal year 2011 in deferred costs.

The Bulk Power Supply System deferred debt-related costs of $11,706 at September 30, 2012, and $10,895 at September 30, 2011, are the result of differences between expenses in determining rates and those used in financial reporting and are shown under other noncurrent assets on the accompanying balance sheets. The Bulk Power Supply System will recover these costs from future revenue that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statements of revenues, expenses, and changes in net position. Bulk Power Supply System recognized credits of $732 in fiscal year 2012 and $2,353 in fiscal year 2011 in deferred costs.

Revenues to Be Used for Future Costs – Early debt principal retirements of the Bulk Power Supply System in excess of straight-line depreciation of $60,827 at September 30, 2012, and $64,705 at September 30, 2011, are included in noncurrent liabilities on the accompanying balance sheets. The Bulk Power Supply System recognized $3,878 for both fiscal years 2012 and 2011.

SJRPP deferred debt-related revenues of $41,862 at September 30, 2012, and $0 at September 30, 2011, are included in noncurrent liabilities on the accompanying balance sheets. SJRPP recognized $67,791 in fiscal year 2012 and $0 in fiscal year 2011.

	2012	2011
Summary:		
Recognition of deferred costs from SJRPP	$ 63,763	$ 33,245
Recognition of deferred costs from the Bulk Power System	(4,610)	(6,231)
Recognition of deferred costs and revenues, net	$ 59,153	$ 27,014

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(r) Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) Reclassifications

Certain 2011 amounts have been reclassified to conform to the 2012 presentation.

(t) Recent Accounting Pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (Statement 63)*. The objective of Statement 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Amounts that are required to be reported as deferred outflows of resources should be reported in a statement of financial position in a separate section following assets. Similarly, amounts required to be reported as deferred inflows of resources should be reported in a separate section following liabilities. The statement of net position should report the residual amount as net position, rather than net assets or equity. The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011; however, JEA elected to early-implement this Statement in the 2011 fiscal year.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments; Application of Hedge Accounting Termination Provisions (Statement 64)*. The objective of this project is to clarify the termination provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, when a counterparty of an interest rate or commodity swap is replaced. The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011. The implementation of this standard did not have a material impact on the financial statements of JEA.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities (Statement 65).* The objective of Statement 65 is to establish accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of Statement 65 are effective for financial statements for periods beginning after December 15, 2012. JEA is currently assessing the impact of Statement 65 and will adopt this standard in fiscal year 2014.

In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62 (Statement 66).* The objective of Statement 66 is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of Statement 66 are effective for financial statements for periods beginning after December 15, 2012, which is JEA's fiscal year 2014. The implementation of this statement is not expected to have a material effect on JEA's financial statements.

(Dollars in Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 (Statement 67).* The objective of Statement 67 is to improve financial reporting by state and local governmental pension plans. The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013, which is JEA's fiscal year 2014.

In June 2012, GASB issued Statement No 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27(Statement 68)*. The objective of Statement 68 is to improve accounting and financial reporting by state and local governmental employers about the financial support for pensions that is provided by other entities. Statement 68 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of statement 68 are effective for fiscal years beginning after June 15, 2014, which is JEA's fiscal year 2015. The impact to JEA's financial reporting has not been determined.

(Dollars in Thousands)

2. Restricted Assets

Restricted assets were held in the following funds at September 30, 2012 and 2011:

	2012	2011
Electric System:		
Sinking Fund	$ 112,492	$ 129,253
Construction Fund	40,035	70,001
Debt Service Reserve Fund	78,696	78,696
Renewal and Replacement Fund	106,668	73,727
Adjustment to fair value of investments	3,113	2,612
Total Electric System	341,004	354,289
SJRPP System:		
Sinking Fund	143,233	144,757
Construction Fund	3,430	21,664
Debt Service Reserve Fund	149,189	147,034
Renewal and Replacement Fund	90,000	90,002
Revenue Fund	2,338	16,244
Adjustment to fair value of investments	2,793	2,133
Total SJRPP System	390,983	421,834
Water and Sewer System:		
Sinking Fund	81,675	80,936
Debt Service Reserve Fund	119,131	102,214
Construction Fund	7,419	40,530
Renewal and Replacement Fund	102,690	80,615
Revenue Fund	1,338	1,388
Adjustment to fair value of investments	3,181	3,354
Total Water and Sewer System	315,434	309,037
DES:		
Sinking Fund	1,396	1,359
Renewal and Replacement Fund	1,800	2,597
Total DES	3,196	3,956
Total restricted assets	$1,050,617	$ 1,089,116

(Dollars in Thousands)

2. Restricted Assets (continued)

The Electric System, SJRPP System, Bulk Power Supply, Water and Sewer System, and the DES are permitted to invest restricted funds in specified types of investments in accordance with their bond resolutions and the investment policy.

The requirements of the respective bond resolutions for contributions to the respective systems' renewal and replacement funds are as follows:

Electric System:	An amount equal to the greater of 10% of the prior-year defined net revenues or 5% of the prior-year defined gross revenues.
SJRPP System:	An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the SJRPP 1st Bond Resolution. An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the SJRPP 2nd Bond Resolution. However, no such deposit is required under the SJRPP 2nd Bond Resolution as long as the SJRPP 1st Bond Resolution has not been discharged.
Water and Sewer System:	An amount equal to the greater of 10% of the prior-year defined annual net revenues or 5% of the prior-year defined gross revenues.
DES:	An amount equal to the greater of 10% of the prior-year defined annual net revenues or 5% of the prior-year defined revenues.
Bulk Power Supply System:	An amount equal to 12.5% of aggregate debt service, as defined.

3. Cash and Investments

JEA maintains cash and investment pools that are utilized by all funds except for the bond funds. Included in the JEA cash balances are amounts on deposit with JEA's commercial bank, as well as amounts held in various money market funds as authorized in the JEA Investment Policy. The commercial bank balances are covered by federal depository insurance or collateralized subject to the Florida Security for Public Deposits Act of Chapter 280, *Florida Statutes*. Amounts subject to Chapter 280, *Florida Statutes*, are collateralized by securities deposited by JEA's commercial bank under certain pledging formulas with the State Treasurer or other qualified custodians.

JEA follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying value of investments to fair value to be presented as a component of investment income. Investments are presented at fair value, which is based on available or equivalent market values. The money market mutual funds are 2a-7 funds registered with the SEC and, therefore, are presented at actual pooled share price, which approximates fair value.

(Dollars in Thousands)

3. Cash and Investments (continued)

At September 30, 2012 and 2011, the fair value of all securities, regardless of balance sheet classification as cash equivalent or investment, was as follows:

	2012	2011
Securities:		
U.S. Treasury and government agency securities	$ 598,455	$ 248,116
State and local government securities	186,470	191,699
Commercial paper	179,660	164,121
Local government investment pool	1,613	1,660
Money market mutual funds	150,190	469,959
Total securities, at fair value	$ 1,116,388	$ 1,075,555

These securities are held in the following accounts:

	2012	2011
Restricted assets:		
Cash and cash equivalents	$ 323,429	$ 682,824
Investments	722,434	397,327
Current assets:		
Cash and cash equivalents	389,905	339,385
Investments	24,989	11,036
Total cash and investments	1,460,757	1,430,572
Plus: interest due on securities	1,444	2,503
Less: cash on deposit	(345,813)	(357,520)
Total securities, at fair value	$ 1,116,388	$ 1,075,555

(Dollars in Thousands)

3. Cash and Investments (continued)

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2012, JEA's investments in securities and their maturities are categorized below, in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. It is assumed that callable investments will not be called. Putable securities are presented as investments with a maturity of less than one year.

Investment Maturity Distribution at September 30, 2012

Type of Investments	Less Than One Year	One to Five Years	Five to Ten Years	Ten to Twenty-Five Years	Total
U.S. Treasury and government agency securities	$ 378,365	$ 177,160	$ 42,930	$ –	$ 598,455
State and local government securities	76,437	7,984	63,902	38,147	186,470
Commercial paper	179,660	–	–	–	179,660
Local government investment pool	–	1,613	–	–	1,613
Money market mutual funds	150,190	–	–	–	150,190
Total securities, at fair value	$ 784,652	$ 186,757	$ 106,832	$ 38,147	$ 1,116,388

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, JEA's investment policy requires the investment portfolio to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities are matched with known cash needs and anticipated cash flow requirements. Additionally, maturity limitations for investments related to the issuance of debt are outlined in the Bond Resolution relating to those bond issues. JEA's investment policy also limits investments in commercial paper to maturities of less than nine months.

Credit Risk. JEA's investment policy is consistent with the requirements for investments of state and local governments contained in the *Florida Statutes*, and its objectives are to seek reasonable income, preserve capital, and avoid speculative investments. Consistent with JEA's investment policy and bond resolutions: (1) the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency or instrumentality of the United States of America; (2) the state and local government securities are rated by two nationally recognized rating agencies and are rated at least AA- by Standard & Poor's, Aa3 by Moody's Investors Services, or AA- by Fitch Ratings; and (3) the money market mutual funds are rated AAA by Standard & Poor's or Aaa by Moody's Investors Services. Pool B of the Local Government Surplus Funds Trust Fund is unrated. JEA's investment policy limits investments in commercial paper to the highest whole rating category issued by at least two nationally recognized rating agencies, and the issuer must be a Fortune 500 company or Fortune Global 500 company and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2012, JEA's investments in commercial paper are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. Also, JEA's investment policy limits the commercial paper investment in any one issuer to $12,500. Additionally, JEA's investment policy limits investments in commercial paper to 25.0% of the total investment portfolio regardless of balance sheet classification as cash equivalent or investment. As of September 30, 2012, JEA had 16.1% of its investments in commercial paper.

(Dollars in Thousands)

3. Cash and Investments (continued)

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, JEA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of JEA's investments are held by JEA or by an agent in JEA's name.

Concentration of Credit Risk. As of September 30, 2012, investments in any one issuer representing 5.0% or more of JEA's investments included $215,013 (19.3%) invested in issues of the Federal Home Loan Bank, $157,645 (14.1%) invested in issues of the Federal Farm Credit Bank, $101,623 (9.1%) invested in issues of the U.S. Treasury, and $84,605 (7.6%) invested in issues of the Federal Home Loan Mortgage Corp. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 35.0% of total investments regardless of balance sheet classification as cash equivalent or investment. Other than investments in U.S. Treasury securities or U.S. Treasury money market funds, JEA's investment policy limits the percentage of the total investment portfolio (regardless of balance sheet classification as cash equivalent or investment) that may be held in various security types. As of September 30, 2012, investments in all security types were within the allowable policy limits.

(Dollars in Thousands)

4. Capital Assets

Capital asset activity for the year ended September 30, 2012, is as follows:

	Balance September 30, 2011	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2012
Electric Enterprise Fund:					
Generation assets	$ 3,525,413	$ 56,419	$ (20,472)	$ 1,949	$ 3,563,309
Transmission assets	538,204	23,374	(804)	(1,949)	558,825
Distribution assets	1,623,347	49,339	(20,093)	–	1,652,593
Other assets	496,585	38,264	(47,088)	–	487,761
Total capital assets	6,183,549	167,396	(88,457)	–	6,262,488
Less: accumulated depreciation and amortization	(2,570,826)	(239,247)	89,587	–	(2,720,486)
Land	71,255	4,419	–	–	75,674
Construction work-in-process	189,935	144,688	(176,356)	–	158,267
Net capital assets	3,873,913	77,256	(175,226)	–	3,775,943
Water and Sewer Fund:					
Pumping assets	420,141	5,577	(1,460)	–	424,258
Treatment assets	526,548	16,137	(3,389)	–	539,296
Transmission and distribution assets	1,041,081	23,076	(32,552)	–	1,031,605
Collection assets	1,348,258	31,864	(957)	–	1,379,165
Reclaimed water assets	117,690	(2,486)	(3)	–	115,201
General and other assets	368,294	9,040	(2,929)	–	374,405
Total capital assets	3,822,012	83,208	(41,290)	–	3,863,930
Less: accumulated depreciation	(1,165,359)	(135,493)	41,290	–	(1,259,562)
Land	44,854	1,256	–	–	46,110
Construction work-in-process	58,157	116,228	(76,759)	–	97,626
Net capital assets	2,759,664	65,199	(76,759)	–	2,748,104
DES:					
Chilled water plant assets	49,654	857	–	–	50,511
Total capital assets	49,654	857	–	–	50,511
Less: accumulated depreciation	(11,095)	(2,047)	–	–	(13,142)
Land	3,051	–	–	–	3,051
Construction work-in-process	482	1,274	(857)	–	899
Net capital assets	42,092	84	(857)	–	41,319
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 6,675,669	$ 142,539	$ (252,842)	$ –	$ 6,565,366

(Dollars in Thousands)

4. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2011, is as follows:

	Balance September 30, 2010	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2011
Electric Enterprise Fund:					
Generation assets	$ 3,485,245	$ 59,971	$ (19,810)	$ 7	$ 3,525,413
Transmission assets	490,997	47,318	(1,208)	1,097	538,204
Distribution assets	1,559,614	63,611	(2,474)	2,596	1,623,347
Other assets	499,840	39,381	(38,936)	(3,700)	496,585
Total capital assets	6,035,696	210,281	(62,428)	–	6,183,549
Less: accumulated depreciation and amortization	(2,399,028)	(229,144)	57,346	–	(2,570,826)
Land	70,962	293	–	–	71,255
Construction work-in-process	188,163	201,465	(199,693)	–	189,935
Net capital assets	3,895,793	182,895	(204,775)	–	3,873,913
Water and Sewer Fund:					
Pumping assets	409,804	11,310	(973)	–	420,141
Treatment assets	515,117	11,790	(359)	–	526,548
Transmission and distribution assets	1,002,872	39,128	(919)	–	1,041,081
Collection assets	1,324,783	24,555	(1,080)	–	1,348,258
Reclaimed water assets	115,881	1,809	–	–	117,690
General and other assets	392,085	7,235	(31,026)	–	368,294
Total capital assets	3,760,542	95,827	(34,357)	–	3,822,012
Less: accumulated depreciation	(1,079,483)	(120,233)	34,357	–	(1,165,359)
Land	44,751	103	–	–	44,854
Construction work-in-process	38,672	91,851	(72,366)	–	58,157
Net capital assets	2,764,482	67,548	(72,366)	–	2,759,664
DES:					
Chilled water plant assets	49,552	233	(131)	–	49,654
Total capital assets	49,552	233	(131)	–	49,654
Less: accumulated depreciation	(9,218)	(2,008)	131	–	(11,095)
Land	3,051	–	–	–	3,051
Construction work-in-process	147	567	(232)	–	482
Net capital assets	43,532	(1,208)	(232)	–	42,092
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 6,703,807	$ 249,235	$ (277,373)	$ –	$ 6,675,669

(Dollars in Thousands)

5. Investment in The Energy Authority

JEA is a member of TEA, a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida. TEA currently has seven members, and JEA's ownership interest in TEA is 20.0%. TEA provides wholesale power marketing and resource management services to members and nonmembers and allocates transaction savings and operating expenses pursuant to a settlement agreement. TEA also assists JEA with natural gas procurement and related gas hedging activities. JEA's earnings from TEA were $6,328 in fiscal year 2012 and $12,265 in fiscal year 2011 for all power marketing activities. The investment in TEA of $9,510 at September 30, 2012, and $9,009 at September 30, 2011, is included in noncurrent assets on the accompanying balance sheets.

The following is a summary of the unaudited financial information of TEA for the nine months ended September 30, 2012 and 2011. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited 2012	Unaudited 2011
Condensed balance sheets:		
Current assets	$ 146,749	$ 131,102
Noncurrent assets	17,675	20,435
Total assets	$ 164,424	$ 151,537
Current liabilities	$ 118,566	$ 105,318
Noncurrent liabilities	–	984
Members' capital	45,858	45,235
Total liabilities and members' capital	$ 164,424	$ 151,537
Condensed statements of operations:		
Operating revenues	$ 909,099	$ 890,765
Operating expenses	839,672	822,043
Operating income	$ 69,427	$ 68,722
Net income	$ 69,474	$ 68,844

(Dollars in Thousands)

5. Investment in The Energy Authority (continued)

As of September 30, 2012, JEA is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to $28,929 and TEA's natural gas procurement and trading activities up to $27,500, in either case, plus attorney's fees that any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. JEA has approved guarantees up to $60,000 (plus attorney fees) for TEA's natural gas procurement and trading activities.

Generally, JEA's guaranty obligations for electric trading would arise if TEA did not make the contractually required payment for energy, capacity, or transmission that was delivered or made available, or if TEA failed to deliver or provide energy, capacity, or transmission as required under a contract. Generally, JEA's guaranty obligations for natural gas procurement and trading would arise if TEA did not make the contractually required payment for natural gas or transportation that was delivered or purchased or if TEA failed to deliver natural gas or transportation as required under a contract.

Upon JEA's making any payments under its electric guaranty, it has certain contribution rights with the other members of TEA in order that payments made under the TEA member guaranties would be equalized ratably, based upon each member's equity ownership interest in TEA. Upon JEA's making any payments under its natural gas guaranty, it has certain contribution rights with the other members of TEA in order that payments under the TEA member guaranties would be equalized ratably in proportion to their respective amounts of guaranties, as adjusted by the actual natural gas member volumes and prices for the calendar year. After such contributions have been effected, JEA would only have recourse against TEA to recover amounts paid under the guaranty.

JEA has elected to provide a guaranty for the use by TEA solely for the purpose of facilitating trading (including financial transactions) or transportation activities involving electricity, natural gas, or any other commodity for, and as approved by, JEA. The amount of this guaranty is $50,000, plus reasonable attorney fees that any party claiming and prevailing under such guaranty might incur. This guaranty is intended to be used by TEA for long-term transactions or hedging transactions, solely for the account of JEA. JEA's guaranty obligations thereunder would generally arise if TEA did not make the contractually required payment or failed to deliver the commodity as required under the contract. JEA has no contribution rights with other members of TEA under this guaranty. JEA only has recourse against TEA to recover amounts paid under this guaranty.

The term of these guaranties is generally indefinite, but JEA has the ability to terminate its guaranty obligations by causing to be provided advance notice to the beneficiaries thereof. Such termination of its guaranty obligations only applies to TEA transactions not yet entered into at the time the termination takes effect.

(Dollars in Thousands)

6. Investment in Colectric Partners, Inc.

JEA, along with six other public power utilities, is a member of Colectric, a Georgia nonprofit corporation. JEA's ownership interest is 25.0%. The purpose of Colectric is to secure cost savings through the implementation of standardized practices in the development, engineering, procurement, construction, and start-up of generation facilities. Cost savings are also envisioned by joint measures for training and spare parts. The long-term goal of Colectric is to provide its members with services in other aspects of the energy supply chain. At September 30, 2012 and 2011, $203 and $229, respectively, is included in noncurrent assets in the accompanying balance sheets.

The following is a summary of the unaudited information of Colectric for the nine months ended September 30, 2012 and 2011. Colectric issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2012	**2011**
Condensed balance sheets:		
Current assets	$ 1,586	$ 1,699
Noncurrent assets	10	15
Total assets	$ 1,596	$ 1,714
Current liabilities	$ 783	$ 791
Members' capital	813	923
Total liabilities and members' capital	$ 1,596	$ 1,714
Condensed statements of operations:		
Operating revenues	$ 1,336	$ 1,309
Operating expenses	1,238	1,142
Operating income	$ 98	$ 167
Net income	$ 99	$ 168

7. Long-Term Debt

The Electric System, Bulk Power Supply System, SJRPP System, Water and Sewer System, and DES revenue bonds (JEA Revenue Bonds) are each governed by one or more bond resolutions. The Electric System bonds are governed by both a senior and a subordinated bond resolution; the Bulk Power Supply System bonds are governed by a single bond resolution; the Water and Sewer System bonds are governed by both a senior and a subordinated bond resolution; the SJRPP System bonds are governed by the First and Second Power Park Resolutions; and the DES bonds are governed by a single bond resolution. In accordance with the bond resolutions of each system, principal and interest on the bonds are payable from and secured by a pledge of the net revenues of the respective system. In general, the bond resolutions require JEA to make monthly deposits into the separate debt service sinking funds for each System in an amount equal to approximately one-twelfth of the aggregate amount of principal and interest due and payable on the bonds within the bond year. Interest on the fixed rate bonds is payable semiannually on April 1 and October 1, and principal is payable on October 1.

(Dollars in Thousands)

7. Long-Term Debt (continued)

In accordance with the requirements of the SJRPP First Power Park Resolution and the Agreement for Joint Ownership and Construction and Operation of SJRPP Coal Units #1 and #2 between JEA and FPL, FPL is responsible for paying its share of the debt service on bonds issued under the First Power Park Resolution. The various bond resolutions provide for certain other covenants, the most significant of which (1) requires JEA to establish rates for each system such that net revenues with respect to that system are sufficient to exceed (by a certain percentage) the debt service for that system during the fiscal year and any additional amount required to make all reserve or other payments required to be made in such fiscal year by the resolution of that system and (2) restricts JEA from issuing additional parity bonds unless certain conditions are met.

In addition, the Water and Sewer System has received funds from the State Revolving Fund (SRF) program for the construction of water and wastewater treatment facilities. Funds received from the SRF program are repaid with semiannual payments over 20 years, with such payments being third lien or subordinated to all Water and Sewer System Revenue Bonds and Water and Sewer System Subordinated Revenue Bonds.

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates (1)	Payment Dates	September 30, 2012	2011
Electric System Senior Revenue Bonds:				
Series Three, 2003A	3.250%	2012	$ 3,100	$ 72,245
Series Three, 2004A	5.000%	2039	5	7,505
Series Three, 2005A	n/a	n/a	–	45,470
Series Three, 2005B	4.750%	2033	100	11,085
Series Three, 2005D	3.625 – 4.000%	2015 – 2019	7,330	22,115
Series Three, 2006A	5.000%	2037 – 2041	40,000	86,090
Series Three, 2007C	5.250%	2012	375	25,850
Series Three, 2008A(2)	Variable	2012 – 2036	94,170	96,190
Series Three, 2008B-1(3)	Variable	2012 – 2040	68,970	72,070
Series Three, 2008B-2(2)	Variable	2012 – 2040	68,510	71,560
Series Three, 2008B-3(2)	Variable	2012 – 2036	53,700	54,025
Series Three, 2008B-4(2)	Variable	2012 – 2036	53,185	53,510
Series Three, 2008C-1(2)	Variable	2012 – 2034	75,545	77,645
Series Three, 2008C-2(2)	Variable	2012 – 2034	75,300	77,400
Series Three, 2008C-3(2)	Variable	2015 – 2038	51,515	51,515
Series Three, 2008D-1(3)	Variable	2012 – 2036	122,585	124,560
Series Three, 2008E	3.000 – 5.000%	2012 – 2028	50,320	50,820
Series Three, 2009A	3.000 – 5.250%	2012 – 2029	75,035	85,365
Series Three, 2009B	2.500 – 5.375%	2012 – 2034	32,190	33,090

(Dollars in Thousands)

7. Long-Term Debt (continued)

Long-term Debt	Interest Rates [1]	Payment Dates	September 30, 2012	September 30, 2011
Series Three, 2009C	5.000%	2016 – 2017	$ 15,730	$ 15,730
Series Three, 2009D[6]	6.056%	2033 – 2044	45,955	45,955
Series Three, 2010A	2.000 – 4.500%	2012 – 2030	64,245	64,245
Series Three, 2010B	2.000 – 4.500%	2012 – 2030	8,360	8,540
Series Three, 2010C	2.000 – 4.500%	2012 – 2031	15,290	15,290
Series Three, 2010D	2.000 – 5.000%	2012 – 2038	182,155	184,385
Series Three, 2010E[6]	5.350 – 5.482%	2028 – 2040	34,255	34,255
Series Three, 2012A	4.000 – 4.500%	2023 – 2033	60,750	–
Series Three, 2012B	2.000 – 5.000%	2013 – 2039	140,640	–
Total Electric System Senior Revenue Bonds			1,439,315	1,486,510
Electric System Subordinated Revenue Bonds:				
Series C Commercial Paper Notes	Variable	2013 – 2027	82,800	86,400
2000 Series A[2]	Variable	2012 – 2035	69,255	72,900
2000 Series B[2]	Variable	2012 – 2035	69,255	72,900
2000 Series F-1[2]	Variable	2017 – 2030	75,000	125,000
2000 Series F-2[2]	Variable	2017 – 2030	50,000	125,000
2001 Series C[2]	Variable	2017 – 2030	66,000	66,000
2002 Series D	n/a	n/a	–	42,000
2003 Series A	n/a	n/a	–	23,255
2005 Series A	n/a	n/a	–	6,710
2005 Series C	3.500 – 4.000%	2015 – 2019	4,840	17,715
2006 Series A	n/a	n/a	–	25,000
2007 Series A	4.000%	2012	680	81,585
2008 Series A	3.625 – 5.125%	2012 – 2037	54,635	56,410
2008 Series C	3.600 – 5.000%	2013 – 2020	49,875	73,875
2008 Series D[2]	Variable	2012 – 2038	69,680	69,680
2008 Series E	3.000 – 4.750%	2012 – 2028	16,865	17,490
2009 Series A	3.000 – 5.625%	2012 – 2039	121,790	122,270
2009 Series B	5.000%	2012 – 2019	109,205	116,330
2009 Series C	4.000 – 5.000%	2014 – 2020	65,515	65,515

(Dollars in Thousands)

7. Long-Term Debt (continued)

Long-term Debt	Interest Rates [1]	Payment Dates	September 30, 2012	2011
2009 Series D	5.000%	2012 – 2018	$ 38,245	$ 50,135
2009 Series E	4.000 – 5.000%	2014 – 2018	12,420	12,420
2009 Series F[6]	3.150 – 6.406%	2013 – 2034	68,600	68,600
2009 Series G	3.750 – 5.000%	2015 – 2021	27,675	27,675
2010 Series A	2.000 – 5.000%	2012 – 2017	15,620	16,615
2010 Series B	3.000 – 5.000%	2012 – 2024	40,930	40,930
2010 Series C	3.125 – 4.000%	2020 – 2027	15,925	15,925
2010 Series D[6]	3.500 – 5.582%	2017 – 2027	45,575	45,575
2010 Series E	3.000 – 4.000%	2012 – 2016	13,765	13,765
2012 Series A	2.000 – 5.000%	2012 – 2033	114,130	–
2012 Series B	2.250 – 5.000%	2013 – 2037	109,605	–
Total Electric System Subordinated Revenue Bonds			1,407,885	1,432,675
Electric System Other Subordinated Debt:				
Line of Credit Draws	n/a	n/a	–	61,942
Total Electric System Other Subordinated Debt			–	61,942
Bulk Power Supply System Revenue Bonds:				
Series 2008A	3.750 – 6.000%	2012 – 2038	77,945	77,945
Series 2010A[6]	2.250 – 5.920%	2013 – 2030	48,140	48,140
Total Bulk Power System Revenue Bonds			126,085	126,085
SJRPP System Revenue Bonds:				
Issue 2, Series 7	n/a	n/a	–	8,001
Issue 2, Series 10	5.500%	2013	50	50
Issue 2, Series 17	4.700%	2019	100	339,435
Issue 2, Series 18	4.000 – 4.500%	2012 – 2018	12,825	33,075
Issue 2, Series 19	4.125 – 4.600%	2012 – 2017	21,670	29,925
Issue 2, Series 20	4.500%	2021	100	96,500
Issue 2, Series 21	5.00%	2012 – 2021	124,860	142,050
Issue 2, Series 22	4.000%	2012 – 2019	3,330	98,405
Issue 2, Series 23	3.000–5.000%	2012 – 2021	310,995	–

(Dollars in Thousands)

7. Long-Term Debt (continued)

Long-term Debt	Interest Rates [1]	Payment Dates	September 30, 2012	September 30, 2011
Issue 2, Series 24	2.000 – 4.000%	2012 – 2021	$ 54,415	$ –
Issue 2, Series 25	0.250 – 5.000%	2012 – 2021	85,135	–
Issue 3, Series 1[5]	3.625 – 4.500%	2012 – 2037	5,910	144,600
Issue 3, Series 2[5]	3.500 – 5.000%	2013 – 2037	125,000	125,000
Issue 3, Series 3[5]	3.000 – 5.500%	2013 – 2039	64,305	64,305
Issue 3, Series 4[5][6]	3.875 – 5.450%	2016 – 2028	25,720	25,720
Issue 3, Series 5[5]	3.000 – 4.000%	2012 – 2015	6,110	6,110
Issue 3, Series 6[5]	2.000 – 5.000%	2013 – 2037	121,475	–
Total SJRPP System Revenue Bonds:			962,000	1,113,176
SJRPP System Other Subordinated Debt:				
Line of Credit Draws	Variable	2013	2,691	–
Total SJRPP System Other Subordinated Debt			2,691	–
Water and Sewer System Senior Revenue Bonds:				
2002 Series B	3.700 – 5.250%	2012	6,435	12,550
2002 Series C	n/a	n/a	–	26,475
2003 Series A	n/a	n/a	–	34,700
2003 Series B	n/a	n/a	–	41,375
2004 Series A	3.000 – 5.250%	2012 – 2039	181,345	186,855
2004 Series B	4.250 – 4.500%	2025 – 2039	44,070	54,590
2004 Series C	n/a	n/a	–	2,250
2005 Series A	3.750 – 5.000%	2015 – 2025	40,295	127,850
2005 Series B	3.750 – 5.000%	2015 – 2040	93,720	128,895
2005 Series C	3.500 – 5.000%	2014 – 2023	45,025	116,830
2006 Series A	n/a	n/a	–	32,725
2006 Series B	3.700%	2012	3,535	36,130
2006 Series B[4]	Variable	2016 – 2022	38,730	38,730
2007 Series A	3.750%	2012	1,610	95,350
2007 Series C	4.000%	2012	1,920	39,100
2008 Series A-2[2]	Variable	2012 – 2042	73,720	73,820
2008 Series B[2]	Variable	2023 – 2041	85,290	85,290

(Dollars in Thousands)

7. Long-Term Debt (continued)

Long-term Debt	Interest Rates [1]	Payment Dates	September 30, 2012	2011
2009 Series A	2.500 – 5.375%	2012 – 2039	$ 44,660	$ 45,405
2009 Series B	3.750 – 5.000%	2012 – 2019	67,410	75,210
2010 Series A[6]	6.210 – 6.310%	2026 – 2044	83,115	83,115
2010 Series B	2.500 – 5.700%	2012 – 2025	24,220	24,220
2010 Series C	3.250 – 5.000%	2012 – 2040	45,780	45,780
2010 Series D	2.500 – 5.000%	2012 – 2039	200,515	202,670
2010 Series E	4.000 – 5.000%	2021 – 2039	60,990	60,990
2010 Series F[6]	3.200 – 5.887%	2017 – 2040	45,520	45,520
2010 Series G	2.000 – 4.000%	2012 – 2016	3,480	3,480
2012 Series A	3.000 – 5.000%	2013 – 2041	334,555	–
2012 Series B	2.000 – 5.000%	2013 – 2041	136,725	–
Total Water and Sewer System Senior Revenue Bonds:			1,662,665	1,719,905
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2003 Series C	n/a	n/a	–	33,625
Subordinated 2004 Series A	n/a	n/a	–	25,900
Subordinated 2005 Series A	3.500%	2012 – 2013	360	535
Subordinated 2006 Series A	n/a	n/a	–	10,250
Subordinated 2007 Series A	n/a	n/a	–	10,330
Subordinated 2008 Series A-1[2]	Variable	2012 – 2038	57,525	59,000
Subordinated 2008 Series A-2[2]	Variable	2012 – 2038	57,225	58,675
Subordinated 2008 Series B-1[2]	Variable	2012 – 2036	93,315	96,105
Subordinated 2010 Series A	3.000 – 5.000%	2013 – 2022	16,655	16,655
Subordinated 2010 Series B	3.000 – 5.000%	2020 – 2025	12,770	12,770
Subordinated 2012 Series A	3.000 – 4.000%	2021 – 2033	20,320	–
Subordinated 2012 Series B	3.250 – 5.000%	2030 – 2043	41,640	–
Total Water and Sewer System Subordinated Revenue Bonds			299,810	323,845
Water and Sewer System Other Subordinated Debt:				
State Revolving Fund Loans	2.630 – 2.770%	2012 – 2028	22,867	20,250
Total Water and Sewer System Other Subordinated Revenue Bonds			22,867	20,250

(Dollars in Thousands)

7. Long-Term Debt (continued)

Long-term Debt	Interest Rates [1]	Payment Dates	September 30, 2012	2011
District Energy System:				
2004 Series A[2]	Variable	2012 – 2034	$ 45,140	$ 46,490
Line of Credit Draws	n/a	n/a	–	3,485
Total District Energy System			45,140	49,975
Total Debt Principal Outstanding			5,968,458	6,334,363
Less: Debt Due Within One Year[7]			(251,803)	(310,754)
Total Long-term Debt			$ 5,716,655	$ 6,023,609

(1) At September 30, 2012, interest on the outstanding variable rate debt is based on either the daily mode, weekly mode or the commercial paper mode, which resets in time increments ranging from one day to 270 days. In addition, JEA has executed fixed-payer weekly mode interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. The terms of the interest rate swaps are approximately equal to that of the fixed-payer bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2012 and 2011.

(2) Variable rate demand obligations – interest rates ranged from 0.16% to 0.20% at September 30, 2012.

(3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 0.98% at September 30, 2012.

(4) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates ranged from 3.78% to 3.92% at September 30, 2012

(5) SJRPP System Issue 3 Bonds were issued under the Second Power Park Resolution, whereby JEA is responsible for 100% of the related debt service payments. Whereas the SJRPP System Issue Two Bonds issued under the First Power Park Resolution, JEA is responsible for approximately 62.5% of the related debt service payments and FPL the remainder.

(6) Federally Taxable – Issuer Subsidy – Build America Bonds where JEA expects to receive a cash subsidy payment from the United States Treasury for 35% of the related interest.

(7) At September 30, 2012, debt due within one year includes $2,691 of SJRPP lines of credit payable. At September 30, 2011, debt due within one year includes $61,942 of Electric System lines of credit payable and $3,485 of DES lines of credit payable. See the Short-Term Bank Borrowings section of this note for more information.

(Dollars in Thousands)

7. Long-Term Debt (continued)

Long-term debt activity (excludes short-term bank borrowings) for the year ended September 30, 2012, was as follows:

System	Bonds Payable September 30, 2011	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2012	Current Portion of Bonds Payable September 30, 2012
Electric	$ 2,919,185	$ 425,125	$ (407,995)	$ (89,115)	$ 2,847,200	$ 73,620
Bulk Power Supply	126,085	–	–	–	126,085	1,475
SJRPP	1,113,176	572,020	(622,075)	(101,121)	962,000	124,655
Water and Sewer	2,064,000	537,185	(572,720)	(43,123)	1,985,342	47,972
DES	46,490	–	–	(1,350)	45,140	1,390
Total	$ 6,268,936	$ 1,534,330	$ (1,602,790)	$ (234,709)	$ 5,965,767	$ 249,112

Long-term debt activity (excludes short-term bank borrowings) for the year ended September 30, 2011, was as follows:

System	Bonds Payable September 30, 2010	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Accretion of SJRPP Issue 2 Series 7 Capital Appreciation Bonds	Bonds Payable September 30, 2011	Current Portion of Bonds Payable September 30, 2011
Electric	$ 2,922,405	$ 293,905	$ (239,070)	$ (58,055)	$ –	$ 2,919,185	$ 94,155
Bulk Power Supply	126,085	–	–	–	–	126,085	–
SJRPP	1,229,208	–	–	(99,823)	(16,209)	1,113,176	101,121
Water and Sewer	2,056,480	137,427	(93,010)	(36,897)	–	2,064,000	48,701
DES	47,800	–	–	(1,310)	–	46,490	1,350
Total	$ 6,381,978	$ 431,332	$ (332,080)	$ (196,085)	$ (16,209)	$ 6,268,936	$ 245,327

(Dollars in Thousands)

7. Long-Term Debt (continued)

The debt service to maturity on the outstanding debt (excludes short-term bank borrowings) as of September 30, 2012, is summarized in the following table:

Bond Year Ending October 1	Electric System Principal[(1)]	Electric System Interest	Bulk Power Principal	Bulk Power Interest	SJRPP Principal	SJRPP Interest
2012	$ 73,620	$ 34,770	$ 1,475	$ 3,260	$ 124,655	$ 18,490
2013	93,640	78,410	3,035	6,470	127,390	39,400
2014	124,570	75,840	2,595	6,380	131,950	33,360
2015	129,020	71,730	4,510	6,290	50,330	27,300
2016	115,565	67,350	5,630	6,120	52,870	25,070
2017 – 2021	567,850	282,470	30,160	27,040	234,165	88,550
2022 – 2026	524,580	212,440	26,810	19,150	79,890	50,060
2027 – 2031	506,280	154,390	25,310	12,090	86,760	30,630
2032 – 2036	482,855	90,400	17,020	5,980	53,315	13,750
2037 – 2041	215,665	23,690	9,540	870	20,675	1,820
2042 – 2046	13,555	1,660	–	–	–	–
Total	$ 2,847,200	$ 1,093,150	$ 126,085	$ 93,650	$ 962,000	$ 328,430

Bond Year Ending October 1	Water and Sewer Principal	Water and Sewer Interest	DES Principal	DES Interest	Total Debt Service[(2)(3)]
2012	$ 47,020	$ 34,310	$ 1,390	$ 10	$ 339,000
2013	46,947	71,540	1,435	70	468,337
2014	46,613	69,860	1,475	70	492,713
2015	49,395	68,010	1,520	70	408,175
2016	50,792	66,210	1,565	70	391,242
2017 – 2021	299,326	302,710	8,565	290	1,841,126
2022 – 2026	331,424	246,250	9,920	220	1,500,744
2027 – 2031	326,850	184,640	11,500	130	1,338,580
2032 – 2036	384,280	118,320	7,770	30	1,173,720
2037 – 2041	372,335	45,270	–	–	689,865
2042 – 2046	30,360	2,660	–	–	48,235
Total	$ 1,985,342	$ 1,209,780	$ 45,140	$ 960	$ 8,691,737

(1) Includes amortization of commercial paper notes that is based upon JEA's current commercial paper payment plan and excludes payments made during fiscal year 2012

(2) Interest requirement for the variable rate debt was determined by using the interest rates that were in effect at the financial statement date of September 30, 2012. The table excludes payments made during fiscal year 2012

(3) Interest in the above table reflects total interest on the Federally Taxable – Issuer Subsidy – Build America Bonds and not net of the 35% cash subsidy payments that JEA expects to receive from the United States Treasury

(Dollars in Thousands)

7. Long-Term Debt (continued)

JEA, at its option, may redeem specific outstanding fixed rate JEA Revenue Bonds prior to maturity, as discussed in the official statements covering their issuance. A summary of the redemption provisions is as follows:

	Electric System	Bulk Power Supply System	SJRPP System	Water and Sewer System
Earliest fiscal year for redemption	2013	2014	2013	2013
Redemption price	100%	100%	100%	100%

JEA debt issued during fiscal year 2012 is summarized in the following table:

System	Debt Issued	Purpose	Priority of Lien	Month of Issue	Par Amount Issue	Par Amount Refunded	Accounting Gain (Loss)	Economic Gain
Electric	Series Three 2012A	Refunding(1)	Senior	Feb-12	$ 60,750	$ 63,555	$ (1,308)	$ 6,917
Electric	2012 Series A	Refunding(2)	Subordinated	Feb-12	114,130	85,685	(1,435)	9,963
Electric	Series Three 2012B	Refunding(3)	Senior	Aug-12	140,640	143,760	(3,101)	15,605
Electric	2012 Series B	Refunding(4)	Subordinated	Aug-12	109,605	114,995	(1,260)	12,265
SJRPP	Issue 2, Series 23 & 24	Refunding(5)	Senior	Oct-11	365,410	397,105	27	45,999
SJRPP	Issue 2, Series 25	Refunding(6)	Senior	Aug-12	85,135	91,880	(2,073)	8,311
SJRPP	Issue 3, Series 6	Refunding(7)	Senior	Aug-12	121,475	133,090	(1,644)	19,494
Water and Sewer	2012 Series A	Refunding(8)	Senior	Feb-12	334,555	354,945	(9,239)	28,760
Water and Sewer	2012 Series A	Refunding(9)	Subordinated	Feb-12	20,320	20,040	(516)	1,731
Water and Sewer	2012 Series B	Refunding(10)	Senior	Aug-12	136,725	139,110	(3,484)	12,421
Water and Sewer	2012 Series B	Refunding(11)	Subordinated	Aug-12	41,640	42,175	(1,065)	3,730
Water and Sewer	State Revolving Fund	New Money	3rd Lien	Various	3,945	–	–	–
					$ 1,534,330	$ 1,586,340	$ (25,098)	$ 165,196

(1) Economic refunding of fixed rate bonds with new debt service of $108,517 compared to prior debt service of $118,712

(2) Economic refunding of $85,685 of fixed rate bonds with new debt service of $131,469 compared to prior debt service of $145,774 and the repayment of a $34,196 line of credit draw that was used in conjunction with a variable to fixed refunding and swap termination in October 2010

(3) Economic refunding of fixed rate bonds with new debt service of $268,039 compared to prior debt service of $293,947

(4) Economic refunding of $102,995 of fixed rate bonds with new debt service of $168,188 compared to prior debt service of $186,178 and the refunding of a $12,000 fixed rate refundable maturity

(5) Economic refunding of fixed rate bonds with new debt service of $424,228 compared to prior debt service of $468,595

(6) Economic refunding of fixed rate bonds with new debt service of $97,066 compared to prior debt service of $104,573

(7) Economic refunding of fixed rate bonds with new debt service of $177,822 compared to prior debt service of $218,244

(8) Economic refunding of fixed rate bonds with new debt service of $640,816 compared to prior debt service of $687,332

(9) Economic refunding of fixed rate bonds with new debt service of $33,218 compared to prior debt service of $35,610

(10) Economic refunding of fixed rate bonds with new debt service of $252,704 compared to prior debt service of $271,441

(11) Economic refunding of fixed rate bonds with new debt service of $84,176 compared to prior debt service of $90,495

(Dollars in Thousands)

7. Long-Term Debt (continued)

The JEA Board has authorized the issuance of additional refunding bonds within certain parameters for the Electric System, SJRPP and Water Sewer System; such authorization expires on December 31, 2012. The following table summarizes the maximum amounts that could be issued:

	Authorization	
Type of Refunding	**Senior**	**Subordinated**
Electric System Economic	$ 5,845	$ 8,310
Electric System Non-economic[1]	143,380	207,030
SJRPP Economic	28,525	–
Water and Sewer System Economic	7,730	55,270
Water and Sewer System Non-economic[1]	150,000	150,000

(1) Non-economic refunding includes (a) the refunding of variable debt with fixed debt and (b) the refunding of fixed rate refundable maturities.

Debt Service Reserve Funds

During fiscal years 2008 and 2009, various AAA providers of debt service reserve sureties were downgraded below AAA status, which triggered funding requirements to the debt service reserve funds for the Electric System, the SJRPP System (Second Power Park Resolution), and the Water and Sewer System. The debt service reserve funding requirements are according to each system's bond resolution. As of September 30, 2012, all debt service reserve sureties have been fully replaced with cash and investments for the Electric System Initial Subaccount in the Debt Service Reserve, the SJRPP System Debt Service Fund (Second Power Park Resolution) Debt Service Reserve Account, the Water and Sewer System Initial Subaccount in the Debt Service Reserve, and the Water and Sewer System Initial Subordinated Debt Service Reserve.

Variable Rate Debt – Liquidity Support

For the Electric System and the Water and Sewer System variable rate demand obligations (VRDO) appearing in the schedule of outstanding indebtedness, and except for the obligations noted in the following paragraphs, liquidity support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (SBPA) relating to that series of obligation. The purchase price of the obligations tendered or deemed tendered for purchase is payable from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA. The current stated termination dates of the SBPA range from August 29, 2013 to May 29, 2015. Each of the SBPA termination dates may be extended. At September 30, 2012, there were no outstanding draws under the SBPA. In the event of the expiration or termination of the SBPA that results in a mandatory tender of the VRDOs and the purchase of the obligations by the bank, then beginning on April 1 or October 1, whichever date is at least six months subsequent to the purchase of the obligations, JEA shall begin to make equal semiannual installments over an approximate five-year period.

(Dollars in Thousands)

7. Long-Term Debt (continued)

JEA entered into irrevocable direct-pay letter of credit and reimbursement agreements to support the payment of the principal and interest on the Electric System Series Three 2008B-4 and Subordinated 2000 Series A VRDOs and the Water and Sewer System 2008 Series A-2 VRDOs. The letter of credit agreements constitute both a credit facility and a liquidity facility. The letter of credit agreements have stated expiration dates that range from October 27, 2012 to December 2, 2013, unless otherwise extended. As of September 30, 2012, there were no draws outstanding under the letter of credit agreements. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over an approximate five-year period.

On September 25, 2012, JEA extended the continuing covenant agreements for the Variable Rate Electric System Revenue Bonds, Series Three 2008B-1 and Series Three 2008D-1 (collectively, the Direct Purchased Bonds). Except as described below, the bank does not have the option to tender the respective Direct Purchased Bonds for purchase for a period specified in the respective continuing covenant agreements, which period would be subject to renewal under certain conditions. Any Direct Purchased Bond that was not purchased from such bank on the scheduled mandatory tender date that occurred upon the expiration of such period would be required to be repaid as to principal in equal semiannual installments over a period of approximately five years from such scheduled mandatory tender date. Upon any such tender for payment, the Direct Purchased Bond so tendered would be due and payable immediately. The current expiration date of each respective continuing covenant agreement is September 25, 2015, which may be extended. In addition, on September 25, 2012, the letter of credit agreement for the Electric System Series Three 2008B-4, expiring on October 27, 2012, was replaced with a continuing covenants agreement (similar to the Direct Purchased Bonds mentioned above) with an October 22, 2012 purchase date and an expiration date of October 22, 2015, which may be extended.

For the Series C Commercial Paper Notes appearing in the above schedule of outstanding indebtedness, JEA has entered into a revolving credit agreement with a commercial bank to provide liquidity support. If moneys are not available to pay the principal of any maturing commercial paper note during the term of the credit agreement, JEA is entitled to make a borrowing under the credit agreement. The credit agreement conversion date may be extended. The conversion date of the credit agreement as of September 30, 2012, was January 27, 2015. At September 30, 2012, there were no outstanding draws under the credit agreement. In the event of the expiration or termination of the conversion date and such expiration or termination results in a draw in an amount up to the amount of the outstanding commitment, then upon six months thereafter, JEA shall begin to make equal semiannual installment payments over an approximate five-year period in the amount of such draw.

For the variable rate DES 2004 Series A bonds appearing in the schedule of outstanding indebtedness, in connection with the issuance thereof, JEA entered into a letter of credit and reimbursement agreement with a bank to provide credit support and liquidity enhancement for the bonds. The letter of credit permits the paying agent to draw under the agreement for the payments when due of the principal or interest on the 2004 Series A bonds and will permit the paying agent to draw under the agreement for the purchase price of the 2004 Series A bonds tendered or deemed tendered for purchase pursuant to the tender provisions of the 2004 Series A bonds. JEA is currently obligated to make deposits to the 2004 Series Reimbursement Obligation Sub-account in the Debt Service Reserve Fund; as a result, Section 710 (Rates, Fees, and Charges) and Section 203(1) (Bonds Other than Refunding Bonds and Reimbursement Obligations) of the DES Bond Resolution shall not apply to the 2004 Series A bonds or the 2004 Series Reimbursement Obligation. The current expiration date of the letter of credit is October 7, 2014, which may be extended.

(Dollars in Thousands)

7. Long-Term Debt (continued)

As required under generally accepted accounting principles, JEA reclassified $8,640 of Electric System Series C Commercial Paper Notes and $9,610 of Water and Sewer System Subordinated Revenue Bonds 2008 Series B-1 under "Debt due within one year" at September 30, 2011. No reclassification was necessary at September 30, 2012. Such reclassification was necessary due to the terms and conditions of the bond resolutions and the liquidity support agreements for JEA variable rate bonds that could make a portion of the principal for these notes and bonds due within one-year, if:

a. The current providers of liquidity support for such debt cease to provide liquidity support upon the agreements' conversion date, with respect to the Electric System Series C Commercial Paper Notes, or the stated termination date, with respect to the Water and Sewer System Subordinated Revenue Bonds 2008 Series B-1

b. No substitute liquidity facility will replace the expiring liquidity agreements that are set to expire within the next 12 months of the financial statements date, the current liquidity providers, by operation of their agreement, are required to make a loan to JEA in the amount of the outstanding notes, in the case of the Electric System Series C Commercial Paper Notes and to purchase such bonds in the case of the Water and Sewer System Subordinated Revenue Bonds 2008 Series B-1

c. The amount of the loan or the purchase by the liquidity provider of the bonds is to be repaid by JEA in equal semiannual installments of principal over a period of approximately five years, of which the first installment is due within one year

Short-Term Bank Borrowings

JEA currently has two arrangements with three commercial banks (one of which is provided jointly by two banks) for unsecured lines of credit in the amounts of $87,500 and $112,500. The lines of credit can be used with respect to the Electric System, the Bulk Power Supply System, the SJRPP System, the Water and Sewer System, or the DES, and for operating expenditures or for capital expenditures.

Activity under the lines of credit for fiscal year 2012 is summarized in the table below:

System	Lines of Credit Payable September 30, 2011	New Money Draws	Payments From Revenue Fund	Payments From Bond Issues	Lines of Credit Payable September 30, 2012
Electric	$ 61,942	$ –	$ 27,746	$ 34,196	$ –
Bulk Power Supply	–	–	–	–	–
SJRPP	–	15,285	12,594	–	2,691
Water and Sewer	–	–	–	–	–
DES	3,485	–	3,485	–	–
Total	$ 65,427	$ 15,285	$ 43,825	$ 34,196	$ 2,691

(Dollars in Thousands)

7. Long-Term Debt (continued)

Activity under the lines of credit for fiscal year 2011 is summarized in the table below:

System	Lines of Credit Payable September 30, 2010	New Money Draws	Payments From Revenue Fund	Payments From Electric Renewal & Replacement Fund	Lines of Credit Payable September 30, 2011
Electric	$ –	$ 61,942	$ –	$ –	$ 61,942
Bulk Power Supply	–	19,000	–	(19,000)	–
SJRPP	–	–	–	–	–
Water and Sewer	–	–	–	–	–
DES	3,785	–	(300)	–	3,485
Total	$ 3,785	$ 80,942	$ (300)	$ (19,000)	$ 65,427

At September 30, 2012, the SJRPP System has two outstanding line of credit draws totaling $2,691, of which $1,678 is scheduled to mature in August 2013 and $1,013 is scheduled to mature in September 2013. The SJRPP System draws will be repaid or refinanced on or prior to maturity. At September 30, 2012, the $87,500 line-of-credit agreement has $87,500 available to be drawn on, and the $112,500 line of credit agreement has $109,809 available to be drawn on. The current expiration date is September 5, 2014, for the $87,500 line of credit agreement and September 12, 2014, for the $112,500 line of credit agreement.

Debt Management Strategy

JEA has entered into various interest rate swap agreements executed in conjunction with debt financings for initial terms up to 35 years (unless earlier terminated). JEA utilizes floating to fixed interest rate swaps as part of its debt management strategy. For purposes of this note, the term floating to fixed interest rate swaps refers to swaps in which JEA receives a floating rate and pays a fixed rate.

The fair value of the interest rate swap agreements and related hedging instruments is reported in the long-term debt section on the accompanying balance sheets; however, the notional amounts of the interest rate swaps are not reflected in the accompanying financial statements. JEA adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; therefore, hedge accounting is applied where fair market value changes are recorded on the accompanying balance sheets as either a deferred outflow or a deferred inflow. The earnings from the debt management strategy interest rate swaps are recorded to interest on debt in the accompanying statements of revenues, expenses, and changes in net position.

(Dollars in Thousands)

7. Long-Term Debt (continued)

JEA entered into all outstanding floating to fixed interest rate swap agreements during prior fiscal years. The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2012, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	$ 174,000	$ 147,600	3.7%	Sep-03	Sep-33	68% of one month LIBOR
Electric	Series Three 2008B	27,400	26,975	4.0%	Jan-05	Oct-26	SIFMA
Electric	Series Three 2008B	117,825	109,075	4.4%	Aug-08	Oct-39	SIFMA
Electric	Series Three 2008B	116,425	106,075	3.7%	Sep-08	Oct-35	68% of one month LIBOR
Electric	2008 Series D	29,900	28,975	3.6%	Mar-09	Oct-16	SIFMA
Electric	2008 Series D	40,875	40,425	3.7%	Mar-09	Oct-37	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	90,960	3.9%	May-08	Oct-31	SIFMA
Electric	Series Three 2008A	100,000	94,170	3.8%	Jan-08	Oct-36	SIFMA
Water and Sewer	2006 Series B	38,730	38,730	3.9-4.1%	Oct-06	Oct 16-22	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar-07	Oct-41	SIFMA
		$ 828,820	$ 768,275				

The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2011, are as follows:

System	Hedged Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	$ 174,000	$ 151,800	3.7%	Sep-03	Sep-33	68% of one month LIBOR
Electric	Series Three 2008B	27,400	27,050	4.0%	Jan-05	Oct-26	SIFMA
Electric	Series Three 2008B	117,825	115,150	4.4%	Aug-08	Oct-39	SIFMA
Electric	Series Three 2008B	116,425	106,725	3.7%	Sep-08	Oct-35	68% of one month LIBOR
Electric	2008 Series D	29,900	29,125	3.6%	Mar-09	Oct-16	SIFMA
Electric	2008 Series D	40,875	40,500	3.7%	Mar-09	Oct-37	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	92,935	3.9%	May-08	Oct-31	SIFMA
Electric	Series Three 2008A	100,000	96,190	3.8%	Jan-08	Oct-36	SIFMA
Water and Sewer	2006 Series B	38,730	38,730	3.9-4.1%	Oct-06	Oct 16-22	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar-07	Oct-41	SIFMA
		$ 828,820	$ 783,495				

(Dollars in Thousands)

7. Long-Term Debt (continued)

The following table includes fiscal year 2012 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2012		
System	Classification	Amount	Classification	Amount [1]	Notional
Electric	Deferred outflows	$ 15,587	Fair value of debt management strategy instruments	$ (168,264)	$ 644,255
Water and Sewer	Deferred outflows	2,976	Fair value of debt management strategy instruments	(26,394)	124,020
Total		$ 18,563		$ (194,658)	$ 768,275

[1] Fair value amounts were calculated using market rates as of September 30, 2012, and standard cash flow present valuing techniques.

The following table includes fiscal year 2011 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2011		
System	Classification	Amount	Classification	Amount [1]	Notional
Electric	Deferred outflows	$ 28,029	Fair value of debt management strategy instruments	$ (152,677)	$ 659,475
Water and Sewer	Deferred outflows	6,123	Fair value of debt management strategy instruments	(23,418)	124,020
Total		$ 34,152		$ (176,095)	$ 783,495

[1] Fair value amounts were calculated using market rates as of September 30, 2011, and standard cash flow present valuing techniques.

(Dollars in Thousands)

7. Long-Term Debt (continued)

For fiscal years ended September 30, 2012 and 2011, the weighted-average rates of interest for each index type of floating to fixed interest rate swap agreement and the total net swap earnings were as follows:

	2012	2011
68% of LIBOR Index:		
Notional amount outstanding	**$ 294,100**	$ 299,025
Variable rate received (weighted average)	**0.2%**	0.2%
Fixed rate paid (weighted average)	**3.7%**	3.7%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	**$ 435,445**	$ 445,740
Variable rate received (weighted average)	**0.2%**	0.2%
Fixed rate paid (weighted average)	**4.0%**	4.0%
CPI Index:		
Notional amount outstanding	**$ 38,730**	$ 38,730
Variable rate received (weighted average)	**4.2%**	2.4%
Fixed rate paid (weighted average)	**4.0%**	4.0%
Net debt management swap loss	**$ (26,977)**	$ (28,010)

(Dollars in Thousands)

7. Long-Term Debt (continued)

The following two tables summarize the anticipated net cash flows of JEA's outstanding hedged variable rate debt and related floating to fixed interest rate swap agreements at September 30, 2012:

Electric System(1)

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2012	$ 16,420	$ 171	$ 1,991	$ 18,582
2013	23,355	1,884	23,137	48,376
2014	21,455	1,813	22,292	45,560
2015	18,505	1,749	21,503	41,757
2016	18,780	1,694	20,847	41,321
2017 – 2021	79,460	7,793	96,163	183,416
2022 – 2026	128,340	6,271	77,632	212,243
2027 – 2031	177,915	4,031	49,805	231,751
2032 – 2036	114,875	1,722	21,558	138,155
2037 – 2041	45,150	218	2,913	48,281
Total	$ 644,255	$ 27,346	$ 337,841	$ 1,009,442

(1) Interest requirement for the variable rate debt and the variable portion of the interest rate swap was determined by using the interest rates that were in effect at the financial statement date of September 30, 2012. The fixed portion of the interest rate swaps was determined based on the actual fixed rates of the outstanding interest rate swaps at September 30, 2012.

Water and Sewer System(2)

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2012	$ –	$ 512	$ 287	$ 799
2013	–	1,646	3,219	4,865
2014	–	1,646	3,219	4,865
2015	–	1,646	3,219	4,865
2016	4,105	1,646	3,219	8,970
2017 – 2021	29,570	5,329	16,007	50,906
2022 – 2026	22,650	869	14,923	38,442
2027 – 2031	2,945	567	12,537	16,049
2032 – 2036	17,035	503	11,144	28,682
2037 – 2041	47,715	259	5,735	53,709
Total	$ 124,020	$ 14,623	$ 73,509	$ 212,152

(2) Interest requirement for the variable rate debt and the variable portion of the interest rate swap was determined by using the interest rates that were in effect at the financial statement date of September 30, 2012. The fixed portion of the interest rate swaps was determined based on the actual fixed rates of the outstanding interest rate swaps at September 30, 2012.

(Dollars in Thousands)

7. Long-Term Debt (continued)

Credit Risk. JEA is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, the Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with which JEA may enter into interest rate swap transactions. The counterparties with which JEA may deal must be rated (i) "AAA" by one or more nationally recognized rating agencies at the time of execution, (ii) "AA-/Aa3" or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated "AA-/Aa3" or better at the time of execution, provide for a guarantee by an affiliate of such counterparty rated at least "A/A2" or better at the time of execution where such affiliate agrees to unconditionally guarantee the payment obligations of such counterparty under the swap agreement. In addition, each swap agreement will require the counterparty to enter into a collateral agreement to provide collateral when the ratings of such counterparty (or its guarantor) fall below "AA-/Aa3" and a payment is owed to JEA. All outstanding interest rate swaps at September 30, 2012, were in a liability position. Therefore, if counterparties failed to perform as contracted, JEA would not be subject to any credit risk exposure at September 30, 2012.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2012, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Goldman Sachs Mitsui Marine Derivative Products L.P.	AAA per S&P	$ 268,745
Morgan Stanley Capital Service Inc.	A-/Baa1/A	238,765
JPMorgan Chase Bank, N.A.	A+/Aa3/A+	175,475
Merrill Lynch Derivative Products AG	AAA per S&P	85,290
Total		$ 768,275

Interest Rate Risk. JEA is exposed to interest rate risk where changes in interest rates could affect the related net cash flows and fair values of outstanding interest rate swaps. On a pay-fixed, receive-variable interest rate swap, as the floating swap index decreases, JEA's net payment on the swap increases, and as the fixed rate swap market declines as compared to the fixed rate on the swap, the fair value declines.

Basis Risk. JEA is exposed to basis risk on certain pay-fixed interest rate swap hedging derivative instruments because the variable-rate payments received on certain hedging derivative instruments are based on a rate or index other than interest rates that JEA pays on its hedged variable-rate debt, which is reset every one or seven days. As of September 30, 2012, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 0.35%, while the SIFMA swap index rate is 0.18% and 68.0% of LIBOR is 0.16%.

Termination Risk. JEA or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, JEA would be liable to the counterparty for a payment equal to the liability.

Market Access Risk. JEA is exposed to market access risk due to potential market disruptions in the municipal credit markets that could inhibit the issuing or remarketing of bonds and related hedging instruments. JEA maintains strong credit ratings (see Debt Administration section of the Management Discussion and Analysis) and, to date, has not encountered any barriers to the credit markets.

(Dollars in Thousands)

8. Transactions With City of Jacksonville

Utility and Administrative Services

JEA is a separately governed authority and is also considered to be a discretely presented component unit of the City. JEA provides electric, water, and sewer service to the City and its agencies and bills for such service using established rate schedules. JEA utilizes various services provided by departments of the City, including insurance, legal, and motor pool. JEA is billed on a proportionate cost basis with other user departments and agencies. The revenues for services provided and expenses for services received by JEA for these related-party transactions with the City were as follows:

	Revenues	Expenses
Fiscal year 2012	**$ 39,602**	**$ 8,672**
Fiscal year 2011	$ 39,714	$ 6,930

City Contribution

The calculation of the City contribution is based on a formula negotiated with the City of Jacksonville. Fiscal year 2012 is the fourth year of an eight-year agreement. This calculation is subject to a minimum average increase of $2,500 per year, using 2008 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is also a maximum annual assessment for the combined Electric Enterprise Fund and Water and Sewer Fund.

The JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount not to exceed 5.5 mills per kilowatt hour delivered by JEA to retail users in JEA's service area, and to wholesale customers under firm contracts having an original term of more than one year, other than sales of energy to FPL from JEA's SJRPP System. The contribution for fiscal years 2012 and 2011 amounted to $83,038 and $81,922.

The JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount not to exceed 2.1 mills per cubic foot of potable water and sewer service provided, excluding reclaimed water service. The contribution for fiscal years 2012 and 2011 amounted to $21,150 and $19,766.

Although the calculation for the annual transfer of available revenue from JEA to the City is based upon formulas that are applied specifically to each utility system operated by JEA, JEA may, in its sole discretion, utilize any of its available revenues regardless of source to satisfy its total annual obligation to the City.

Franchise Fees

In 2008, the City enacted a 3.0% franchise fee from designated revenues of the Electric and Water and Sewer Utility systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2012, JEA recorded $29,478 and $9,790 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses. For the year ended September 30, 2011, JEA recorded $32,523 and $9,149 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses.

(Dollars in Thousands)

8. Transactions with City of Jacksonville (continued)

Insurance Risk Pool

JEA is exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, and natural disasters. In addition, JEA is exposed to risks of loss due to injuries and illness of its employees. These risks are managed through The Risk Management Division of the City of Jacksonville, which administers the public liability (general liability and automobile liability) and workers' compensation self-insurance program covering the activities of the City general government, JEA, Jacksonville Housing Authority, Jacksonville Port Authority, and the Jacksonville Aviation Authority. The general objectives are to formulate, develop, and administer, on behalf of the members, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

JEA has excess coverage for individual workers' compensation claims above $1.2 million. Liability for claims incurred is the responsibility of, and is recorded in, the City's self-insurance plan. The premiums are calculated on a retrospective or prospective basis, depending on the claims experience of JEA and other participants in the City's self-insurance program. The liabilities are based on the estimated ultimate cost of settling the claim, including the effects of inflation and other societal and economic factors. The JEA workers' compensation expense is the premium charged by the City's self-insurance plan. The workers' compensation premium expense in 2012 amounted to $1,744. In 2011, the premium was $1,338, which included a refund of prior-year credits in the amount of $265. JEA is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to $1,703 and $616 for the years ended September 30, 2012 and 2011. In 2012 and 2011, there were refunds of prior-year credits of $9 and $760 included in the general liability insurance premium expense amounts. As part of JEA's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs.

The estimated loss accrual for the City of Jacksonville amounted to $11,280 for general insurance liability and $85,867 for the workers' compensation insurance liability for the year ended September 30, 2012, and $11,366 for general insurance liability and $77,163 for workers' compensation insurance liability for the year ended September 30, 2011. JEA's portion of the general insurance liability was $1,361 during the fiscal year ended September 30, 2012, and was $1,397 during the fiscal year ended September 30, 2011. JEA's portion of the workers' compensation insurance liability was $3,729 during the fiscal year ended September 30, 2012, and was $5,312 during the fiscal year ended September 30, 2011. The amounts are recorded at present value using a discount rate of 2.0% and 3.0% for the fiscal years ended September 30, 2012 and 2011.

9. Fuel Purchase and Purchased Power Commitments

JEA has made purchase and transportation commitments for the majority of the coal and petroleum coke requirements for the Electric System, SJRPP, and Scherer Unit 4 through calendar year 2013, while maintaining flexibility to switch to natural gas. Contract terms specify minimum annual purchase commitments at fixed prices or at prices that are subject to market adjustments. JEA has remarketing rights under the coal contracts.

The majority of JEA's coal and petroleum coke supply is purchased with transportation included. From time to time, JEA purchases portions of its coal supply for SJRPP from domestic suppliers and takes delivery at the mine. In these instances, JEA contracts with CSX for rail transportation from the mine to the SJRPP plant. JEA currently has a rail transportation commitment with CSX for delivery to SJRPP through calendar year 2016. In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal

(Dollars in Thousands)

9. Fuel Purchase and Purchased Power Commitments (continued)

to Scherer Unit 4. The term of the agreements with Burlington Northern and Santa Fe Railway Company extends through calendar year 2013. The contract provides JEA and the other Scherer co-owners with a unilateral right to extend the agreement an additional five years. The agreement with Norfolk Southern Railway Company extends through September 14, 2013. The contract provides JEA and the other Scherer co-owners with a unilateral right to extend the agreement through calendar year 2015.

JEA has commitments to purchase natural gas delivered to Jacksonville under a long-term contract with BG Energy Merchants, LLC (BG) that expires in 2021. Contract terms for the natural gas specify minimum annual purchase commitments at market prices. JEA has the option to remarket any excess natural gas purchases. In addition to the gas delivered by BG, JEA currently has long-term contracts with Florida Gas Transmission Company (FGT) for firm gas transportation capacity to allow delivery of gas through the FGT system and an option from Peoples Gas System for a seasonal release of firm gas transportation capacity on Southern Natural Gas Company and FGT.

JEA's agreement with BP for the supply of residual fuel oil was terminated by mutual agreement on June 30, 2011. JEA will access the spot market for any future purchases of residual fuel oil that may be required.

In the unlikely event that JEA would not be in a position to fulfill its obligations to receive fuel and purchased power under the terms of its existing fuel and purchased power contracts, JEA would nonetheless be obligated to make certain future payments. If the conditions necessitating the future payments occurred, JEA would mitigate the financial impact of those conditions by remarketing the fuel and purchased power at then-current market prices. The aggregate amount of future payments that JEA does not expect to be able to mitigate, including the projected effects of inflation for coal purchase commitments of SJRPP (at JEA's 80.0% ownership interest) and the Bulk Power Supply System and future estimated fixed charges for electric generating capacity entitlement and transmission, including the projected effects of inflation for JEA, appear in the table below:

Year Ending	Coal and Petroleum Coke		Natural Gas			
September 30	Fuel	Transportation	Fuel	Transportation	Transmission	Total
2013	$ 16,877	$ 26,259	$ 3,340	$ 2,227	$ 4,561	$ 53,264
2014	8,582	25,613	3,340	2,227	4,918	44,680
2015	4,050	19,624	3,340	2,227	5,277	34,518
2016	3,562	18,608	3,349	2,233	5,509	33,261
2017–2036	896	4,680	14,750	9,834	194,868	225,028

Vogtle Units Purchase Power Agreement

The JEA Board established a target of up to 30.0% of JEA's energy requirements to be met with nuclear energy by 2030. As a result of those efforts, JEA entered into a power purchase agreement (as amended, the Additional Vogtle Units PPA) with MEAG Power for 206 MW of capacity and related energy from MEAG Power's interest in two additional nuclear generating units (the Additional Vogtle Units) proposed to be constructed at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The 206 MW is projected to represent approximately 10.4% of JEA's total energy requirements in the year 2017.

(Dollars in Thousands)

9. Fuel Purchase and Purchased Power Commitments (continued)

The Additional Vogtle Units PPA requires JEA to pay MEAG Power for the capacity and energy at the full cost of production (including debt service on the bonds issued and to be issued by MEAG Power to finance the portion of the capacity to be sold to JEA of its ownership interest in the Additional Vogtle Units) plus a margin over the term of the Additional Vogtle Units PPA. Under the Additional Vogtle Units PPA, JEA is entitled to 103 MW of capacity and related energy from each of the Additional Vogtle Units for a 20-year term commencing on each Additional Vogtle Unit's commercial operation date (which dates currently are estimated to occur in 2016 and 2017, respectively) and is required to pay for such capacity and energy on a "take-or-pay" basis (that is, whether or not either Additional Vogtle Unit is completed or is operating or operable, and whether or not its output is suspended, reduced or the like, or terminated in whole or in part), except that JEA is not obligated to pay the "margin" referred to above during such periods in which the output of either Additional Vogtle Unit is suspended or terminated.

Three separate "projects" were created by MEAG Power for the purpose of owning and financing its 22.7% undivided ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units). MEAG Power originally estimated that total in-service cost for its entire undivided ownership interest in the Additional Vogtle Units, including construction costs, financing costs and contingencies, initial fuel load costs, and switchyard and transmission costs, would be approximately $3.7 billion, of which approximately $1.5 billion would be allocable to the project (referred to herein as Project J) from which the capacity and energy will be sold to JEA under the Additional Vogtle Units PPA.

In order to finance a portion of its acquisition and construction of Project J and to refund bond anticipation notes previously issued by MEAG Power, MEAG Power issued $1.2 billion of its Plant Vogtle Units 3&4 Project J Bonds (the 2010 PPA Bonds) on March 11, 2010. These bonds were issued as Federally Taxable – Issuer Subsidy – Build America Bonds, where MEAG Power expects to receive a cash subsidy payment from the United State Treasury for 35.0% of the related interest. This financing represents approximately 85.0% of the original estimated construction costs of the units applicable to the output purchased by JEA under the Additional Vogtle Units PPA. Such estimate results in a portion of fixed annual costs to JEA for one of the Additional Vogtle Units of approximately $36.3 million per year for 20 years beginning in 2016 and a portion of fixed annual costs to JEA for the other Additional Vogtle Unit of approximately $28.7 million per year for 20 years beginning in 2017. Such fixed annual costs are net of the expected 35% cash subsidy related to the Build America Bonds.

MEAG Power, based upon information provided to it by its agent, has advised JEA, that during the course of construction activities, the following issues have arisen that may affect the project budget and schedule:

- The most significant issues relate to costs associated with design changes to the Design Control Document (DCD) and costs associated with delays in the project schedule related to the timing of approval of the DCD and issuance of the Construction and Operating Lease (COL) by the Nuclear Regulatory Commission (NRC). The Consortium's estimated adjustment attributable to Project J is approximately $87 million (in 2008 dollars) with respect to these issues. On November 1, 2012, Georgia Power and the other owners filed suit against the Consortium in the U.S. District Court for the Southern District of Georgia, seeking a declaratory judgment that the owners are not responsible for the costs related to these issues. Also on November 1, 2012, the Consortium filed suit against Georgia Power and the other owners in the U.S. District Court for the District of Columbia, alleging the owners are responsible for the costs related to these issues and seeking payment from the owners of the full amount of these costs. While litigation has commenced, the owners expect negotiations with the Consortium to continue with respect to cost and schedule, during which time the parties will attempt to reach a mutually

(Dollars in Thousands)

9. Fuel Purchase and Purchased Power Commitments (continued)

acceptable compromise of their positions. The owners intend to vigorously defend their positions. In connection with these negotiations, the owners are evaluating whether maintaining the currently scheduled commercial operation dates of 2016 and 2017 remains in the best interest of their customers. Additional claims by the Consortium or the owners are expected to arise throughout the construction of Plant Vogtle Units 3 and 4.

- In addition, there are processes in place that are designed to assure compliance with the design requirements specified in the DCD and the COLs, including rigorous inspection by Southern Nuclear and the NRC that occurs throughout construction. During a routine inspection in April 2012, the NRC identified that certain details of the rebar construction in the Plant Vogtle Unit 3 nuclear island were not consistent with the DCD. In May 2012, Southern Nuclear received an official notice of violation relating to these findings from the NRC. The design changes were determined to have minimal safety significance and, on October 18, 2012, the NRC approved a license amendment request to clarify that the nuclear island concrete and rebar construction will conform to NRC requirements. Various inspection and other issues are expected to arise from time to time as construction proceeds, which may result in additional license amendments or require other resolution.

Option to Purchase Interest in Lee Nuclear Station

On February 1, 2011, JEA entered into an option agreement with Duke Energy Carolinas, LLC (Duke Carolinas), a wholly owned subsidiary of Duke Energy Corporation, pursuant to which JEA has the option (but not the obligation) to purchase an undivided ownership interest of not less than 5.0% and not more than 20.0% of the proposed two-unit nuclear station currently known as William States Lee III Nuclear Station, Units 1 & 2 to be constructed at a site in Cherokee County, South Carolina (the Lee Project). The Lee Project is currently planned to have 2,234 MW of electric generating capacity with a projected on-line date of 2022 with respect to Unit 1 and 2023 with respect to Unit 2. The total cost of the option was $7.5 million, payment of which has been completed. JEA obtained this option in furtherance of its target to acquire up to 30.0% of JEA's energy requirements from nuclear sources by 2030. JEA is evaluating potential transmission paths.

The option agreement requires that JEA and Duke Carolinas complete negotiation of an ownership agreement and an operation and maintenance agreement for the Lee Project prior to JEA's exercising the option. The option exercise period will be opened by Duke Carolinas after it (i) receives Nuclear Regulatory Commission approval of the combined construction and operating license for the Lee Project (such date is currently expected to be sometime after the NRC issues a revised Waste Confidence Decision in mid to late 2014) and (ii) executes an engineering, procurement, and construction agreement for the Lee Project. Once the exercise period is opened, JEA will have 90 days within which to exercise the option, and if it does exercise the option, it must upon such exercise specify the percentage undivided ownership interest in the Lee Project that it will acquire.

(Dollars in Thousands)

9. Fuel Purchase and Purchased Power Commitments (continued)

After JEA exercises the option (should it elect to do so) and various regulatory approvals are obtained, JEA must pay Duke Carolinas the exercise price for the option. Such price is generally JEA's prorata share, based on its percentage ownership interest in the Lee Project, of the development and pre-construction cost for the Lee Project incurred by Duke Carolinas from the beginning of the Lee Project through the closing date of the option exercise. JEA is undecided as to the financing structure it would employ to finance its interest in the Lee Project, should it elect to exercise its option.

Under certain circumstances, should the Lee Project be terminated by Duke Carolinas, Duke may be obligated to provide JEA with options for alternative resources (but not necessarily from nuclear resources) to replace JEA's optionable portion of the projected Lee Project capacity.

Such alternative resources are to be available to JEA in a substantially similar time frame (i.e., within two years of the projected online date) as currently planned for the Lee Project.

Jacksonville Solar

In 2009, JEA entered into a 30-year purchase power agreement with Jacksonville Solar, LLC for the produced energy as well as the associated environmental attributes from a solar farm, Jacksonville Solar, which has been constructed in JEA's service territory. The facility, which consists of 200,000 photovoltaic panels on a JEA-leased 100-acre site, is owned by PSEG Solar Source, LLC and will generate approximately 22,430 MWh of electricity per year.

Construction of the 15 MW DC solar farm started in November 2009 and achieved full commercial operations in September 2011. JEA commenced receipt of energy in May 2010 during the early stages of phased-in facility completion and is now receiving energy from the completed facility. JEA pays only for the energy produced.

Trail Ridge Landfill

JEA currently purchases energy from a 9.6 MW landfill gas-to-energy facility at the Trail Ridge Landfill in Jacksonville through a Purchase Power Agreement with Landfill Energy Systems. JEA has signed an agreement to purchase an additional 9.1 MW net output from the facility if it is expanded and becomes available.

10. Fuel Management Program

The fuel management program is intended to help manage the risk of changes in the market prices of oil and natural gas. During fiscal years 2012 and 2011, JEA entered into various fuel management contracts. It is possible that the market price before or at the specified time to purchase fuel oil or natural gas may be lower than the price at which JEA is committed to buy. This would reduce the value of the contract. JEA is also exposed to the failure of the counterparty to fulfill the contract. JEA believes the risk of nonperformance by the counterparty under these contracts is not significant. JEA does not anticipate nonperformance by any counterparty.

(Dollars in Thousands)

10. Fuel Management Program (continued)

Fuel Management of Natural Gas

At September 30, 2012 and 2011, the fuel management program had no open NYMEX natural gas futures contracts. The fuel management program had margin deposits of $12 at September 30, 2012 and 2011, which is included in other noncurrent assets on the accompanying balance sheets.

JEA utilizes TEA to execute trades of numerous over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Statement No. 53, and the fair market value changes are recorded on the accompanying balance sheets as either a deferred charge or a deferred credit until such time that the transactions end. At September 30, 2012 and 2011, deferred charges of $735 and $663 were included in deferred outflows of resources on the accompanying balance sheets. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statements of revenues, expenses, and changes in net position. For the years ending September 30, 2012 and 2011, a $4,678 realized gain and $605 realized loss was included in fuel expense. Any losses were offset by decreased prices in the purchase of natural gas.

The following is a summary of derivative transactions for the years ending September 30, 2012 and 2011:

Electric Enterprise Fund	Changes in Fair Value		Fair Value at September 30, 2012		
Cash Flow Hedges	Classification	Amount	Classification	Amount	Notional
Natural Gas	Deferred inflows	$ 1,398	Deferred inflows	$ 735	$ (377)

Electric Enterprise Fund	Changes in Fair Value		Fair Value at September 30, 2011		
Cash Flow Hedges	Classification	Amount	Classification	Amount	Notional
Natural Gas	Deferred outflows	$ (670)	Deferred outflows	$ (663)	$ (2,914)

11. Pension Plans

JEA Plan Description and Contributions

Substantially all of the employees of the Electric System and Water and Sewer System participate in and contribute to the City of Jacksonville General Employees' Pension Plan (Plan), as amended. The Plan is a cost-sharing, multiple-employer contributory defined benefit pension plan with a defined contribution alternative.

The Plan, based on laws outlined in the City of Jacksonville Ordinance Code and applicable Florida Statutes, provides for retirement, survivor, death, and disability benefits. The Plan's latest financial statements and required supplementary information are included in the 2011 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained at http://www.coj.net/departments/finance/accounting/2011-city-of-jacksonville-cafr-sec.aspx or by writing to the City of Jacksonville, Florida, Department of Administration and Finance, Room 300, City Hall, 117 West Duval Street, Jacksonville, Florida 32202-3418.

(Dollars in Thousands)

11. Pension Plans (continued)

In fiscal years 2012, 2011, and 2010, plan members were required to contribute 8.0% of their annual covered salary, and JEA's contribution of the covered payroll for the plan members was $22,301 (17.5%) in 2012, $17,195 (13.0%) in 2011, and $16,257 (13.0%) in 2010. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

Beginning in fiscal year 2010, employees had the option to participate in a defined contribution plan. In fiscal years 2011 and 2012, plan members of the defined contribution plan were required to contribute 8.0% of their annual covered salary, and JEA's contribution for the members of the defined contribution plan was $250 (8.0%) in 2012 and $128 (8.0%) in 2011.

All contributions for both the defined contribution and defined benefit plans of the City of Jacksonville were separated out between the pension contribution and a disability program fund. Due to this change, a physical exam is no longer required to participate in the plans.

St. Johns River Power Park Plan Description

Plan Description – The JEA St. Johns River Power Park System Employees' Retirement Plan (SJRPP Plan) is a single-employer contributory defined benefit plan covering employees of SJRPP. The SJRPP Plan provides for pension, death, and disability benefits. Participation in the SJRPP Plan is required as a condition of employment. The SJRPP Plan is subject to provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement. The SJRPP Plan is governed by a five-member pension board (Pension Board). The SJRPP Plan does not issue publicly audited financial statements.

As of September 30, 2012, JEA had 274 budgeted employees for SJRPP who were engaged in performing the operational, maintenance and administrative tasks associated with operations of SJRPP. All nonmanagerial persons employed by JEA for SJRPP are governmental (public) employees, can organize under the provisions of Chapter 447, Part II, Florida Statutes, and, as such, are prohibited from participating in strikes or other work stoppages. Approximately 190 of SJRPP employees are represented by IBEW Local 1618. The term of JEA's collective bargaining agreement with IBEW Local 1618 expired in September 2009. The parties were unable to reach agreement at the bargaining table, and, on February 21, 2012, the JEA Board, under statutory authority, imposed certain terms of the 2009-2012 contract, including an end to the existing defined benefit pension plan with a transition to a modified defined contribution plan. On April 17, 2012, in anticipation of the bargaining unit's ratification, the JEA Board formally approved the agreements incorporating the terms of its February impasse hearing and articles previously agreed by the parties. A ratification vote from the union has not occurred to date and both parties have filed legal challenges with the Public Employees Relations Commission. Pending the resolution of this legal action, the contract implementation has been suspended.

Funding Policy – The SJRPP Plan's funding policy provides for biweekly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The SJRPP employer's contribution to the SJRPP Plan for the year ended September 30, 2012, was 40.7% of annual covered payroll.

Annual Pension Cost – The annual pension contributions for the years ended September 30, 2012, 2011, and 2010 were $8,787, $9,804, and $14,350, which was equal to the required employee and employer contributions for each year.

(Dollars in Thousands)

11. Pension Plans (continued)

Funding Status and Funding Progress

As of October 1, 2011, the most recent actuarial valuation date, the SJRPP Pension Plan was 67.39% funded. The actuarial accrued liability (AAL) for benefits was $143,203, and the actuarial value of assets was $96,511, resulting in an unfunded actuarial accrued liability (UAAL) of $46,692. The covered payroll (annual payroll of active employees covered by the pension plan) was $19,895, and the ratio of the UAAL to the covered payroll was 234.7%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information indicating whether the actuarial value of pension plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

SJRPP Plan members are required to contribute currently 4.0% of their current-year annual covered salary. The annual required contribution was determined by actuarial valuation using the Entry-Age Actuarial Cost Method. The actuarial assumptions include: a life expectancy calculation using the RP-2000 Mortality Table; a 7.25% investment rate of return (net of administrative expenses); and projected salary increases from 3.0% to 5.5%, depending on years of service per year, including an inflation component of 2.5%. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. As of October 1, 2011, all UAALs were consolidated into one and amortized over six years. The goal is to have the unfunded amount at zero by October 1, 2017. There have been no changes to the SJRPP Plan provisions since the last valuation. However, there has been a change in actuarial assumptions and methods: A) The mortality rates to be taken from the RP-2000 Mortality Table were changed with generational improvement projections using Mortality Projection Scale AA; B) No recognition of the inherent subsidy in the BackDROP provisions was included in the recent actuarial valuations; C) A goal-oriented amortization schedule was designed to pay off the Unfunded Actuarial Accrual Liability by October 1, 2017; D) The timing of contribution payment was adjusted to match the current practice (biweekly, with every payroll).

12. Health Insurance Programs

As of July 1, 2009, JEA became self-insured for medical and prescription benefits. Under the self-insurance program, JEA is liable for all claims up to certain maximum amounts per occurrence. JEA has a stop loss policy, which would reimburse JEA for claims in excess of $250 per employee, with an aggregate limit of 125.0% of aggregate claims are covered by insurance. There have been no significant reductions in coverage from the prior year. The health insurance benefits program is administered through an insurance company, and, as such, the administrator is responsible for processing the claims in accordance with the benefit specifications, with JEA reimbursing the insurance company for its payouts. Liabilities associated with the health care program are determined based on an actuarial study. This amount, which includes claims that have been incurred but not reported, is reported on the accompanying balance sheets in accounts and accrued expenses payable.

(Dollars in Thousands)

12. Health Insurance Programs (continued)

The changes in the self-insurance reserves for the years ended September 30, 2012 and 2011, are as follows:

	Medical and Prescription Benefits
Balance at September 30, 2010	$ 8,227
Contributions	30,998
Incurred claims	(26,720)
Balance at September 30, 2011	12,505
Contributions	**31,777**
Incurred claims	**(28,844)**
Balance at September 30, 2012	**$ 15,440**

13. Other Postemployment Benefits

Plan Description

The JEA maintains a medical benefits plan that it makes available to its retirees. The medical plan is a single-employer, experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their beneficiaries. The post-retirement benefit portion of the benefits plan (referred to as OPEB Plan) refers to the benefits applicable to current and future retirees and their beneficiaries. In addition, retirees are eligible to continue life insurance coverage through the plan sponsored by JEA. Premiums for the first $5,000 of coverage are being subsidized by the employer and, as such, are considered as Other Postemployment benefits for the purposes of GASB Statement No. 45.

As of October 1, 2011 (the Actuarial valuation date), the OPEB Plan had approximately 2,271 active participants and 582 retirees receiving benefits. The JEA currently determines the eligibility, benefit provisions, and changes to those provisions applicable to eligible retirees. The OPEB Plan does not issue publicly audited financial statements.

Funding Policy

Retired members pay the full premium associated with the health coverage elected. There is no direct JEA subsidy currently applicable; however, there is an implicit cost. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums.

State of Florida law prohibits the JEA from separately rating retirees and active employees. Therefore, JEA assigns to both groups blended-rate premiums. GAAP requires the actuarial liabilities to be calculated using age-adjusted premiums approximating claim costs for retirees separate from active members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

(Dollars in Thousands)

13. Other Postemployment Benefits (continued)

In 2008, JEA began to advance-fund the OPEB obligation. This was accomplished by establishing a separate trust into which JEA will make periodic deposits and withdrawals to reimburse operations for costs incurred on a pay-as-you-go basis.

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ending	Annual OPEB Cost	JEA Contributions*	Percentage of Retiree Cost Contributed	Net Obligation
September 30, 2012	**$ 5,254**	**$ 5,423**	**103.23%**	**$ 2,443**
September 30, 2011	5,427	6,601	121.62	2,612
September 30, 2010	5,215	5,236	100.40	3,786

* Implicit premiums paid by JEA

The following table shows the components of JEA's annual OPEB costs for the year, the amount contributed to the OPEB Plan, and the changes in the net OPEB obligation to JEA as of September 30, 2012 and 2011:

	September 30	
	2012	**2011**
Annual Required Contribution (ARC)	**$ 5,211**	$ 5,344
Interest on OPEB Plan obligation	**183**	302
Adjustment to ARC	**(140)**	(219)
Annual OPEB Plan retiree cost*	**5,254**	5,427
Contributions made	**(5,423)**	(6,601)
Change in OPEB Plan obligation	**(169)**	(1,174)
OPEB Plan obligation at beginning of year	**2,612**	3,786
OPEB Plan obligation at end of year	**$ 2,443**	$ 2,612

* Implicit additional premiums paid by JEA

Funded Status

As of October 1, 2011, the most recent valuation date, the OPEB Plan was 8.4% funded. The actuarial accrued liability for benefits was $77,280, and the actuarial value of assets was $6,471, resulting in an unfunded actuarial accrued liability (UAAL) of $70,809. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was $150,714, and the ratio of the UAAL to the covered payroll was 47.0%.

(Dollars in Thousands)

13. Other Post-Employment Benefits (continued)

Actuarial Cost Method and Assumptions

Annual requirements are determined in accordance with the actuarial assumptions and the Individual Entry Age Actuarial Cost Method. Under this method, the UAAL is amortized in a closed amortization, calculated as a level percent of payroll over a 26-year period. The actuarial assumptions include a 7.0% discount rate, compounded annually, and it is based on the JEA's expected rate of return on trust fund assets, based on the assumption that the OPEB Plan will be funded through a separately invested trust fund. The asset valuation method used to determine the actuarial value of the assets was the market value of the investments held in trust. The medical trend rates were assumed to be 8.5% beginning on October 1, 2012, and decreasing 0.5% each subsequent year until realizing the ultimate value of 5.0%.

The assumed rate of payroll growth is 4.0%. The discount rate and salary rates include a general price inflation rate of 3.0%.

Amortizations were assumed to begin on October 1, 2007, and to continue monthly for the 30 remaining years. Changes in the UAAL resulting from actuarial gains or losses, or changes in actuarial assumptions, will be amortized over the remaining portion of the 30-year period, but not less than 15 years.

Actuarial valuations of the ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes of the accompanying financial statements, present information about whether the actuarial value of the OPEB Plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing the benefit costs between the employer and OPEB Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

14. Commitments and Contingent Liabilities

Grants

JEA participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of JEA. It is management's opinion that the results of these audits will have no material adverse effect on JEA's financial position or results of operations.

(Dollars in Thousands)

14. Commitments and Contingent Liabilities (continued)

Regulatory Initiatives

The electric industry and water and wastewater industry have been and will continue to be affected by a number of legislative and regulatory initiatives. The following summarizes the key regulations affecting JEA:

Electric Enterprise System – On July 6, 2011, the Environmental Protection Agency (EPA) released the Cross-State Air Pollution Rule (CSAPR), which is intended as a substitute for the court-invalidated Clean Air Interstate Rule (CAIR). In the CSAPR, the EPA determined that 27 states in the eastern United States are in violation of the Clean Air Act because they significantly contribute to nonattainment or interference with the maintenance of attainment of three National Ambient Air Quality Standards (NAAQS) in one or more downwind states. The three air quality standards addressed in the CSAPR are the 1997 and 2006 fine particulate matter (PM2.5) NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO2 and NOx emissions from electricity generating units (EGUs). The EPA targeted these two pollutants because they are precursors to the formation of PM2.5 and ozone in the atmosphere. The budgets are allocated to individual EGUs in the form of allowances, and the CSAPR permits limited interstate emissions trading and unlimited intrastate emissions trading as a means of compliance. States became subject to the emission budgets in 2012, with more stringent limits taking effect in 2014.

Because of revised modeling results and public comments on the initial rule proposed to replace CAIR, which was issued on August 2, 2010, the EPA added and subtracted a number of states from the coverage of the CSAPR. From the list of states with annual SO2 and budgets, the EPA removed Connecticut, Delaware, the District of Columbia, Massachusetts, Louisiana, and Florida. However, the EPA determined in CSAPR that 26 states, including Florida, did contribute to downwind ozone air quality problems in other states during the ozone season. Consequently, EGUs in Florida, including those at JEA, did have new limits proposed for NOx emissions during the ozone season (May – September), beginning in 2012.

On August 21, 2012, the U.S. Court of Appeals for the D.C. Circuit issued a 2-1 opinion in *EME Homer City Generation, LP v. EPA*, vacating and remanding CSAPR. The opinion focused on two key elements of CSAPR: (1) EPA's two-step methodology for defining each upwind state's "significant contribution" to nonattainment or interference with maintenance of national ambient air quality standards (NAAQS) in downwind states and (2) EPA's simultaneous issuance of CSAPR and CSAPR federal implementation plans (FIPs). The Opinion concluded that both elements of the rule exceeded EPA's authority under the Clean Air Act. On October 5, 2012, EPA filed a Petition for Rehearing *En Banc* in *EME Homer City Generation LP vs. EPA*. EPA's Petition asks the D.C. Circuit to rehear *Homer City en banc*. If granted, an *en banc* rehearing would entail new consideration of the case by all of the judges of the D.C. Circuit. The larger *en banc* panel would then have the authority to overturn or modify the earlier opinion of the of the three-judge panel. Parties have no right to an *en banc* hearing, and a majority of the active D.C. Circuit judges must decide to rehear a case *en banc*. Until the court decides to uphold, as a result of an *en banc* hearing, or until a revised rule is promulgated that addresses the court's concerns, CAIR remains in effect.

JEA was already constructing selective catalytic reduction (SCR) technology for NOx control at SJRPP to meet the requirements of CAIR before the D.C. Circuit Court ruling came out vacating CAIR in July 2008. JEA continued with and completed construction of the SCR as the CAIR litigation progressed. The SCR at SJRPP will enhance JEAs ability to comply with CSAPR. JEA will determine how to optimize all of its emissions control options, including purchasing allowances and limited fuel switching, in order to comply with the seasonal emission limits. However, JEA does not expect to incur any new capital expenditures at any of its Florida-cited generating facilities in order to meet the requirements of CSAPR or its eventual replacement.

(Dollars in Thousands)

14. Commitments and Contingent Liabilities (continued)

Water Supply System Regulatory Initiatives – The St. Johns River Water Management District (SJRWMD) regulates groundwater withdrawals and issues Consumptive Use Permits (CUPs) that authorizes users to withdraw specific amounts of water, subject to conditions as set forth in a permit. Due to various utility acquisitions, JEA had approximately 20 separate CUPs that authorized water use to serve public water system demands and began a process of consolidating all of these permits into one master permit. In May 2011, the final consolidated CUP was issued to JEA, for 155 MGD by 2031, for a duration of 20 years from the SJRWMD. This effort was the culmination of a long process based on extensive evaluation of population and water use projections over the 20-year period.

Wastewater Treatment System Regulatory Initiatives – The Sewer System is regulated by the EPA under provisions of the Federal Clean Water Act and the Federal Water Pollution Act. The EPA has delegated the wastewater regulatory program to The Florida Department of Environmental Protection (FDEP). The FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen that can be assimilated by the St. Johns River, to which 11 of JEA's 15 wastewater treatment plants discharge. This state rule limits the amount of nitrogen that these 11 wastewater treatment facilities are allowed to discharge by permit. JEA is meeting these limits as the result of past capital improvements to its wastewater facilities, expansion of the reclaimed water system, and phase-out of smaller old technology wastewater facilities.

The EPA announced in January 2009 its intention to promulgate numerical nutrient criteria for Florida as part of a legal settlement agreement with environmental third parties. The EPA's freshwater rule that was issued in 2011 contained stringent nutrient criteria but also contained provisions for the adoption of less stringent site-specific standards, such as TMDLs, as alternative standards. Those freshwater standards have been the subject of intense litigation, and the flowing waters portion of the rule was invalidated and sent back to EPA to be reworked. If the future marine rule imposes a more stringent standard, or if an alternative standard such as the Lower St. Johns River TMDL is not adopted, it could require a substantial investment in additional facility upgrades beyond those planned for the TMDL effort.

Pollution Remediation Obligations

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions, and contaminated site assessment and remediation. Based on an analysis of the cost of cleanup and other identified environmental contingencies, JEA decreased the liability to approximately $18,360 at September 30, 2012. The accrual is related to the following environmental matters: Kennedy Generating Station RCRA Corrective Action for former wood preserving site; Sans Souci Substation remedial activities; Pearl Street Electric Shop remedial activities; Southside Generating Station Brownfield site; Kennedy Generating Station fuel oil tank farm; Northside Generating Station RCRA Corrective Action program; Tri-State Recycling Site; and remediation at a number of miscellaneous petroleum sites. Of the $18,360 that JEA has accrued as environmental liabilities, approximately $12,850 is associated with the expected cost of remediating the former wood preserving facility at the Kennedy Generating Facility. Following are other environmental matters that could have an impact on JEA; however, the resolution of these matters is uncertain, and no accurate prediction of range of loss is possible at this time: Bill Johns Waste Oil site assessment and remediation, Pickettville Road Landfill CERCLA site post-closure activities, Devil's Swamp Lake CERCLA site, BCX Tanks site, Holley Electric CERCLA site, Ellis Road CERCLA site, and various claims related to mercury emissions from its power generation facilities that burn coal, as well as litigations related to SSOs. Although uncertainties associated with these recognized environmental liabilities remain, JEA believes that the current provision for such costs is adequate and additional costs, if any, will not have a material adverse effect upon its financial position, results of operations, or liquidity.

(Dollars in Thousands)

14. Commitments and Contingent Liabilities (continued)

Northside Generating Station By-Product

JEA Northside Generating Station (NSGS) Units 1 and 2 produce a by-product that consists of fly ash and bed ash. JEA has obtained a permit from the Florida Department of Environmental Protection (FDEP) to beneficially use the processed by-product material in the state of Florida, subject to certain restrictions. These ash products are combined and processed into civil construction materials presently being marketed as EZBase and EZSorb. In order to provide comprehensive, unified oversight, JEA reorganized its By-product Services to include the material-handling area and the marketing area under one process. In addition, the expansion of rail capacity, the ability to load rail cars directly from the storage silos, and direct leasing of railcars have enabled JEA to become a full-service marketer, delivering products by truck or rail. EZSorb and EZBase are currently being transported by truck and rail to civil and environmental remediation/stabilization projects in several Southeastern states.

The By-products Storage Area (BSA) is an FDEP permitted, Class I lined storage facility at NSGS. JEA received a new five-year permit effective June 2010.

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. The plaintiff is suing multiple defendants for damages allegedly resulting from construction defects. Plaintiff amended the complaint in April 2010 to add JEA as a defendant. Plaintiff contends that JEA's bed ash by-product, which it claims was defective, was incorporated into OPF-42, a separate product processed, marketed, and distributed by another defendant named in the lawsuit. Plaintiff also contends that this product was sold for use as a soil additive during the site work phase of construction for the project. JEA denies plaintiff's allegation that the by-product was defective and believes it has meritorious defenses to the action. The amount of damages to be sought by the plaintiff will be dependent upon the nature and cost of the final remediation, which is currently unknown, but is expected to potentially exceed $1 million. This case is in the early discovery phase.

Southside Generating Station

JEA decommissioned the Southside Generating System in October 2001. JEA has spent approximately $27,393 for demolition, disposal, and environmental remediation associated with the site. JEA continues to work on positioning the property for a future sale and redevelopment, including additional environmental monitoring and clean-up and review of site access, land use and development rights. As part of a future sale, JEA will require the buyer to assume responsibility for the site under the Brownfield Site Rehabilitation Agreement between JEA and the FDEP, along with all environmental liability related to the site, except any portion to be retained by JEA.

Area real estate market conditions continue to affect the timing of any future sale opportunities.

(Dollars in Thousands)

14. Commitments and Contingent Liabilities (continued)

Interlocal Agreements

JEA is involved in a prelitigation dispute with St. Johns County, Florida (County), arising from an Interlocal Agreement (Agreement) entered into by the parties in 2001. Under the terms of the Agreement, which arose from JEA's purchase of certain water and wastewater facilities in the County from third parties, JEA agreed in 2001 to make an up-front payment of 5.0% of the projected gross revenues from JEA's retail water and waste water sales in the County for the next 10 years, reduced to present value, and JEA agreed to do the same for two additional 10-year periods of the 30-year Agreement. JEA further agreed at the end of each 10-year period to make a "true-up" payment to "adjust the net present value of the actual retail revenues realized if the revenues exceed the projected amount." JEA made the first 10-year true-up payment in January 2012, together with the net present value payment for 2012-2021. The County disagrees with JEA's calculation of the true-up payment and the net present value payment. The County contends that JEA underpaid the County by more than $2 million dollars, and JEA vigorously disagrees. The parties are presently in mediation, and JEA believes that it has good and meritorious defenses to the County's claim.

General Litigation

JEA is party to various pending or threatened legal actions in connection with its normal operations. In the opinion of management, any ultimate liabilities that may arise from these actions are not expected to materially affect JEA's financial position, results of operations, or liquidity.

15. Segment Information

The financial statements of JEA contain four segments, as the Electric System and Bulk Power Supply System, the SJRPP System, the Water and Sewer System, and DES represent separate identifiable activities. These systems have debt outstanding, with a revenue stream pledged in support of the debt. In addition, the activities are required to be accounted for separately. JEA's Electric System and Bulk Power Supply System segment consist of an electric utility engaged in the generation, purchase, transmission, distribution, and sale of electricity primarily in Northeast Florida. JEA's SJRPP System segment consists of a generation facility that is 80% owned by JEA. JEA's Water and Sewer System segment consists of water collection, distribution, and wastewater treatment in Northeast Florida. The District Energy System consists of chilled water activities.

Intercompany billing is employed between the Electric System and the Water and Sewer System and includes purchases of electricity, water, and sewer services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the monthly and annual financial statements. Electricity charges to the Water and Sewer entity was $16,787 for fiscal year 2012 and $17,013 for fiscal year 2011. Water and Sewer charges to the Electric System were $198 for fiscal year 2012 and $237 for fiscal year 2011.

The Electric System shares certain administrative functions with the Water and Sewer System. Generally, these costs are charged to the Electric System and the costs of these functions are allocated to the Water and Sewer System based on the benefits provided. Operating expense allocated to the Water and Sewer System was $41,573 for fiscal year 2012 and $39,738 for fiscal year 2011.

(Dollars in Thousands)

15. Segment Information (continued)

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System in the amount of $32,929. This was initiated to increase the utilization of its assets between the Electric System and the Water and Sewer System. A monthly inventory carrying charge is paid by the Electric System based on the value of the inventory multiplied by one-twelfth of the prior year's Water and Sewer average cost of debt. Inventory carrying charges were $1,734 for fiscal year 2012 and $1,672 for fiscal year 2011.

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of $22,940 and $6,278, an amount equal to the net book value of the assets. Monthly, the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was $1,870 for fiscal 2012 and $1,805 for fiscal year 2011.

The Water and Sewer Authority (WSEA), a component unit of the city, ceased operations as a stand-alone entity, pursuant to City ordinance, effective June 30, 2011. The assets of WSEA totaling approximately $11,465, which consisted of sewer plant in service, were contributed to JEA as part of the cessation and are reported as capital contributions to the Water and Sewer System.

To utilize the efficiencies in the Customer Account Information billing system and reduce the administrative efforts in recording deposits, customer deposits are recorded to one Service Agreement (SA) per Account. Deposits are allocated to the Electric System or Water and Sewer System based on accounts receivable balances. When the deposits are credited to customer accounts, they are allocated between the service agreements.

(Dollars in Thousands)

15. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2012 and 2011, were as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer System		DES	
	2012	2011	2012	2011	2012	2011	2012	2011
Balance Sheet:								
Total current assets	$ 550,260	$ 483,313	$ 151,272	$ 136,053	$ 131,410	$ 141,161	$ 3,881	$ 5,756
Total other noncurrent assets	382,606	397,904	396,846	463,612	343,555	327,568	3,441	4,212
Capital assets, net	3,059,463	3,135,875	716,480	738,038	2,748,104	2,759,664	41,319	42,092
Deferred outflows	168,264	153,340		–	26,394	23,418	–	–
Total assets	$ 4,160,593	$ 4,170,432	$ 1,264,598	$ 1,337,703	$ 3,249,463	$ 3,251,811	$ 48,641	$ 52,060
Total current liabilities	$ 159,994	$ 145,104	$ 12,952	$ 24,954	$ 30,963	$ 22,476	$ 127	$ 53
Total current liabilities payable from restricted assets	125,897	232,550	255,555	254,142	104,320	105,714	1,425	4,894
Total other noncurrent liabilities	96,829	104,529	44,972	3,222	7,390	7,072	23	20
Total long-term debt	3,040,079	3,064,357	851,335	976,237	1,955,638	2,012,983	43,750	45,140
Total liabilities	3,422,799	3,546,540	1,164,814	1,258,555	2,098,311	2,148,245	45,325	50,107
Deferred inflows	735	–	–	–	–	–	–	–
Net investment in capital assets	189,006	149,037	(166,045)	(149,485)	871,292	851,857	(3,605)	(7,677)
Restricted net position	182,252	161,309	130,619	120,756	172,856	139,221	3,190	3,947
Unrestricted net position	365,801	313,546	135,210	107,877	107,004	112,488	3,731	5,683
Total net assets	737,059	623,892	99,784	79,148	1,151,152	1,103,566	3,316	1,953
Total liabilities and net assets	$ 4,160,593	$ 4,170,432	$ 1,264,598	$ 1,337,703	$ 3,249,463	$ 3,251,811	$ 48,641	$ 52,060
Condensed Statement of Revenues, Expenses, and Changes in Net Position Information:								
Operating revenues	$ 1,358,090	$ 1,487,778	$ 418,776	$ 471,858	$ 395,437	$ 368,087	$ 8,571	$ 8,067
Depreciation	198,393	188,461	40,581	40,268	138,549	121,195	2,047	2,007
Operating expenses	865,232	994,470	312,209	347,323	137,330	123,404	4,580	4,198
Operating income	294,465	304,847	65,986	84,267	119,558	123,488	1,944	1,862
Nonoperating revenues (expenses)	(98,260)	(103,132)	(45,350)	(71,051)	(69,596)	(78,173)	(581)	(300)
Contributions	(83,038)	(81,922)	–	–	(2,376)	15,238	–	–
Change in net position	113,167	119,793	20,636	13,216	47,586	60,553	1,363	1,562
Beginning net position	623,892	504,099	79,148	65,932	1,103,566	1,043,013	1,953	391
Ending net position	$ 737,059	$ 623,892	$ 99,784	$ 79,148	$ 1,151,152	$ 1,103,566	$ 3,316	$ 1,953
Condensed Statement of Cash Flow Information:								
Net cash provided by (used in):								
Operating activities	$ 518,229	$ 430,931	$ 143,167	$ 146,719	$ 250,812	$ 234,469	$ 4,282	$ 3,138
Noncapital financing activities	(73,925)	(77,013)	440	440	(13,908)	(17,662)	–	–
Capital and related financing activities	(384,101)	(273,994)	(178,556)	(179,442)	(245,224)	(143,356)	(6,715)	(2,481)
Investing activities	(247,189)	(8,286)	(32,145)	4,770	(44,054)	(53,514)	12	27
Net change in cash and cash equivalents	(186,986)	71,638	(67,094)	(27,513)	(52,374)	19,937	(2,421)	684
Cash and cash equivalents at beginning of year	467,099	395,461	306,959	334,472	239,360	219,423	8,791	8,107
Cash and cash equivalents at end of year	$ 280,113	$ 467,099	$ 239,865	$ 306,959	$ 186,986	$ 239,360	$ 6,370	$ 8,791

16. Subsequent Events

In October 2012, JEA repaid the $2,691 SJRPP line of credit draws that were outstanding on September 30, 2012.

Required Supplementary Information

Schedules of Funding Progress

September 30, 2012

(Dollars in Thousands)

SJRPP Employees' Retirement Plan

The following funding schedule presents multiyear trend information on the funded status of SJRPP Defined Benefit as of September 30, 2012. The schedule has been prepared using the Entry Age Actuarial method.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry-Age Normal (b)	Unfunded/ (Overfunded) AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
October 1, 2011*	$ 96,511	$ 143,203	$ 46,692	67.39%	$ 19,895	234.69%
October 1, 2010	91,975	120,940	28,965	76.05	19,431	149.07
October 1, 2009	73,884	113,512	39,628	65.09	21,327	185.81

The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

See St. Johns River Power Park Plan Description of Pension Plans footnote for more information on the SJRPP Employees' Retirement Plan.

*Reflects a change in assumptions.

Schedule of Funding Progress (continued)

(Dollars In Thousands)

Other Post-Employment Benefit Plan

The following funding schedule presents multiyear trend information on the funded status of the Other Postemployment Benefit Plan as of September 30, 2012, the schedule has been prepared using the Entry Age Actuarial Method.

Valuation Date	AAL	Actuarial Value of Assets	UAAL	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
October 1, 2011	$ 77,280	$ 6,471	$ 70,809	8.37%	$ 150,714	46.98%
October 1, 2009	71,894	2,149	69,745	2.99	138,093	50.51
October 1, 2008	70,286	754	69,532	1.07	79,280	87.70

See Other Postemployment Benefits footnote for more information on the OPEB Plan.

Supplementary Information

JEA

Combining Balance Sheet

September 30, 2012

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Eliminations	Total JEA
Assets								
Current assets:								
Cash and cash equivalents	$ 271,713	$ 72,360	$ -	$ 344,073	$ 42,658	$ 3,174	$ -	$ 389,905
Investments	23,948	998	-	24,946	-	43	-	24,989
Accounts and interest receivable, less allowance for								-
doubtful accounts of $4,626	212,227	11,045	(18,510)	204,762	41,052	664	-	246,478
Inventories:								
Fuel	40,266	45,015	-	85,281	-	-	-	85,281
Materials and supplies	2,106	21,854	-	23,960	47,700	-	-	71,660
Total current assets	550,260	151,272	(18,510)	683,022	131,410	3,881	-	818,313
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	8,400	167,505	-	175,905	144,328	3,196	-	323,429
Investments	331,170	222,630	-	553,800	168,634	-	-	722,434
Accounts and interest receivable	1,434	848	-	2,282	2,472	-	-	4,754
Total restricted assets	341,004	390,983	-	731,987	315,434	3,196	-	1,050,617
Deferred costs	20,386	5,863	-	26,249	28,121	245	-	54,615
Investment in The Energy Authority	9,510	-	-	9,510	-	-	-	9,510
Costs to be recovered from future revenues	11,706	-	-	11,706	-	-	-	11,706
Total noncurrent assets	382,606	396,846	-	779,452	343,555	3,441	-	1,126,448
Capital assets:								
Land and easements	69,014	6,660	-	75,674	46,110	3,051	-	124,835
Plant in service	4,881,904	1,380,584	-	6,262,488	3,863,930	50,511	-	10,176,929
Less accumulated depreciation	(2,005,077)	(715,409)	-	(2,720,486)	(1,259,562)	(13,142)	-	(3,993,190)
Plant in service, net	2,945,841	671,835	-	3,617,676	2,650,478	40,420	-	6,308,574
Construction work in progress	113,622	44,645	-	158,267	97,626	899	-	256,792
Net capital assets	3,059,463	716,480	-	3,775,943	2,748,104	41,319	-	6,565,366
Total assets	3,992,329	1,264,598	(18,510)	5,238,417	3,223,069	48,641	-	8,510,127
Deferred outflows of resources								
Accumulated decrease in fair value of hedging derivatives	168,264	-	-	168,264	26,394	-	-	194,658
Total assets and deferred outflows	$ 4,160,593	$ 1,264,598	$ (18,510)	$ 5,406,681	$ 3,249,463	$ 48,641	$ -	$ 8,704,785

JEA

Combining Balance Sheet (continued)

September 30, 2012

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Eliminations	Total JEA
Liabilities, deferred inflows of resources and net position								
Current liabilities:								
Accounts and accrued expenses payable	$ 116,271	$ 12,952	$ (1,220)	$ 128,003	$ 18,336	$ 127	$ -	$ 146,466
Customer deposits	43,723	-	-	43,723	12,627	-	-	56,350
Total current liabilities	159,994	12,952	(1,220)	171,726	30,963	127	-	202,816
Current liabilities payable from restricted assets:								
Debt due within one year	75,095	127,346	-	202,441	47,972	1,390	-	251,803
Interest payable	40,022	18,492	-	58,514	34,596	6	-	93,116
Construction contracts and accounts payable	10,780	19,717	(17,290)	13,207	21,752	29	-	34,988
Renewal and replacement reserve	-	90,000		90,000	-	-	-	90,000
Total current liabilities payable from restricted assets	125,897	255,555	(17,290)	364,162	104,320	1,425	-	469,907
Noncurrent liabilities:								
Deferred credits and other liabilities	36,002	3,110	-	39,112	7,390	23	-	46,525
Revenues to be used for future costs	60,827	41,862	-	102,689	-	-	-	102,689
Total noncurrent liabilities	96,829	44,972	-	141,801	7,390	23	-	149,214
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,898,190	837,345	-	3,735,535	1,937,370	43,750	-	5,716,655
Unamortized original issue premium, net	38,800	51,305	-	90,105	44,718	-	-	134,823
Unamortized deferred losses on refundings	(65,175)	(37,315)	-	(102,490)	(52,844)	-	-	(155,334)
Fair value of debt management strategy instruments	168,264	-	-	168,264	26,394	-	-	194,658
Total long-term debt	3,040,079	851,335	-	3,891,414	1,955,638	43,750	-	5,890,802
Total liabilities	3,422,799	1,164,814	(18,510)	4,569,103	2,098,311	45,325	-	6,712,739
Deferred inflows of resources								
Accumulated increase in fair value of hedging derivatives	735	-	-	735	-	-	-	735
Net position								
Net Investment in capital assets	189,006	(166,045)	-	22,961	871,292	(3,605)	-	890,648
Restricted	182,252	130,619	17,290	330,161	172,856	3,190	-	506,207
Unrestricted	365,801	135,210	(17,290)	483,721	107,004	3,731	-	594,456
Total net position	737,059	99,784	-	836,843	1,151,152	3,316	-	1,991,311
Total liabilities, deferred inflows of resources and net position	$ 4,160,593	$ 1,264,598	$ (18,510)	$ 5,406,681	$ 3,249,463	$ 48,641	$ -	$ 8,704,785

JEA

Combining Balance Sheet

September 30, 2011

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Eliminations	Total JEA
Assets								
Current assets:								
Cash and cash equivalents	$ 217,568	$ 62,435	$ –	$ 280,003	$ 54,547	$ 4,835	$ –	$ 339,385
Investments	–	10,992	–	10,992	–	44	–	11,036
Accounts and interest receivable, less allowance for doubtful accounts of $5,165	218,725	9,478	(17,348)	210,855	40,463	877	–	252,195
Inventories:								
Fuel	44,985	30,439	–	75,424	–	–	–	75,424
Materials and supplies	2,035	22,709	–	24,744	46,151	–	–	70,895
Total current assets	483,313	136,053	(17,348)	602,018	141,161	5,756	–	748,935
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	249,531	244,524	–	494,055	184,813	3,956	–	682,824
Investments	99,393	176,053	–	275,446	121,881	–	–	397,327
Accounts and interest receivable	5,365	1,257	–	6,622	2,343	–	–	8,965
Total restricted assets	354,289	421,834	–	776,123	309,037	3,956	–	1,089,116
Deferred costs	23,711	7,195	–	30,906	18,531	256	–	49,693
Investment in The Energy Authority	9,009	–	–	9,009	–	–	–	9,009
Costs to be recovered from future revenues	10,895	34,583	–	45,478	–	–	–	45,478
Total noncurrent assets	397,904	463,612	–	861,516	327,568	4,212	–	1,193,296
Capital assets:								
Land and easements	64,595	6,660	–	71,255	44,854	3,051	–	119,160
Plant in service	4,790,967	1,392,582	–	6,183,549	3,822,012	49,654	–	10,055,215
Less accumulated depreciation	(1,881,007)	(689,819)	–	(2,570,826)	(1,165,359)	(11,095)	–	(3,747,280)
Plant in service, net	2,974,555	709,423	–	3,683,978	2,701,507	41,610	–	6,427,095
Construction work in progress	161,320	28,615	–	189,935	58,157	482	–	248,574
Net capital assets	3,135,875	738,038	–	3,873,913	2,759,664	42,092	–	6,675,669
Total assets	4,017,092	1,337,703	(17,348)	5,337,447	3,228,393	52,060	–	8,617,900
Deferred outflows of resources								
Accumulated decrease in fair value of hedging derivatives	153,340	–	–	153,340	23,418	–	–	176,758
Total assets and deferred outflows	$ 4,170,432	$ 1,337,703	$ (17,348)	$ 5,490,787	$ 3,251,811	$ 52,060	$ –	$ 8,794,658

JEA

Combining Balance Sheet (continued)

September 30, 2011

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Eliminations	Total JEA
Liabilities, deferred inflows of resources and net position								
Current liabilities:								
Accounts and accrued expenses payable	$ 102,176	$ 24,954	$ –	$ 127,130	$ 12,749	$ 53	$ –	$ 139,932
Customer deposits	42,928	–	–	42,928	9,727	–	–	52,655
Total current liabilities	145,104	24,954	–	170,058	22,476	53	–	192,587
Current liabilities payable from restricted assets:								
Debt due within one year	156,097	101,121	–	257,218	48,701	4,835	–	310,754
Interest payable	46,411	43,542	–	89,953	39,640	9	–	129,602
Construction contracts and accounts payable	30,042	19,479	(17,348)	32,173	17,373	50	–	49,596
Renewal and replacement reserve	–	90,000	–	90,000	–	–	–	90,000
Total current liabilities payable from restricted assets	232,550	254,142	(17,348)	469,344	105,714	4,894	–	579,952
Noncurrent liabilities:								
Deferred credits and other liabilities	39,824	3,222	–	43,046	7,072	20	–	50,138
Revenues to be used for future costs	64,705	–	–	64,705	–	–	–	64,705
Total noncurrent liabilities	104,529	3,222	–	107,751	7,072	20	–	114,843
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,951,115	1,012,055	–	3,963,170	2,015,299	45,140	–	6,023,609
Unamortized original issue premium, net	21,567	5,438	–	27,005	14,855	–	–	41,860
Unamortized deferred losses on refundings	(61,002)	(41,256)	–	(102,258)	(40,589)	–	–	(142,847)
Fair value of debt management strategy instruments	152,677	–	–	152,677	23,418	–	–	176,095
Total long-term debt	3,064,357	976,237	–	4,040,594	2,012,983	45,140	–	6,098,717
Total liabilities	3,546,540	1,258,555	(17,348)	4,787,747	2,148,245	50,107	–	6,986,099
Deferred inflows of resources								
Accumulated increase in fair value of hedging derivatives	–	–	–	–	–	–	–	–
Net position								
Net Investment in capital assets	149,037	(149,485)	–	(448)	851,857	(7,677)	–	843,732
Restricted	161,309	120,756	17,348	299,413	139,221	3,947	–	442,581
Unrestricted	313,546	107,877	(17,348)	404,075	112,488	5,683	–	522,246
Total net position	623,892	79,148	–	703,040	1,103,566	1,953	–	1,808,559
Total liabilities, deferred inflows of resources and net position	$ 4,170,432	$ 1,337,703	$ (17,348)	$ 5,490,787	$ 3,251,811	$ 52,060	$ –	$ 8,794,658

JEA

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended September 30, 2012

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating revenues:								
Electric	$ 1,323,048	$ 418,776	$ (251,903)	$ 1,489,921	$ –	$ –	$ (16,787)	$ 1,473,134
Water and sewer	–	–	–	–	385,829	–	(198)	385,631
District Energy	–	–	–	–	–	8,571	–	8,571
Other, net of allowances	35,042	–	–	35,042	9,608	–	(3,604)	41,046
Total operating revenues	1,358,090	418,776	(251,903)	1,524,963	395,437	8,571	(20,589)	1,908,382
Operating expenses:								
Operations:								
Fuel	284,688	196,187	–	480,875	–	–	–	480,875
Purchased power	319,058	–	(251,903)	67,155	–	–	–	67,155
Other	149,925	28,249	–	178,174	107,984	3,882	(20,589)	269,451
Maintenance	53,036	24,010	–	77,046	19,556	698	–	97,300
Depreciation	198,393	40,581	–	238,974	138,549	2,047	–	379,570
State utility and franchise taxes	63,135	–	–	63,135	9,790	–	–	72,925
Recognition of deferred costs and revenues, net	(4,610)	63,763	–	59,153	–	–	–	59,153
Total operating expenses	1,063,625	352,790	(251,903)	1,164,512	275,879	6,627	(20,589)	1,426,429
Operating income	294,465	65,986	–	360,451	119,558	1,944	–	481,953
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	6,328	–	–	6,328	–	–	–	6,328
Investment income	2,543	4,030	–	6,573	2,220	11	–	8,804
Other nonoperating revenue	9,021	440	–	9,461	6,959	–	–	16,420
Interest on debt	(117,684)	(49,820)	–	(167,504)	(80,580)	(597)	–	(248,681)
Other interest, net	(26)	–	–	(26)	3	–	–	(23)
Allowance for funds used during construction	1,558	–	–	1,558	1,802	5	–	3,365
Water and Sewer Expansion Authority	–	–	–	–	–		–	–
Total nonoperating revenues (expenses)	(98,260)	(45,350)	–	(143,610)	(69,596)	(581)	–	(213,787)
Income before contributions	196,205	20,636	–	216,841	49,962	1,363	–	268,166
Contributions (to) from:								
General Fund, City of Jacksonville	(83,038)	–	–	(83,038)	(21,150)	–	–	(104,188)
Developers and other	–	–	–	–	18,774	–	–	18,774
Water & Sewer Expansion Authority	–	–	–	–	–	–	–	–
Total contributions	(83,038)	–	–	(83,038)	(2,376)	–	–	(85,414)
Change in net position	113,167	20,636	–	133,803	47,586	1,363	–	182,752
Net position, beginning of year	623,892	79,148	–	703,040	1,103,566	1,953	–	1,808,559
Net position, end of year	$ 737,059	$ 99,784	$ –	$ 836,843	$ 1,151,152	$ 3,316	$ –	$ 1,991,311

JEA

Combining Statement of Revenues, Expenses, and Changes in Net Position

Year Ended September 30, 2011

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating revenues:								
Electric	$ 1,445,133	$ 471,858	$ (275,505)	$ 1,641,486	$ –	$ –	$ (17,013)	$ 1,624,473
Water and sewer	–	–	–	–	358,413	–	(237)	358,176
District Energy	–	–	–	–	–	8,067	–	8,067
Other, net of allowances	42,645	–	–	42,645	9,674	–	(3,477)	48,842
Total operating revenues	1,487,778	471,858	(275,505)	1,684,131	368,087	8,067	(20,727)	2,039,558
Operating expenses:								
Operations:								
Fuel	381,139	253,238	–	634,377	–	–	–	634,377
Purchased power	374,424	–	(275,505)	98,919	–	–	–	98,919
Other	127,840	35,923	–	163,763	91,287	3,602	(20,727)	237,925
Maintenance	47,660	24,917	–	72,577	22,968	596	–	96,141
Depreciation	188,461	40,268	–	228,729	121,195	2,007	–	351,931
State utility and franchise taxes	69,638	–	–	69,638	9,149	–	–	78,787
Recognition of deferred costs and revenues, net	(6,231)	33,245	–	27,014	–	–	–	27,014
Total operating expenses	1,182,931	387,591	(275,505)	1,295,017	244,599	6,205	(20,727)	1,525,094
Operating income	304,847	84,267	–	389,114	123,488	1,862	–	514,464
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	12,265	–	–	12,265	–	–	–	12,265
Investment income	2,950	5,547	–	8,497	3,391	20	–	11,908
Other nonoperating revenue	4,666	440	–	5,106	2,592	–	–	7,698
Interest on debt	(126,066)	(77,038)	–	(203,104)	(85,882)	(334)	–	(289,320)
Other interest, net	(106)	–	–	(106)	(3)	–	–	(109)
Allowance for funds used during construction	3,159	–	–	3,159	2,214	14	–	5,387
Water and Sewer Expansion Authority	–	–	–	–	(485)	–	–	(485)
Total nonoperating revenues (expenses)	(103,132)	(71,051)	–	(174,183)	(78,173)	(300)	–	(252,656)
Income before contributions	201,715	13,216	–	214,931	45,315	1,562	–	261,808
Contributions (to) from:								
General Fund, City of Jacksonville	(81,922)	–	–	(81,922)	(19,766)	–	–	(101,688)
Developers and other	–	–	–	–	23,539	–	–	23,539
Water & Sewer Expansion Authority	–	–	–	–	11,465	–	–	11,465
Total contributions	(81,922)	–	–	(81,922)	15,238	–	–	(66,684)
Change in net position	119,793	13,216	–	133,009	60,553	1,562	–	195,124
Net position, beginning of year	504,099	65,932	–	570,031	1,043,013	391	–	1,613,435
Net position, end of year	$ 623,892	$ 79,148	$ –	$ 703,040	$ 1,103,566	$ 1,953	$ –	$ 1,808,559

JEA

Combining Statement of Cash Flows

Year Ended September 30, 2012

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operations								
Receipts from customers	$ 1,329,395	$ 418,776	$ (251,844)	$ 1,496,327	$ 384,757	$ 8,784	$ (16,985)	$ 1,872,883
Other receipts	38,954	–	–	38,954	9,481	–	(3,604)	44,831
Payments to suppliers	(718,689)	(240,966)	251,844	(707,811)	(102,501)	(4,084)	20,589	(793,807)
Payments to employees	(131,431)	(34,643)	–	(166,074)	(40,925)	(418)	–	(207,417)
Net cash provided by operating activities	518,229	143,167	–	661,396	250,812	4,282	–	916,490
Noncapital and related financing activities								
Contribution to General Fund,								
City of Jacksonville, Florida	(82,945)	–	–	(82,945)	(20,867)	–	–	(103,812)
Contribution to Water and Sewer Expansion								
Authority - operating	–	–	–	–	–	–	–	–
Payment from City of Jacksonville	4,274	–	–	4,274	4,274	–	–	8,548
Build America Bonds subsidies	4,746	440	–	5,186	2,685	–	–	7,871
Net cash (used in) provided by noncapital and related financing activities	(73,925)	440	–	(73,485)	(13,908)	–	–	(87,393)
Capital and related financing activities								
Acquisition and construction of capital assets	(139,926)	(19,024)	–	(158,950)	(113,534)	(1,290)	–	(273,774)
Proceeds from issuance of debt	425,125	587,305	–	1,012,430	537,038	–	–	1,549,468
Defeasance of debt	(453,435)	(578,264)	–	(1,031,699)	(549,487)	(3,485)	–	(1,584,671)
Repayment of debt principal	(89,115)	(101,121)	–	(190,236)	(43,123)	(1,350)	–	(234,709)
Interest paid on debt	(126,992)	(67,452)	–	(194,444)	(87,619)	(590)	–	(282,653)
Developer and other contributions	–	–	–	–	11,069	–	–	11,069
Proceeds from sales of property	242	–	–	242	432	–	–	674
Net cash used in capital and related financing activities	(384,101)	(178,556)	–	(562,657)	(245,224)	(6,715)	–	(814,596)
Investing activities								
Purchase of investments	(1,035,820)	(1,131,469)	–	(2,167,289)	(509,084)	–	–	(2,676,373)
Proceeds from sale and maturities of investments	780,591	1,095,545	–	1,876,136	462,157	10	–	2,338,303
Investment income	2,213	3,779	–	5,992	2,873	2	–	8,867
Distributions from The Energy Authority	5,827	–	–	5,827	–	–	–	5,827
Net cash (used in) provided by investing activities	(247,189)	(32,145)	–	(279,334)	(44,054)	12	–	(323,376)
Net increase in cash and cash equivalents	(186,986)	(67,094)	–	(254,080)	(52,374)	(2,421)	–	(308,875)
Cash and cash equivalents at October 1, 2011	467,099	306,959		774,058	239,360	8,791	–	1,022,209
Cash and cash equivalents at September 30, 2012	$ 280,113	$ 239,865	$ –	$ 519,978	$ 186,986	$ 6,370	$ –	$ 713,334
Reconciliation of operating income to net cash								
provided by operating activities:								
Operating income	$ 294,465	$ 65,986	$ –	$ 360,451	$ 119,558	$ 1,944	$ –	$ 481,953
Adjustments to reconcile operating income to net cash								
provided by operating activities:								
Depreciation and amortization	198,393	40,581	–	238,974	140,071	2,047	–	381,092
Recognition of deferred costs and revenues, net	(4,610)	63,763	–	59,153	–	–	–	59,153
Changes in noncash assets and noncash liabilities:				–			–	–
Accounts receivable and interest receivable	6,347	(1,565)	–	4,782	(1,071)	212	–	3,923
Accounts receivable and interest receivable, restricted	3,912	–	–	3,912	(127)	–	–	3,785
Inventories	4,648	(13,722)	–	(9,074)	(1,549)	–	–	(10,623)
Other	5,043	–	–	5,043	(14,594)	–	–	(9,551)
Accounts and expenses payable	14,771	(12,002)	–	2,769	8,206	77	–	11,052
Liabilities payable from restricted assets	–	238	–	238	–	–	–	238
Deferred credits and other liabilities	(4,740)	(112)	–	(4,852)	318	2	–	(4,532)
Net cash provided by operating activities	$ 518,229	$ 143,167	$ –	$ 661,396	$ 250,812	$ 4,282	$ –	$ 916,490
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 7,705	$ –	$ –	$ –
Contribution of capital assets from								
Water and Sewer Expansion Authority	–	–	–	–	–	–	–	–
	$ –	$ –	$ –	$ –	$ 7,705	$ –	$ –	$ –

JEA

Combining Statement of Cash Flows

Year Ended September 30, 2011

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operations								
Receipts from customers	$ 1,451,257	$ 471,858	$ (266,399)	$ 1,656,716	$ 351,239	$ 7,389	$ (17,250)	$ 1,998,094
Other receipts	44,065	–	–	44,065	11,924	–	(3,477)	52,512
Payments to suppliers	(934,958)	(291,870)	266,399	(960,429)	(92,037)	(3,871)	20,727	(1,035,610)
Payments to employees	(129,433)	(33,269)	–	(162,702)	(36,657)	(380)	–	(199,739)
Net cash provided by operating activities	430,931	146,719	–	577,650	234,469	3,138	–	815,257
Noncapital and related financing activities								
Contribution to General Fund,								
City of Jacksonville, Florida	(81,679)	–	–	(81,679)	(19,769)	–	–	(101,448)
Contribution to Water and Sewer Expansion								
Authority – operating	–	–	–	–	(485)	–	–	(485)
Build America Bonds subsidies	4,666	440	–	5,106	2,592	–	–	7,698
Net cash (used in) provided by noncapital and related financing activities	(77,013)	440	–	(76,573)	(17,662)	–	–	(94,235)
Capital and related financing activities								
Acquisition and construction of capital assets	(200,764)	(11,905)	–	(212,669)	(84,579)	(542)	–	(297,790)
Proceeds from issuance of debt	374,847	–	–	374,847	137,427	–	–	512,274
Defeasance of debt	(255,631)	(25)	–	(255,656)	(88,579)	(300)	–	(344,535)
Repayment of debt principal	(68,260)	(99,823)	–	(168,083)	(36,897)	(1,310)	–	(206,290)
Interest paid on debt	(124,742)	(67,689)	–	(192,431)	(83,061)	(329)	–	(275,821)
Developer and other contributions	–	–	–	–	12,123	–	–	12,123
Proceeds from sales of property	556	–	–	556	210	–	–	766
Net cash used in capital and related financing activities	(273,994)	(179,442)	–	(453,436)	(143,356)	(2,481)	–	(599,273)
Investing activities								
Purchase of investments	(1,006,844)	(1,118,469)	–	(2,125,313)	(1,044,020)	–	–	(3,169,333)
Proceeds from sale and maturities of investments	984,226	1,111,014	–	2,095,240	988,831	15	–	3,084,086
Investment income	1,457	12,225	–	13,682	1,675	12	–	15,369
Distributions from The Energy Authority	12,875	–	–	12,875	–	–	–	12,875
Net cash (used in) provided by investing activities	(8,286)	4,770	–	(3,516)	(53,514)	27	–	(57,003)
Net increase in cash and cash equivalents	71,638	(27,513)	–	44,125	19,937	684	–	64,746
Cash and cash equivalents at October 1, 2010	395,461	334,472	–	729,933	219,423	8,107	–	957,463
Cash and cash equivalents at September 30, 2011	$ 467,099	$ 306,959	$ –	$ 774,058	$ 239,360	$ 8,791	$ –	$ 1,022,209
Reconciliation of operating income to net cash								
provided by operating activities:								
Operating income	$ 304,847	$ 84,267	$ –	$ 389,114	$ 123,488	$ 1,862	$ –	$ 514,464
Adjustments to reconcile operating income to net cash								
provided by operating activities:								
Depreciation and amortization	188,461	40,268	–	228,729	121,989	2,007	–	352,725
Recognition of deferred costs and revenues, net	(6,231)	33,245	–	27,014	–	–	–	27,014
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable	6,124	1,764	–	7,888	(7,174)	(677)	–	37
Accounts receivable and interest receivable, restricted	1,420	–	–	1,420	2,250	–	–	3,670
Inventories	(16,650)	(11,707)	–	(28,357)	(3,023)	–	–	(31,380)
Other	(2,799)	–	–	(2,799)	14	–	–	(2,785)
Accounts and expenses payable	(45,967)	8,526	–	(37,441)	(2,477)	(22)	–	(39,940)
Liabilities payable from restricted assets	–	(9,665)	–	(9,665)	–	–	–	(9,665)
Deferred credits and other liabilities	1,726	21	–	1,747	(598)	(32)	–	1,117
Net cash provided by operating activities	$ 430,931	$ 146,719	$ –	$ 577,650	$ 234,469	$ 3,138	$ –	$ 815,257
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 11,416	$ –	$ –	$ 11,416
Contribution of capital assets from								
Water and Sewer Expansion Authority	–	–	–	–	11,465	–	–	11,465
	$ –	$ –	$ –	$ –	$ 22,881	$ –	$ –	$ 22,881

Bond Compliance Information

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Independent Certified Public Accountants' Report on Schedules of Debt Service Coverage

The Governing Board
JEA
Jacksonville, Florida

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of JEA for the years ended September 30, 2012 and 2011, and have issued our report thereon dated December 3, 2012. We have also audited the accompanying schedules of debt service coverage (as specified in the respective JEA Bond Resolutions) of the JEA Electric System, the JEA St. Johns River Power Park System, and the JEA Water and Sewer System for the years ended September 30, 2012 and 2011, based on the financial statements referred to above. These schedules are the responsibility of JEA's management. Our responsibility is to express an opinion on these schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules of debt service coverage are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules of debt service coverage. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedules' presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying schedules of debt service coverage were prepared for the purpose of demonstrating compliance with the requirements of certain JEA bond resolutions, which require the maintenance of certain minimum debt service coverage ratios, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the schedules of debt service coverage referred to above present fairly, in all material respects, the debt service coverage of the JEA Electric System, the JEA St. Johns River Power Park System, and the JEA Water and Sewer System for the years ended September 30, 2012 and 2011, respectively, in conformity with the basis specified in the respective JEA Bond Resolutions.

This report is intended solely for the information and use of the Members and management of JEA, and the bond trustees, and is not intended to be, and should not be, used by anyone other than these specified parties.

Ernst + Young LLP

December 3, 2012

JEA Electric System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30 2012	2011
Revenues:		
Electric	$ 1,323,048	$ 1,445,133
Investment income (1)	814	765
Earnings from The Energy Authority	6,328	12,265
Other, net (2)	37,315	47,311
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	21,164	97,315
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	(91,538)	(84,742)
Total revenues	1,297,131	1,518,047
Operating expenses (3):		
Fuel	252,637	344,792
Purchased power (4)	387,585	428,635
Other operation and maintenance	174,071	163,351
Utility and franchise taxes	62,236	68,828
Total operating expenses	876,529	1,005,606
Net revenues	$ 420,602	$ 512,441
Debt service	$ 77,804	$ 91,098
Less: investment income on sinking fund	(1,229)	(975)
Less: Build America Bonds subsidy	(1,628)	-
Debt service requirement	$ 74,947	$ 90,123
Senior debt service coverage (5),(6)	5.61x	5.69x
Net revenues (from above)	$ 420,602	$ 512,441
Debt service requirement (from above)	$ 74,947	$ 90,123
Plus: aggregate subordinated debt service on outstanding subordinated bonds	81,479	95,884
Adjusted debt service requirement	$ 156,426	$ 186,007
Senior and subordinated debt service coverage (7), (8)	2.69x	2.75x

(1) Excludes investment income on sinking funds.

(2) Effective May 30, 2012, the Electric System Resolution was amended to exclude from revenues the subsidy received related to senior Build America Bonds.

(3) Excludes depreciation.

(4) In accordance with the requirements of the Electric System Resolution, all the Contract Debt payments from the Electric System to the SJRPP and Bulk Power Supply System with respect to the use by the Electric System of the capacity and output of the SJRPP and Bulk Power Supply System are reflected as a purchased power expense on these schedules. These schedules do not include revenues of the SJRPP and Bulk Power Supply System, except that the revenues of the SJRPP and Bulk Power System,except that the purchased power expense is net of interest income on funds maintained under the SJRPP and Bulk Power Supply System Resolutions.

(5) Net revenues divided by debt service requirement. Minimum annual coverage is 1.20x.

(6) Effective May 30, 2012, the Electric System Resolution was amended to exclude from interest the amount of cash subsidy received related to senior Build America Bonds in the debt service requirement calculation. Had such Build America Bonds subsidy not been included in the current year-to-date calculation, senior debt service coverage would have been 5.51x.

(7) Net revenues divided by adjusted debt service requirement. Minimum annual coverage is 1.15x.

(8) Effective May 30, 2012, the Electric System Resolution was amended to exclude from interest the amount of cash subsidy received related to senior Build America Bonds in the debt service requirement calculation. Had such Build America Bonds subsidy not been included in the current year-to-date calculation, senior and subordinated debt service coverage would have been 2.67x.

JEA Bulk Power Supply System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2012	2011
Revenues:		
JEA	$ 68,526	$ 54,211
Investment income	37	109
Other, net	846	846
Total revenues	69,409	55,166
Operating expenses (1):		
Fuel	32,051	36,347
Other operation and maintenance	15,570	10,609
Total operating expenses	47,621	46,956
Net revenues	$ 21,788	$ 8,210
Aggregate debt service	$ 7,533	$ 5,596
Debt service coverage (2), (3)	2.89x	1.47x

(1) Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues.
(2) Net revenues divided by aggregate debt service.
(3) Minimum annual coverage is 1.15x.

JEA St. Johns River Power Park System

Schedules of Debt Service Coverage – 1st Resolution

(In Thousands)

	Year Ended September 30	
	2012	2011
Revenues:		
JEA	$ 250,959	$ 273,421
FPL	165,344	196,353
Investment income	3,369	11,845
Total revenues	419,672	481,619
Operating expenses (1):		
Fuel	196,187	253,238
Other operation and maintenance	40,959	43,209
Total operating expenses	237,146	296,447
Net revenues	$ 182,526	$ 185,172
Aggregate debt service	$ 143,320	$ 148,136
Debt service coverage (2)	1.27x	1.25x

(1) Excludes depreciation.
(2) Net revenues divided by aggregate debt service. Semiannual minimum coverage is 1.25x.

JEA St. Johns River Power Park System

Schedules of Debt Service Coverage – 2nd Resolution

(In Thousands)

	Year Ended September 30	
	2012	2011
Revenues:		
JEA	$ 26,839	$ 23,340
Investment income		–
Other	440	440
Total revenues	27,279	23,780
Operating expenses (1):		
Fuel	–	–
Other operation and maintenance	–	–
Total operating expenses		–
Net revenues	$ 27,279	$ 23,780
Aggregate debt service	$ 23,712	$ 20,678
Debt service coverage (2), (3)	1.15x	1.15x

(1) Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues under the 1st Resolution.
(2) Net revenues divided by aggregate debt service.
(3) Minimum annual coverage is 1.15x.

JEA Water and Sewer System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30 2012	2011
Revenues:		
Water	$ 161,468	$ 157,708
Water capacity fees (1)	4,318	3,504
Sewer	224,361	200,705
Sewer capacity fees (1)	6,503	6,169
Investment income	2,392	2,224
Other (2)	9,608	12,266
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	21,747	14,577
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	(24,477)	(22,623)
Total revenues	405,920	374,530
Operating expenses (3):		
Operations and maintenance	137,330	123,404
Net revenues	$ 268,590	$ 251,126
Aggregate debt service:	$ 112,019	$ 107,768
Less: Build America Bonds subsidy (5)	(2,685)	-
Aggregate debt service	$ 109,334	$ 107,768
Senior debt service coverage (4)	2.40x	2.33x
Net revenues (from above)	$ 268,590	$ 251,126
Debt service requirement (from above)	$ 109,334	$ 107,768
Plus: aggregate subordinated debt service on outstanding subordinated debt	10,588	12,911
Adjusted debt service requirement	$ 119,922	$ 120,679
Senior and subordinated debt service coverage (6), (7)	2.24x	2.08x

(1) Effective October 1, 2001, the Water and Sewer Bond Resolution was amended to include capacity fees in total revenues. Had such capacity fees not been included in the calculation for the year-to-date periods ending September 2012 and 2011, then the debt service coverage would have been 2.00x and 1.72x.

(2) Effective September 2012, the Water and Sewer System Resolution was amended to exclude from revenues the subsidy received related to senior Build America Bonds.

(3) Excludes depreciation.

(4) Net revenues divided by aggregate debt service. Annual minimum coverage is 1.25x.

(5) Effective September 2012, the Water and Sewer System Resolution was amended to exclude from interest the amount of cash subsidy received related to senior Build America Bonds in the debt service requirement calculation. Had such Build America Bonds subsidy not been included in the current year-to-date calculation, senior debt service would have been 2.42x.

(6) Net revenues must be greater than or equal to the sum of 100% of the senior debt service and 120% of the subordinated debt service. The sum of such debt service amounts for the year ended September 2012 is $124,725 and $123,261 for the year ended September 2011.

(7) Effective September 2012, the Water and Sewer System Resolution was amended to exclude from interest the amount of cash subsidy received related to senior Build America Bonds in the debt service requirement calculation. Had such Build America Bonds subsidy note been included in the current year-to-date calculation, senior and subordinated debt service coverage would have been 2.21x.

JEA At A Glance

Electric System
- 422,315 customers
- 900 square miles of service area
- 6,543 miles of distribution
- 733.3 miles of transmission

Electric Generation
- St. Johns River Power Park (SJRPP)
- Northside Generating Station (NGS)
- Plant Scherer
- Brandy Branch (BB)
- Kennedy (KS)
- Greenland Energy Center (GEC)

Generation Technologies
- Three Pulverized Coal (PC) units SJRPP 1 and 2, Scherer 4
- Two Circulating Fluidized Bed (CFB) Units NGS 1 and 2
- One Oil/Gas-fired unit – NGS 3
- Nine Combustion Turbines 4 at NGS, 2 at KS, 2 at GEC, 1 at BB
- One Combined Cycle unit (CC) – BB

Electric Mix (kW capacity)
- Gas/Oil – 60%
- Solid Fuel – 40%

Power Supply Mix (kWh)
- Natural Gas 39%
- Solid Fuels 49%
- Other 12%

Water and Sewer System
- 309,221 water customers
- 235,615 sewer customers
- 913 square miles of service area
- 4,268 miles of distribution
- 3,748 miles of collection

Water and Sewer Treatment Plants
- 36 water plants (298 MGD maximum daily capacity)
- 7 regional/7 non-regional sewer plants (247) MGD average daily capacity)
- 1,281 pump stations
- 135 wells (active)
- 11 reclaimed water production facilities (6 public access reuse, 5 non-public access reuse)
- 2,241 reclaimed water customers

District Energy Systems
- 4 chilled water plants (16,360 tons baseline capacity)
- 3 chillers in reserve (5,925 tons capacity)

JEA 2012 Annual Report: Laurette Kessler, CPA; Contributors: Jane Upton, Gerri Boyce, Marisa Carbone, Joy Gutos & Toni Woods; Design and Art Direction: Suzanne Hendrix; Photography: Paul Figura, Ingrid Damiani and stock

Electric System and Water and Sewer System Fixed Rate Senior Bonds:
Registrar/Paying Agent
U.S. Bank National Association
Jacksonville, Florida

Electric System and Water and Sewer System Fixed Rate Subordinated Bonds:
Registrar/Paying Agent
U.S. Bank National Association
Jacksonville, Florida

Electric System and Water and Sewer System Variable Rate Senior Bonds:
Bond Registrar, Paying Agent and Tender Agent
The Bank of New York*
Mellon Trust Company, N.A.
Jacksonville, Florida

Electric System and Water and Sewer System Variable Rate Subordinated Bonds:
Subordinated Bond Registrar,
Paying Agent and Tender Agent
The Bank of New York
Mellon Trust Company, N.A.
Jacksonville, Florida

Electric System Commercial Paper Notes
Issuing and Paying Agent
U.S. Bank National Association
New York, New York

St. Johns River Power Park System
Trustee/Registrar/Paying Agent
U.S. Bank National Association
Jacksonville, Florida

District Energy System
Bond Registrar, Paying Agent and Tender Agent
The Bank of New York
Mellon Trust Company, N.A.
Jacksonville, Florida

Independent Auditors:
Ernst & Young, LLP
Jacksonville, Florida

Upon request to the office of the treasurer, quarterly and annual financial statements will be provided.

Telephone: 904-665-7410
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**Except for the Water and Sewer System Variable Rate Senior Bonds, 2006 Series B, for which U.S. Bank National Association at Jacksonville, Florida is the Paying Agent and Tender Agent*

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