

JEA
BOARD AGENDA

DATE: December 13, 2016

TIME: 12:00 PM

PLACE: JEA
21 West Church Street
19th Floor

I. WELCOME

- A. Call to Order
- B. Time of Reflection
- C. Pledge to Flag
- D. Adoption of the Agenda
- E. Safety Briefing
- F. Sunshine Law/Public Records Statement – Jody Brooks, Chief Legal Officer

II. PRESENTATIONS AND COMMENTS

- A. Comments from the Public
- B. Council Liaison's Comments – Greg Anderson
- C. Office of the Mayor Liaison's Comments – Dr. Johnny Gaffney
- D. Nassau County's Ex-Officio Representative's Comments – Mike Mullin
- E. American Waterworks Association (AWWA) Operator Challenge – Florida Competition – Brian Roche, VP/GM, Water/Wastewater Systems
- F. Stanton Robotics Club Presentation – Todd Lovelace, Electric Systems Engineer

III. FOR BOARD CONSIDERATION

- A. Consent Agenda – The Consent Agenda consists of agenda items that require Board approval but are routine in nature, or have been discussed during previous public meetings of the Board. The Consent Agenda items require no explanation, discussion or presentation, and are approved by one motion and vote.

1. Approval of Board Meeting Minutes November 15, 2016 – action
 2. 2017 Board and Committee Meetings Schedule – action
 3. Customer Correspondence Summary – information
 4. Monthly JEA Financial Review & Statements – information
 5. Monthly JEA Operations Report – information
 6. Monthly FY17 Communications & Engagement Calendar and Plan Update – information
- B. Strategic Discussions/Action
1. Monthly Operational and Financial Presentation – Paul McElroy, Managing Director/CEO – 10 minutes – discussion/information
- C. Open Discussion
- D. Other New Business
- E. Old Business – none

IV. **REPORTS**

- A. Finance & Audit Committee Report – Kelly Flanagan, Committee Chair
1. Approval of Minutes – August 8, 2016 – information
 2. Approval of Minutes – October 18, 2016 – information
 3. Audit Services – Quarterly ERM/Audit Report – information
 4. Ethics Officer Quarterly Report – information
 5. Electric System and Water and Sewer System Reserve Fund Quarterly Report – information
 6. JEA Energy Market Risk Management Policy Report – information
 7. JEA Calendar Years 2017 and 2018 Fixed Rate Refunding Debt Parameter Resolutions for Electric, Water and Sewer and St. Johns River Power Park Systems – action
 8. Ernst & Young FY2016 External Audit Report – information
 9. Committee Discussion Sessions
 - a. Ernst & Young – information
 - b. Director, Audit Services – information
 - c. Council Auditor’s Office – information
- B. Compensation Committee Report – Delores Kesler, Committee Chair
1. Approval of Minutes – November 8, 2016 – information

- 2. Weighting of Fiscal Year 2017 CEO Goals – **action**
- 3. Appointed Pay and Performance Management Process – information
- 4. Other New Business
- 5. Announcements – information
 - a. Schedule Next Meeting as Appropriate
- C. Government Affairs Committee Report – Alan Howard, Committee Chair
 - 1. Approval of Minutes – May 6, 2016 – information
 - 2. JEA Government Relations Local, State and Federal Update – information
 - 3. Review of Current Litigation – information
 - 4. Other New Business
 - 5. Announcements – information
 - a. Schedule Next Meeting as Appropriate
- D. Managing Director/CEO’s Report
- E. Chair’s Report

V. CLOSING CONSIDERATIONS

- A. Announcements – Next Board Meeting – January 17, 2017
- B. Adjournment

At the conclusion of the Board Meeting, Team Resistance will be available for a demonstration of their robots.

Board Calendar	
Board Meeting:	12:00 PM – Third Tuesday of Every Month <i>(with the exception of December, which will be the 2nd Tuesday)</i>
<u>Committees</u>	
Nominating Committee	TBD
Finance & Audit Committee:	March 13, 2017
Compensation Committee:	TBD
Government Affairs Committee:	TBD

A. If you have a disability that requires reasonable accommodations to participate in the above meeting, please call **665-7550** by **8:30 AM** the day before the meeting and we will provide reasonable assistance for you.

B. If a person decides to appeal any decision made by the JEA Board with respect to any matter considered at this meeting, that person will need a record of the proceedings, and, for such purpose needs to ensure that verbatim record of the proceedings is made, which record includes the evidence and testimony upon which the appeal is to be based.



INTER-OFFICE CORRESPONDENCE

December 7, 2016

SUBJECT: BOARD MEETING AGENDA

FROM: Melissa Charleroy and Cheryl Mock, JEA Executive Assistants

TO: All Members, JEA Board of Directors

Scheduled times and locations for JEA meetings to be held **Tuesday, December 13, 2016**, are as follows:

10:30 AM **Government & Legal Affairs Committee**
8th Floor, JEA Tower

12:00 PM **Board Meeting 19th Floor, JEA Tower**

We are looking forward to seeing you on the 13th. Please call Melissa Charleroy at 665-7313 or Cheryl Mock at 665-4202 if you require additional information.

/mmc

cc:

P. McElroy
J. Brooks
M. Brost
P. Cosgrave
M. Dykes
A. Hiers

M. Hightower
T. Hobson
B. Roche
M. Whiting
J. Upton
G. Boyce

S. Tuten
M. Charleroy
C. Mock
B. Taylor
M. Ruiz-Adams
W. Stanford

M. Evans
V. Wright
L. Bartley
C. Edgar
J. Bryant
J. Gutos

J. Gabriel, OGC
R. Vento

e-copy:

Patrick Maginnis
Security Desk
Security Office
Brandi Sneed
Russell Park
Ted Delay
Timothy Chrisp

I. F.
Sunshine Law/Public Records Statement

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

This meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011, Florida Statutes, and shall be open to the public at all times. Official acts of the JEA Board may be conducted at this meeting that will be considered binding on the JEA. Reasonable notice has been provided and minutes of this meeting shall be taken and promptly recorded.

II. E.

American Waterworks Association (AWWA) Operator Challenge

AWWA Water Operator Challenge

Florida Section AWWA Fall Conference - Nov 2016/Orlando

Florida utilities competed to qualify for the national competition at the annual American Water Works Association (AWWA) conference in Philadelphia (June 2017)

II. E.
12/13/2016

Four Contests

- Back Hoe Rodeo
- Ductile Iron Pipe Tapping
- PVC Fun Tap
- Meter Madness

Tapping Team (1st place)

James Haspel (Captain)
 Brandon Barr
 Michael Mace
 Walter Kennedy III
 Samuel Howard II
 Scott Boyle (Coach)



Back Hoe Operator

Robert Cleland

Meter Madness

Phillip Graham (2nd place)
 Erick Ingram (3rd place)
 Christopher Reeder

Back Hoe Rodeo



Pipe Tapping Team



Meter Madness



III. A. 1.

Approval of Board Meeting Minutes November 15, 2016

JEA
BOARD MINUTES
November 15, 2016

The JEA Board met in regular session on Tuesday, November 15, 2016, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Tom Petway, Kelly Flanagan, Delores Kesler, Ed Burr, Husein Cumber and Alan Howard.

Agenda Item I – Welcome

- A.** The meeting was **called to order** at 12:06 PM by Chair Petway.
- B.** A **Moment of Reflection** was observed by all.
- C.** The **Pledge of Allegiance** was led by Chair Petway.
- D.** **Adoption of Agenda** – The amended agenda was approved on **motion** by Mr. Howard and second by Vice Chair Burr.
- E.** The **Safety Briefing** was given by Paul McElroy, Managing Director/Chief Executive Officer.
- F.** **Sunshine Law/Public Records Statement** – Jody Brooks, Office of General Counsel (OGC), stated this Board Meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011. The complete statement can be found in section I. F. of the Board package.

Agenda Item II – Presentations and Comments

- A. Comments from the Public**
 - 1) Dave Bruderly – addressed the Board regarding policy
 - 2) Shellie Thies – addressed the Board regarding solar
- B. Council Liaison's Comments** – Council Member Anderson thanked the JEA team for their service. He thanked the JEA management team for briefing the City Council on JEA revenues and rate changes. Mr. Anderson also indicated that the management team had held meetings with the City Council related to labor negotiations. Mr. Anderson advised the Board that he would brief the Rules Committee on the JEA Board of Directors approval to request a change in the charter to lower the required number of Board meetings from 12 to 6 per year.
- C. Office of the Mayor Liaison's Comments** – Dr. Gaffney thanked the Board for their service and advised that he and Council Member Anderson would be departing early to meet with the Rules Committee.
- D. Nassau County's Ex-Officio Representative's Comments** – Mr. Mullin was not in attendance.

Agenda Item III – For Board Consideration

- A. Consent Agenda** – used for items that require no explanation, discussion or presentation and are approved by one motion and vote. On **motion** by Vice Chair Burr and second by Ms. Kesler, item 1 on the Consent Agenda was unanimously approved and items 2 through 5 were received for information.
 - 1. Approval of Board Meeting Minutes October 18, 2016 – approved

2. Monthly Operating and Financial Summary – received for information
3. Monthly JEA Financial Review & Statements – received for information
4. Monthly JEA Operations Report – received for information
5. Monthly FY16 Communications & Engagement Calendar and Plan Update – received for information

B. Strategic Discussions and Public Hearing/Action

1. **a. JEA Sewer System: Framework to Resiliency** – Brian Roche, Vice President/General Manager Water/Wastewater Systems, presented information to the Board regarding the sanitary sewer system including information on the performance on the system in normal operating “blue-sky” operations.
 - i. Storm Assessment Report** – Mr. Roche provided a storm assessment report listing the 67 Sanitary Sewer Overflows (SSO’s) which occurred during Hurricane Matthew, as well as the primary root cause. Mr. Roche also presented the estimated overflow volume, characteristics of the average daily and design flow for pump stations, generator requirements, and association with manhole overflows. Mr. Roche further provided information related to JEA’s work with the Florida Department of Environmental Protection (FDEP) to monitor water bodies after the storm and advised the Board that JEA would be developing a Capacity Management and Operations Maintenance Assessment (CMOM) by May 2017, and would start implementing improvements as identified. Mr. Roche advised the Board that the System Resiliency Assessment will be conducted in three phases; immediate opportunities, mid-range defensive actions and longer term solutions by replacing parts when needed and building new to resiliency standards.
 - ii. Major Capital Improvements and Significant O&M Activities** – Mr. Roche also identified major capital improvements and significant O&M activities, which have been ongoing for the past 20 years in order to increase the environmental performance of the water/wastewater system.
2. **Public Hearing – to consider modifications to the Electric Tariff Documentation adjusting energy charges based on rate class and the implementation of a new Economic Stimulus Rider.**

Chair Petway suspended the JEA regular Board Meeting at 12:42 PM.

The JEA Board held a public hearing on November 15, 2016, as duly noticed in the Florida Times-Union to consider, as advertised:

1. Modifications of the JEA Electric Tariff Documentation restructuring energy rates for various rate classes; and
 2. Modifications of the JEA Electric Tariff Documentation creating a new Economic Stimulus Rider; and
 3. Administrative changes to the Electric Tariff Documentation.
- a. Call to Order and Comments from the Chair** – The Public Hearing was **called to order** at 12:42 PM by Chair Petway.
 - b. Staff Presentation and Board Discussion** – Melissa Dykes, Chief Financial Officer, presented a summary of the proposed changes which include adjusting energy charges based on rate class, lowering overall bills when combined with a

fuel charge decrease and stable base rates with no forecasted increases for the next five years, as well as paying down \$190 million of debt early. Ms. Dykes also proposed implementing an Economic Stimulus Rider to provide financial incentives for new commercial or industrial customers.

c. Comments from the Public – Chair Petway called for comments from the public regarding the Public Hearing.

1. Jerry Mallot, JAX Chamber and JAXUSA Partnership – addressed the Board in support of the proposed changes.

With no further public comments, Chair Petway adjourned the Public Hearing at 12:58 PM.

3. Action on Public Hearing

a. Public Hearing to consider modifications to the Electric Tariff

Documentation adjusting energy charges based on rate class and the implementation of a new Economic Stimulus Rider – On motion by Mr.

Cumber and second by Secretary Kesler, the Board unanimously adopted Resolution 2016-15 and its attachments to modify the Electric Tariff

Documentation restructuring energy rates, modify the Electric Tariff

Documentation creating a new Economic Stimulus Rider and make administrative changes to the documentation. Resolution 2016-15 and Exhibits I through III are attached and made part of these minutes.

RESOLUTION 2016-15

A RESOLUTION REGARDING RATE SCHEDULE CHANGES AND ADDITIONS TO THE EXISTING ELECTRIC TARIFF DOCUMENTATION; CONDUCTING A PUBLIC HEARING AND FINDING THE MODIFICATIONS OF THE TARIFF DOCUMENTATION TO BE REASONABLE; IMPOSING THESE MODIFICATIONS FOLLOWING THE PUBLIC HEARING; PROVIDING FOR THE IMPLEMENTATION OF THESE MODIFICATIONS, AND PROVIDING FOR AN EFFECTIVE DATE.

4. Strategic Discussion – Electric System

a. Fuel Charge Reduction (Part of the Multi-Year Capital Structure Strategy) –

Melissa Dykes, Chief Financial Officer presented the information related to a reduction of the fuel rate as a component of the Multi-Year Capital Structure Strategy. Upon motion by Mr. Howard and second by Secretary Kesler, the Board approved the recommendation to lower the fuel rate from \$36.75/MWh to \$32.50/MWh effective December 1, 2016.

b. Release of Excess Debt Management Strategy Rate Stabilization Funds (Part of the Multi-Year Capital Structure Strategy) – Melissa Dykes, Chief

Financial Officer, presented a recommendation that the Board provide the Managing Director/CEO authorization to apply the Electric System Excess Debt Management Strategy Rate Stabilization Fund balance of \$12.242 million and the Water and Sewer System Excess Debt Management Strategy Rate Stabilization Fund balance of \$6.081 million, along with other available funds, toward the funding of defeasance transactions contemplated for FY2017. Upon motion by Vice Chair Burr and second by Mr. Cumber, the Board unanimously approved the recommendation.

c. Electric System Debt Parameter Resolutions (Part of the Multi-Year Capital Structure Strategy) – Melissa Dykes, Chief Financial Officer presented a recommendation that the Board approve Resolution 2016-17 and 2016-18, establishing delegated parameters and authorizing the Managing Director/CEO to negotiate and execute a contemplated Electric System fixed rate refunding bond transaction, with the bonds to be sold no later than June 30, 2017. Upon **motion** by Vice Chair Burr and second by Mr. Howard, the Board unanimously approved Resolution 2016-17 and Resolution 2016-18.

5. Strategic Discussion – Other

a. Fiscal Year 2016 Operating Budget Line Item Transfers – Melissa Dykes, Chief Financial Officer, presented to the Board a recommendation to ratify the FY2016 year-end budget line item transfers which consisted of the following:

- \$54 million to Operating Capital Outlay from Non-Fuel Purchased Power, Operations and Maintenance, Natural Gas Pass through Expense, Emergency Reserve, and Debt Service in the Electric System Operating Budget; and
- \$10 million to Operating Capital Outlay and \$5 million to Capacity Fees expense from Debt Service, Operations & Maintenance, Emergency Reserve, and Non-Fuel Uncollectibles & PSC Tax budget lines in the Water and Sewer Operating Budget.

Upon **motion** by Secretary Kesler and second by Mr. Howard, the Board unanimously approved the line item transfers.

b. Fiscal Year 2016 Year-End Financial Results – Melissa Dykes, Chief Financial Officer, provided the Board with a review of the year-end financial results for FY2016, including key financial metrics, debt-to-asset ratios, outstanding debt and Florida utilities monthly bill comparisons. This item was presented for information.

C. Open Discussion

1. Preliminary Impact of the Election – Mr. McElroy shared that the Solar Amendment won in Duval County, despite losing in the state.
2. 2017 Board/Committee Meeting Calendar – the calendar will continue to have 12 meetings until such time as the City Council rules on the charter amendment.
3. Underground Utility Lines – there are several other utilities that utilize JEA poles, making it difficult to make the change to underground unilaterally. JEA poles are the backbone for the communities' use of broadband.
4. Limited funding has been used for advertising in order to show customers how to use services, how to save money and how to find lower-cost channels.
5. Pension – JEA's Negotiating Team is making the same proposals as the City with the bargaining units.

Regarding the Pension, Chair Petway proposed a resolution, 2016-26 to show JEA's continued support for pension reform at the Board level. Upon **motion** by Vice Chair Burr and second by Secretary Kesler, the Board unanimously approved Resolution 2016-26.

6. Announcements – Chair Petway indicated the new officers will be elected in March; therefore, he will appoint a Nominating Committee in December. Please advise Paul McElroy if there is interest in an Officer position. Chair Petway also advised that he would be attending the trip to meet with the Rating Agencies, as would City Council President Lori Boyer and Mayor Curry. Chair Petway also praised the Board on how the members are handling media requests.

D. Other New Business – none

E. Old Business – none

Agenda Item IV – Reports

A. Compensation Committee Report – Delores Kesler, Committee Chair

1. Fiscal Year 2016 Pay for Performance Program – Chair Kesler presented the information on FY2016 Pay for Performance and advised the Board that JEA employees have achieved two of the five goals. Chair Kesler advised that this would result in a \$3.1 million estimated payout and that JEA had savings of \$22.5 million for the year. Upon **motion** by Mr. Howard and second by Vice Chair Burr, the Board unanimously approved the payout of FY2016 Pay for Performance incentive.
2. Fiscal Year 2017 Pay for Performance Program – Chair Kesler presented the information for the proposed FY2017 Pay for Performance Program. Ms. Kesler advised that if the goals are met, they will result in a payout of 3.4% – 5% of salaries. Upon **motion** by Vice Chair Burr and second by Ms. Flanagan, the Board unanimously approved the FY2017 Pay for Performance Program.
3. Fiscal Year 2016 CEO Performance – Chair Kesler presented the proposed FY2016 CEO Performance results. Ms. Kesler advised the Board of the input that had been provided individually by the members to Jody Brooks, Chief Legal Officer, as well as the self-assessment provided by Mr. McElroy. Chair Kesler advised that the Committee had reviewed the information and recommended that Mr. McElroy should receive an incentive payout of 12.63%, which is in line with the results. Upon **motion** by Mr. Howard and second by Chair Burr, the Board unanimously approved the FY2016 CEO Performance results and the recommended payout of 12.63%.
4. Fiscal Year 2017 CEO Goals – Chair Kesler presented the proposed FY2017 CEO Goals, without the weighted scoring. Ms. Kesler indicated that the Committee would meet again to apply the appropriate weightings to the CEO goals. Vice Chair Burr requested that the Committee take a closer look at the metrics and Mr. Cumber asked that the Committee review to provide clarification on the SSOs to ensure that the capital is there to allow JEA and the CEO to perform successfully. Upon **motion** by Vice Chair Burr and second by Mr. Howard, the Board unanimously approved the FY2017 CEO Goals.
5. Pension Discussion – This item was addressed under section III.C.5.

B. Managing Director/CEO's Report –

1. Mr. McElroy thanked the Board for their comments today and privately in one-on-one meetings.
2. JEA Management team will continue efforts to meet goals and work on areas that need improvement, as well as to engage all employees.

- 3. JEA will focus on resiliency of the water/sewer business and work with stakeholders, local, state and national agencies in ongoing efforts.
- C. Chair’s Report – The Chair advised that Warren Jones is in orientation at the School Board today, due to his election to the Duval County School Board. The replacement is imminent, as the mayor understands the importance of staffing a full Board.

Agenda Item V – Comments

- A. **Comments from the Public – Second – none**

Agenda Item VI – Closing Considerations

- A. **Announcements** – Next Board Meeting – December 13, 2016
- B. **Adjournment**

With no further business claiming the attention of the Board, Chair Petway adjourned the meeting at 2:05 PM.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Cheryl W. Mock
Executive Assistant

III. A. 2.
2017 Board and Committee Meetings Schedule



2017 JEA Board Meeting Schedule

III. A. 2.
12/13/2016

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Currently Planned Meetings

January 17
February 21
March 21
April 18
May 16
June 20
July 18
August 15
September 19
October 17
November 21
December 12

**All Board Meetings are scheduled the 3rd Tuesday of the month, with the exception of December, which will be held on the 2nd Tuesday of the month.*

2017 JEA Board Committee Meeting Schedule

Finance & Audit Committee

March 13
May 8
August 7
TBD – (December 1st or 4th)

Compensation Committee

Schedule as necessary

Government Affairs

Schedule as necessary

III. A. 3.
Customer Correspondence Summary

Customer Correspondence Received for JEA Board Members

<i>CUSTOMER</i>	<i>DATED</i>	<i>DATE RECEIVED</i>	<i>ISSUE</i>	<i>STATUS</i>
Mrs. Sharon Tison	November 17, 2016	November 17, 2016	Mrs. Tison wrote to voice her dissatisfaction with an adjustment provided to her bill under JEA's Accidental Water Leak Adjustment policy. Mrs. Tison believes that her meter was inaccurate which caused her consumption to increase. She further believes the methodology of adjustment is not enough and she should be provided a larger credit.	Mrs. Whiting responded, via email, to Mrs. Tison on the evening of 11/17/16 thanking her for taking her time to write and apologizing for her experience. She advised her correspondence would be reviewed first thing the next morning and she would be contacted the afternoon of 11/18/16 to update her on the progress. JEA reviewed the account history, field activities, usage and meter testing and confirmed the meter was measuring accurately, and that bills and adjustments were accurate to tariffs and policies. Mrs. Tison was contacted and provided an update. Mrs. Tison was not satisfied with the outcome and was provided the option of having her concern heard at an impartial hearing through OGC. Mrs. Tison chose that option and the matter is currently being worked through OGC.

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III. A. 4.

Monthly JEA Financial Review & Statements



JEA Monthly Financial Summary

as of November 30, 2016

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III. A. 4.
12/13/2016

Board of Directors December 13, 2016

Key Financial Metrics

Electric System	Year-to-Date		FY2017 Full Year		Result
	FY2017	FY2016	Forecast	Target	
Debt Service Coverage	2.8x	2.6x	2.3x	≥ 2.2x	✓
Days Liquidity	354	306	262	150 to 250 days ¹	✓
<i>Days Cash on Hand</i>	233	183	151		✓
Debt to Asset %	65%	69%	62%	60% ²	✓

Water and Sewer System	Year-to-Date		FY2017 Full Year		Result
	FY2017	FY2016	Forecast	Target	
Debt Service Coverage	2.9x	3.1x	2.5x	≥ 1.8x	✓
Days Liquidity	289	275	304	≥ 100 days	✓
<i>Days Cash on Hand</i>	168	152	192		✓
Debt to Asset %	52%	54%	50%	50% ³	✓

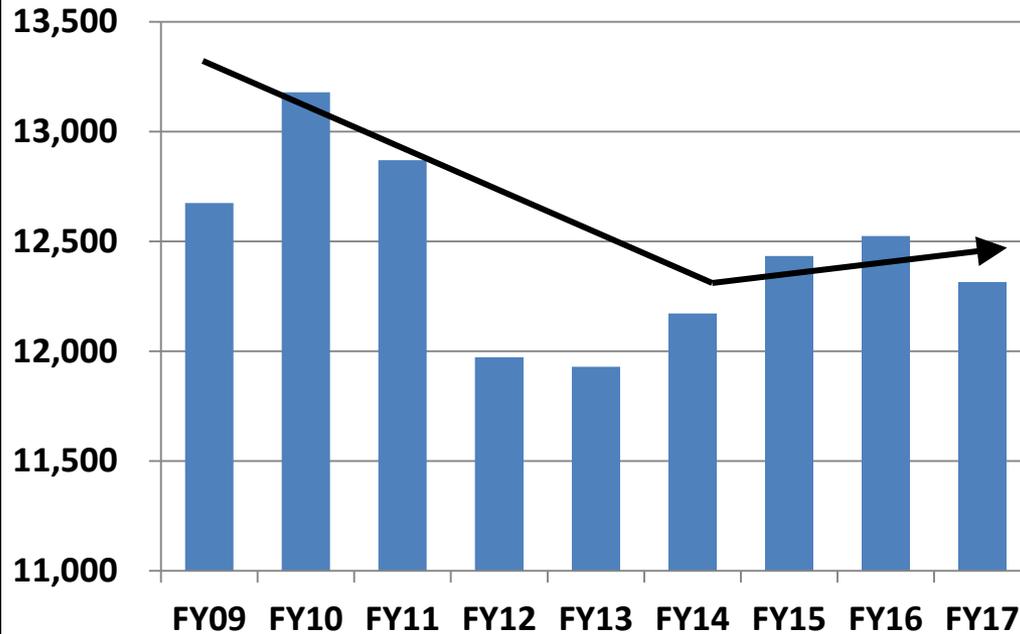
¹ Moody's Aa benchmark: 150 to 250 days

² Long-term target is 52%: per Moody's Sector In-Depth Report "Top 30 City Owned Utilities (by debt outstanding)", Sept. 2015

³ Long-term target is 50%: calculated peer group from Moody's 214 Aa rated public water-sewer utilities, Dec. 2015

MWh Sales

(in Thousands)



Month	FY16	FY17	%
Oct	952,515	951,425	(0.1%)
Nov	923,705	863,238	(6.5%)
YTD	1,876,220	1,814,663	(3.3%)
Dec	922,956		
Jan	1,049,897		
Feb	894,563		
Mar	893,954		
Apr	900,013		
May	1,089,555		
Jun	1,231,251		
Jul	1,336,836		
Aug	1,254,240		
Sep	1,111,769		
Total/Forecast	12,561,253	12,314,926	

Unit Sales Driver: YTD MWh reduction due to moderate weather, holiday, and decrease in FPU demand.

YTD Degree Days		
<u>30-yr. Avg.</u>	<u>FY16</u>	<u>FY17</u>
431	416	416

YTD Customer Accounts		
<u>FY16</u>	<u>FY17</u>	<u>%</u>
448,566	456,284	1.7%

Total System	(3.3%)
Residential	1.8%
Comm./Industrial	(3.1%)
Interruptible	(15.8%)
Wholesale (FPU)	(44.0%)

JEA Electric System

Financial Results and Cost Metrics

(\$ in thousands)

Revenues	FY17 Forecast	FY16 Actual	FY17 Budget	FY17 vs FY16 (\$)	Variance (%)
Fuel Revenue	\$ 402,829 ¹	\$ 426,653 ²	\$ 449,776	\$ (23,824)	-5.6%
Base Revenue	765,221 ¹	750,038	735,204	15,183	2.0%
Other Revenue	41,541	37,904	41,787	3,637	9.6%
Total Revenues	\$ 1,209,591	\$ 1,214,595	\$ 1,226,767	\$ (5,004)	-0.4%
		\$ (17M)			
Select Expenses					
Fuel Expense	\$ 454,763	\$ 397,280	\$ 411,903	\$ (57,483)	-14.5%
Fuel Fund Transfers	(51,934)	29,373	37,705	81,307	
O & M Expense	213,767	192,527	226,180	(21,240)	-11.0%
Non-fuel Purchased Power	80,664	87,426	83,394	6,762	7.7%
Net Revenues	\$ 499,508	\$ 496,092	\$ 454,939	\$ 3,416	0.7%
		\$45M			
Capital Expenditures	\$ 147,448	\$ 150,926	\$ 153,200 ³	\$ 3,478	2.3%
Debt Service	\$ 213,693 ⁴	\$ 171,506	\$ 179,654	\$ (42,187)	-24.6%

Electric Costs / MWh	Non-Fuel
Target	\$ 53.94
Forecast	54.52
Difference	\$ (0.58)

Fuel Fund (\$ in millions)	
Beginning Balance	\$ 180
Surplus/(Deficit)	(52)
Ending Balance	\$ 128

¹ Assumes rate change in December 2016

² Net of \$57 million fuel credit and fuel rate reduction

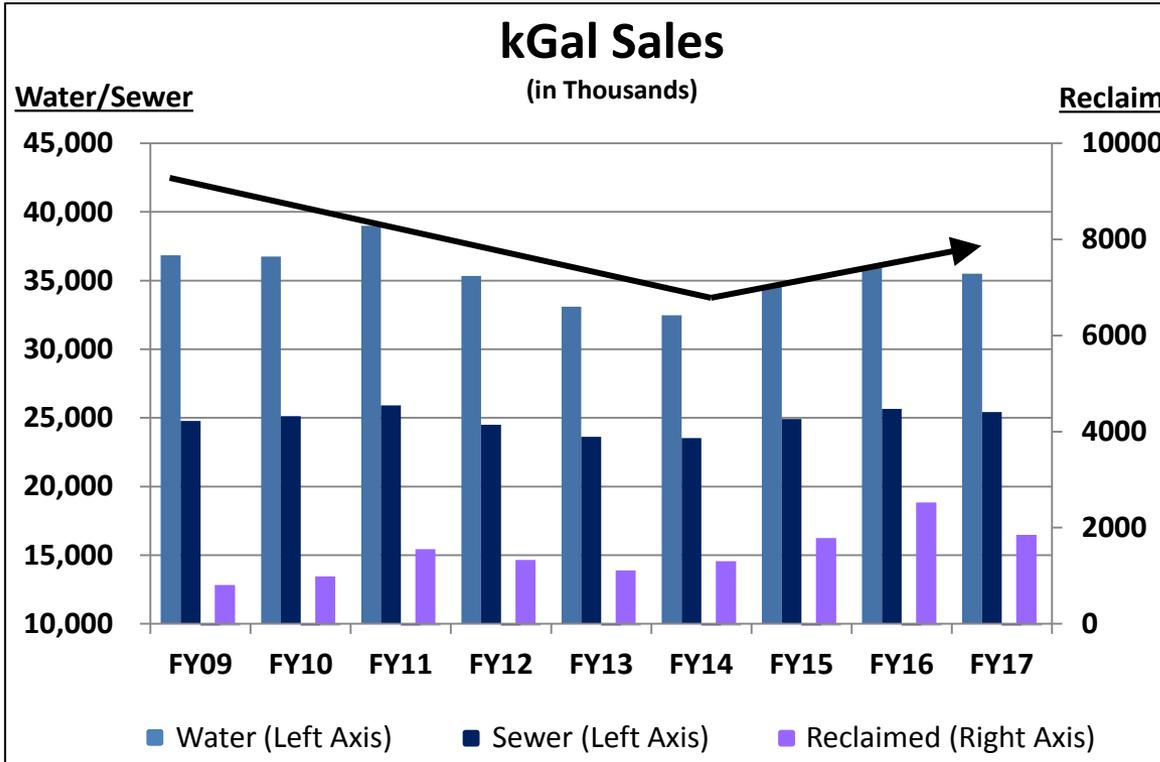
³ Council approved limit for capital expenditures in FY17 is \$170 million

⁴ Includes additional \$40 million related to advanced debt refunding approved by Board in November 2016

JEA Water and Sewer System

kGal Sales

(in Thousands)



Month	FY16	FY17	%
Oct	3,120	3,129	0.3%
Nov	2,641	3,068	16.2%
YTD	5,761	6,197	7.6%
Dec	2,758		
Jan	2,527		
Feb	2,479		
Mar	2,825		
Apr	2,914		
May	3,523		
Jun	3,290		
Jul	3,736		
Aug	3,451		
Sep	3,094		
Total/Forecast	36,358	35,511	

Unit Sales Driver: YTD rainfall up 6 inches; rain days down 2.

Irrigation for November YTD FY17 up 19% versus November YTD FY16.

YTD Rainfall			
	30-Yr. Avg.	FY16	FY17
Inches	6	4	10
Days	15	11	9

YTD Customer Accounts			
	FY16	FY17	%
Water	329,711	338,020	2.5%
Sewer	254,946	261,705	2.7%
Reclaimed	6,816	8,686	27.4%

Total System	7.6%
Residential	9.9%
Comm./Industrial	0.3%
Irrigation	18.6%



JEA Water and Sewer System

Financial Results and Cost Metrics

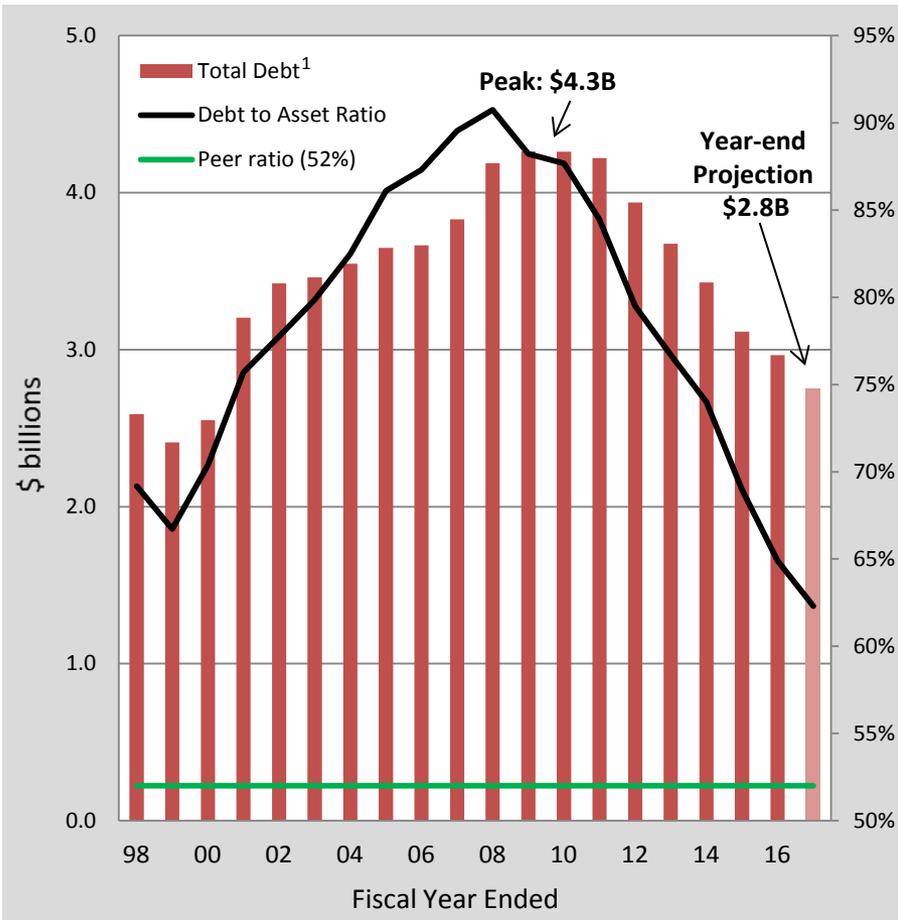
(\$ in thousands)

Revenues	FY17 Forecast	FY16 Actual	FY17 Budget	FY17 vs FY16 (\$)	Variance (%)
Water & Sewer Revenues	\$ 400,099	\$ 409,889	\$ 394,430	\$ (9,790)	-2.4%
Other Revenue	34,010	40,070	33,792	(6,060)	-15.1%
Total Revenues	\$ 434,109	\$ 449,959	\$ 428,222	\$ (15,850)	-3.5%
Select Expenses					
O & M Expense	\$ 141,790	\$ 130,296	\$ 144,149	\$ (11,494)	-8.8%
Net Revenues	\$ 289,135	\$ 313,130	\$ 280,753	\$ (25,505)	-8.1%
Capital Expenditures	\$ 211,115	\$ 147,363	\$ 205,000 ¹	\$ (63,752)	-43.3%
Debt Service	\$ 117,421	\$ 95,418	\$ 118,375	\$ (22,003)	-23.1%

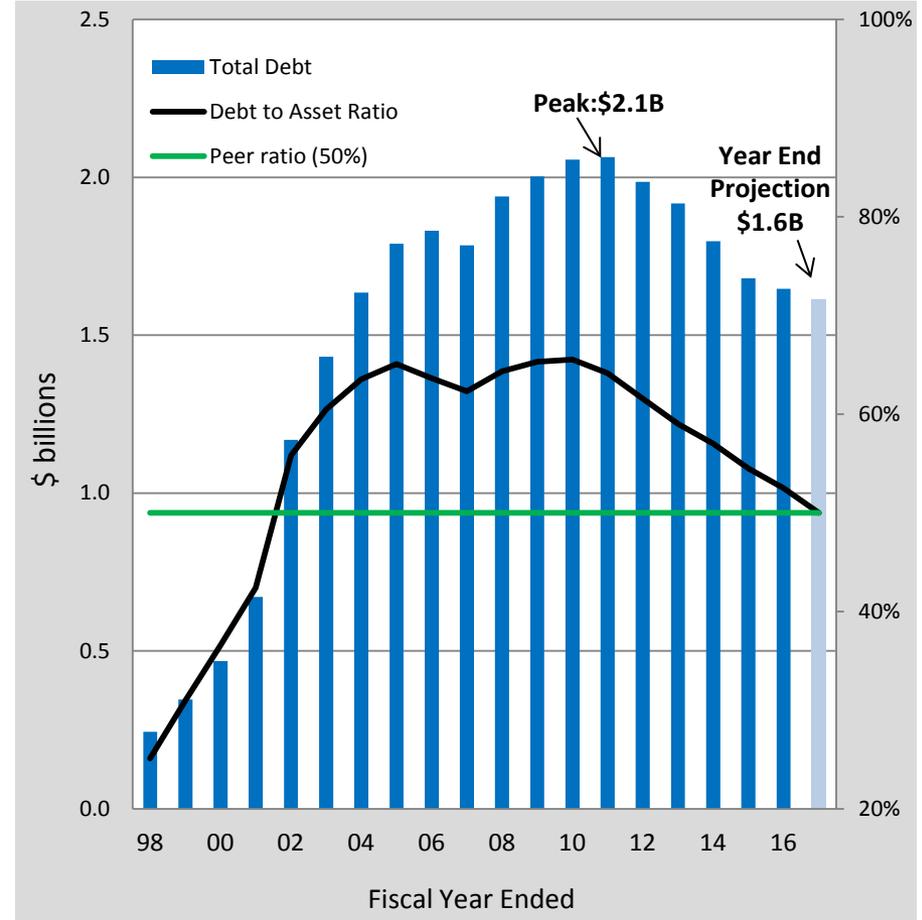
Cost / KGal	Water	Sewer
Target	\$ 4.75	\$ 10.27
Forecast	<u>5.11</u>	<u>10.78</u>
Difference	\$ (0.36)	\$ (0.51)

¹ Council approved limit for capital expenditures in FY17 is \$225.5 million

Electric System



Water and Sewer System

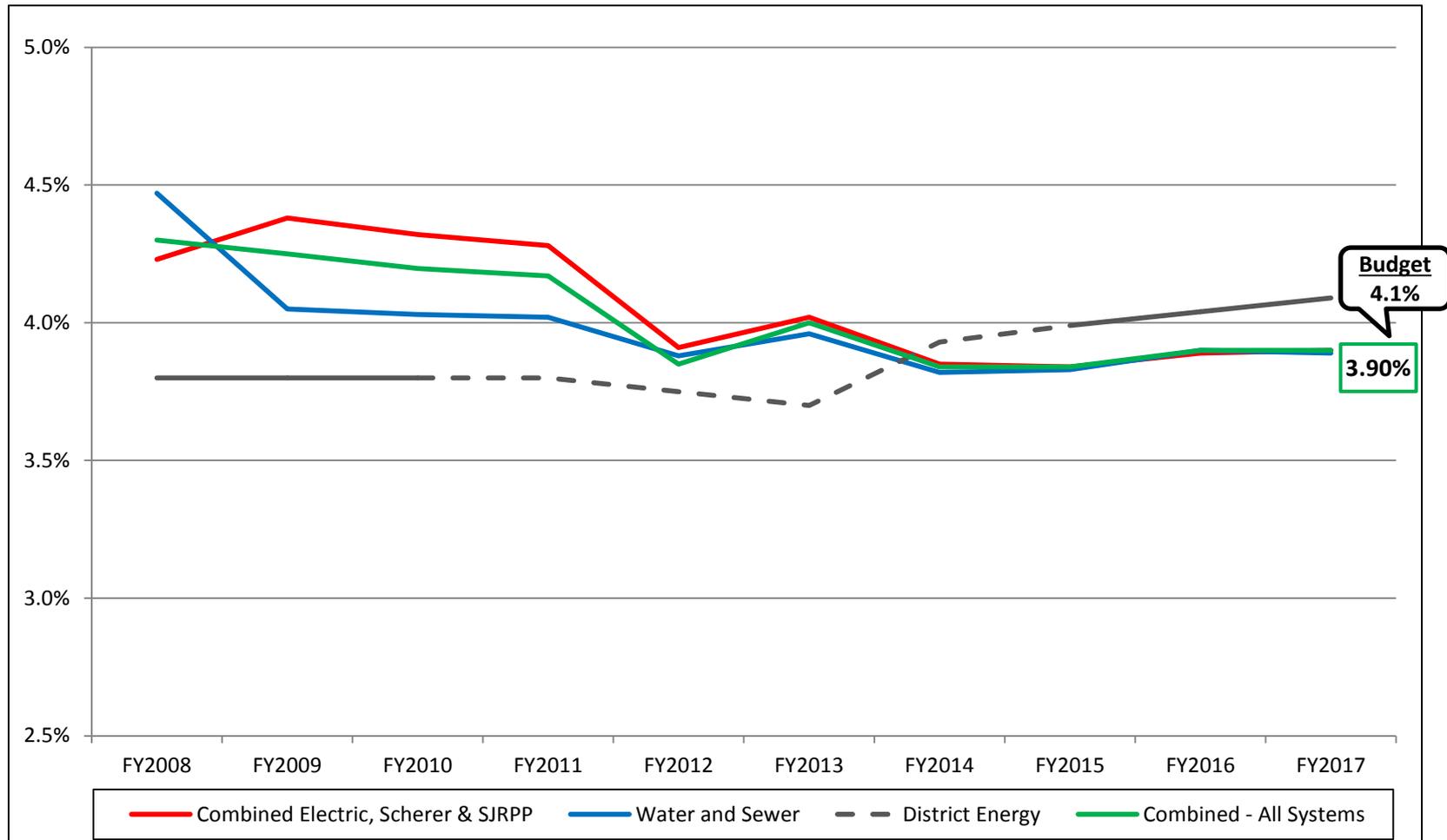


¹ Includes JEA, Scherer and SJRPP

² Per Moody's Special Comment, June 2014

³ As calculated from Moody's data for large Aa rated public water-sewer utilities

Combined Debt Outstanding Weighted Average Interest Rates*



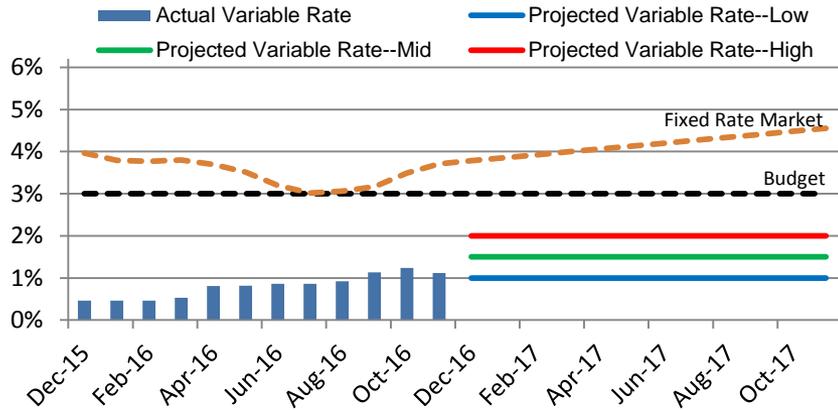
- Fiscal year end interest rates are net of BABs subsidy, original issue premiums / discounts and includes variable debt liquidity / remarketing fees and interest rate swap payments.
- - - - During FY2008 – FY2013 DES was funded with variable rate debt at an average of 1 percent.

Variable Rate Debt Risk Analysis

(\$ in millions)

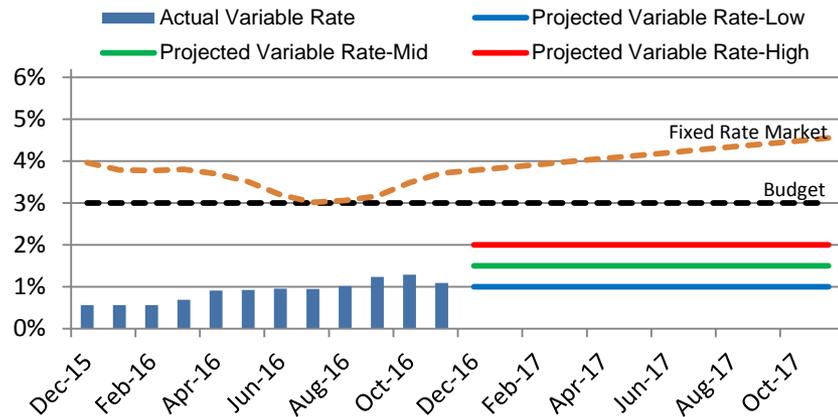
Electric System

Variable Interest Rates (including fees)



Water and Sewer

Variable Interest Rates (including fees)



Liquidity Facilities and Direct Purchase Bonds (DPBs)

Bank	Long-Term Ratings Moody's/S&P/Fitch	\$ (in millions)	%
Wells Fargo Bank N.A. (100% DPBs)	Aa2/AA-/AA	\$221	25
JP Morgan Chase Bank N.A.	Aa3/A+/AA-	199	24
Royal Bank of Canada	Aa3/AA-/AA	193	23
US Bank, N.A.	A1/AA-/AA	148	18
Sumitomo	A1/A/A	52	6
State Street Bank	Aa3/AA-/AA	31	4
Total		\$844	

Swap Providers

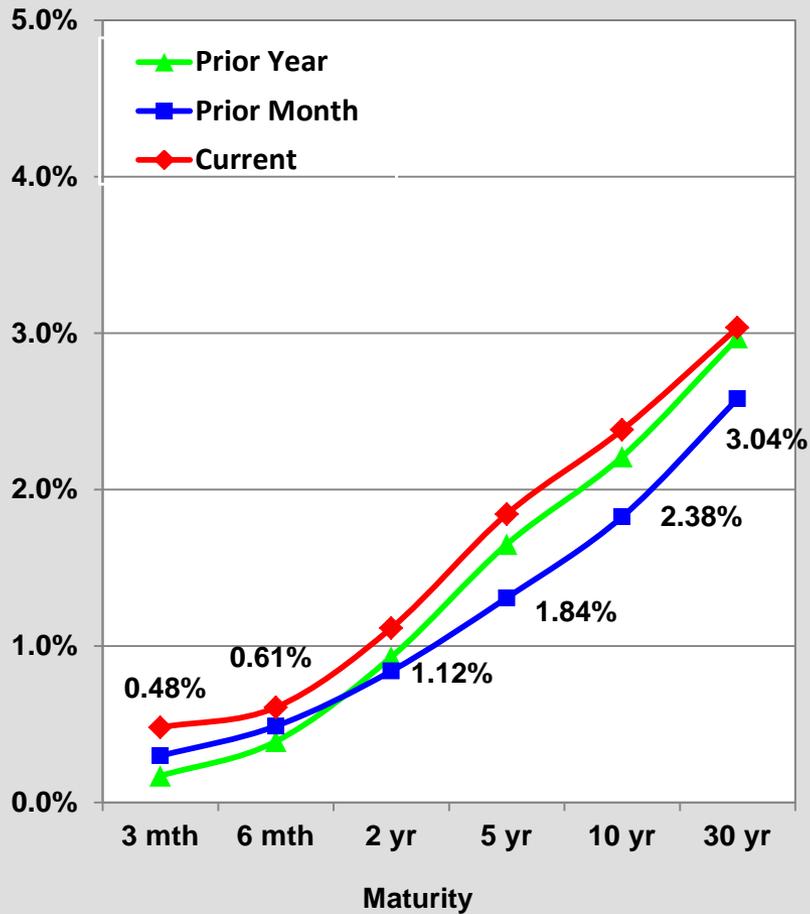
Bank	Long-Term Ratings Moody's/S&P/Fitch	\$ (in millions)	%
Morgan Stanley Capital Services	A3/BBB+/A	\$180	34
Goldman Sachs Mitsui Marine Derivative Products	Aa2/AA-/NR	137	26
JP Morgan Chase Bank N.A.	Aa3/A+/AA-	125	24
Merrill Lynch	Baa1/BBB+/A	85	16
Total		\$527	

Items of Interest

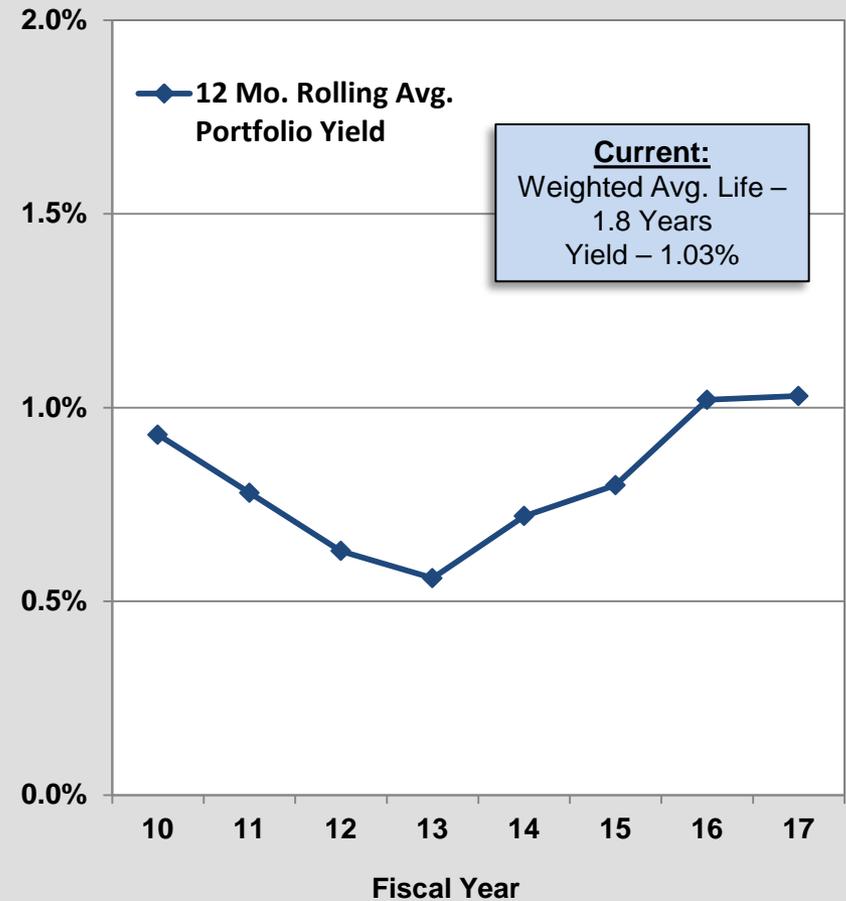
- Variable debt as a percentage of total debt:
 - Unhedged variable at 7% for Electric and 10% for Water and Sewer.
 - Hedged variable at 14% for Electric and 7% for Water and Sewer.
- Liquidity facilities / direct purchase bonds are with highly rated providers.
- No change in swap counterparty credit quality.
- Wells Fargo direct purchase bonds - three year renewal in Sep 2015.
- State Street liquidity facility renewed in Feb 2015 through March 2018.
- Variable rate reserve to mitigate risk of higher rates – \$62 million.

Total variable rate debt of \$882 with \$527 swapped to fixed rate

U. S. Treasury Yield Curve



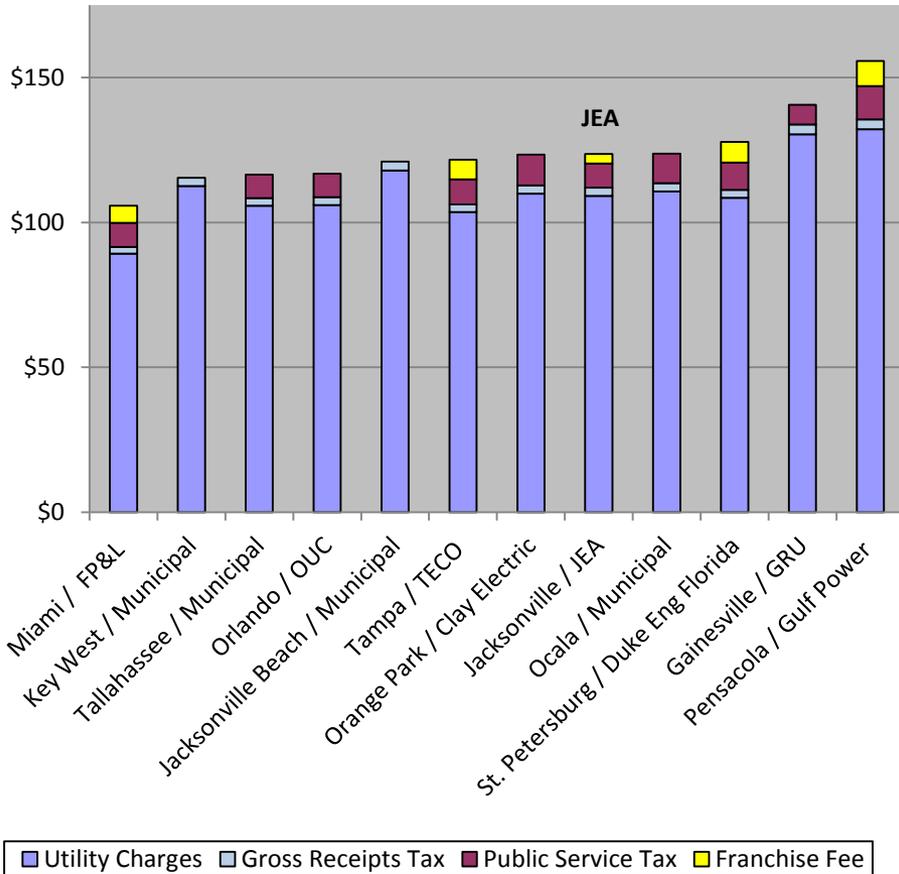
Investment Portfolio Yield



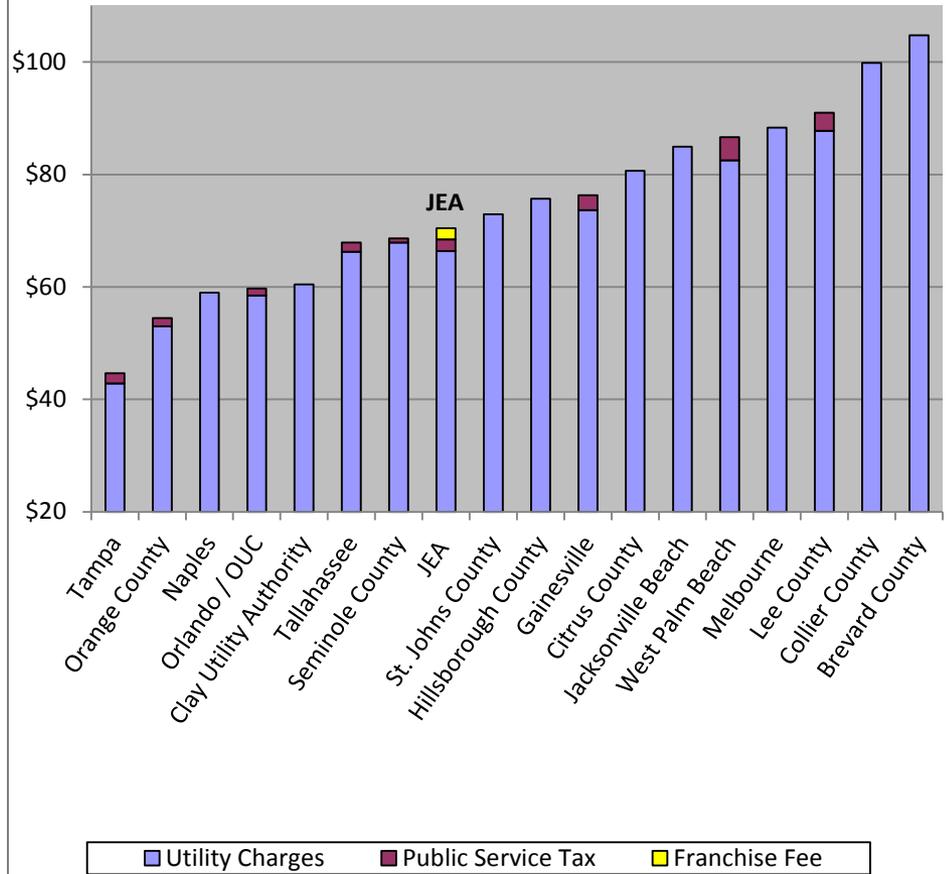


Florida Utilities Monthly Bill Comparison

Monthly Residential Electric Bills
Consumption @ 1,000 kWh



Monthly Residential Water Bills
5/8" meter and 6 kgals of Consumption



[Return to Agenda](#)



Monthly Financial Statements

November 2016



Monthly Financial Statements

November 2016

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Statements of Net Position

(in thousands - unaudited) November 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 355,291	\$ 263,672
Investments	234,027	221,884
Customer accounts receivable, net of allowance (\$3,341 in 2016 and \$4,440 in 2015)	169,782	171,519
Miscellaneous accounts receivable	15,683	19,209
Interest receivable	1,734	1,860
Inventories, net of reserve (\$0 in 2016 and \$226 in 2015)		
Fuel inventory - Electric System	51,147	67,281
Fuel inventory - Plant Scherer	3,258	5,822
Materials and supplies - Water and Sewer	47,816	42,913
Materials and supplies - Electric System	20,711	19,884
Materials and supplies - Plant Scherer	2,085	2,143
Total current assets	<u>901,534</u>	<u>816,187</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	94,724	76,155
Investments	764,389	705,294
Accounts and interest receivable	3,188	5,439
Total restricted assets	<u>862,301</u>	<u>786,888</u>
Costs to be recovered from future revenues	461,980	458,992
Investment in The Energy Authority	6,306	7,581
Other assets	21,098	19,961
Total noncurrent assets	<u>1,351,685</u>	<u>1,273,422</u>
Capital assets:		
Land and easements	190,660	164,023
Plant in service	10,821,256	10,655,785
Less accumulated depreciation	(5,486,534)	(5,138,987)
Plant in service, net	<u>5,525,382</u>	<u>5,680,821</u>
Construction work in progress	317,953	237,006
Net capital assets	<u>5,843,335</u>	<u>5,917,827</u>
Total assets	<u>8,096,554</u>	<u>8,007,436</u>
Deferred outflows of resources		
Unamortized losses on refundings	139,671	152,337
Accumulated decrease in fair value of interest swaps derivatives	181,794	148,749
Unrealized pension contributions and losses	137,010	83,970
Accumulated decrease in fair value of fuel hedging derivatives	556	3,441
Total deferred outflows of resources	<u>459,031</u>	<u>388,497</u>
Total assets and deferred outflows of resources	<u>\$ 8,555,585</u>	<u>\$ 8,395,933</u>

Statements of Net Position**(in thousands - unaudited) November 2016 and 2015**

	2016	2015
Liabilities		
Current liabilities:		
Accounts and accrued expenses payable	\$ 81,924	\$ 76,879
Customer deposits	55,717	55,736
City of Jacksonville payable	9,719	9,554
Compensated absences due within one year	3,527	4,534
State utility taxes payable	2,106	2,167
Total current liabilities	<u>152,993</u>	<u>148,870</u>
Current liabilities payable from restricted assets:		
Revenue bonds and line of credit due within one year	189,150	181,525
Renewal and replacement reserve	81,730	83,328
Interest payable	28,998	30,003
Construction contracts and accounts payable	12,006	10,552
Total current liabilities payable from restricted assets	<u>311,884</u>	<u>305,408</u>
Noncurrent liabilities:		
Net pension liability	493,346	408,629
Compensated absences due after one year	24,630	21,590
Environmental liabilities	18,556	18,662
OPEB liability	873	851
Other liabilities	1,830	5,565
Total noncurrent liabilities	<u>539,235</u>	<u>455,297</u>
Long-term debt:		
Bonds payable, less current portion	4,281,045	4,467,195
Unamortized premium, net	134,106	165,305
Fair value of debt management strategy instruments	181,794	148,749
Total long-term debt	<u>4,596,945</u>	<u>4,781,249</u>
Total liabilities	<u>5,601,057</u>	<u>5,690,824</u>
Deferred inflows of resources		
Revenues to be used for future costs	528,840	476,292
Unrealized pension gains	12,682	29,795
Total deferred inflows of resources	<u>541,522</u>	<u>506,087</u>
Net position		
Net investment in capital assets	1,610,676	1,486,125
Restricted	458,091	374,087
Unrestricted	344,239	338,810
Total net position	<u>2,413,006</u>	<u>2,199,022</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,555,585</u>	<u>\$ 8,395,933</u>

JEA
Combining Statement of Net Position
(in thousands - unaudited) November 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	\$ 249,957	\$ 27,585	\$ -	\$ 277,542	73,814	\$ 3,935	\$ 355,291
Investments	223,828	10,199	-	234,027	-	-	234,027
Customer accounts receivable, net of allowance (\$3,341)	132,181	-	-	132,181	37,073	528	169,782
Miscellaneous accounts receivable	17,170	16,770	(19,071)	14,869	814	-	15,683
Interest receivable	868	22	-	890	844	-	1,734
Inventories, less reserve of \$0:							
Fuel inventory - Electric System	35,163	15,984	-	51,147	-	-	51,147
Fuel inventory - Plant Scherer	3,258	-	-	3,258	-	-	3,258
Materials and supplies - Water and Sewer	-	-	-	-	47,816	-	47,816
Materials and supplies - Electric System	-	20,711	-	20,711	-	-	20,711
Materials and supplies - Plant Scherer	2,085	-	-	2,085	-	-	2,085
Total current assets	664,510	91,271	(19,071)	736,710	160,361	4,463	901,534
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	-	39,362	-	39,362	53,105	2,257	94,724
Investments	296,625	207,798	-	504,423	259,966	-	764,389
Accounts and interest receivable	1,303	1,038	-	2,341	847	-	3,188
Total restricted assets	297,928	248,198	-	546,126	313,918	2,257	862,301
Costs to be recovered from future revenues	240,292	6,973	-	247,265	214,715	-	461,980
Investment in The Energy Authority	6,306	-	-	6,306	-	-	6,306
Other assets	13,429	-	-	13,429	7,658	11	21,098
Total noncurrent assets	557,955	255,171	-	813,126	536,291	2,268	1,351,685
Capital assets:							
Land and easements	121,235	6,660	-	127,895	59,714	3,051	190,660
Plant in service	5,155,691	1,344,392	-	6,500,083	4,265,908	55,265	10,821,256
Less accumulated depreciation	(2,717,555)	(846,576)	-	(3,564,131)	(1,900,203)	(22,200)	(5,486,534)
Plant in service, net	2,559,371	504,476	-	3,063,847	2,425,419	36,116	5,525,382
Construction work in progress	177,629	10,186	-	187,815	130,125	13	317,953
Net capital assets	2,737,000	514,662	-	3,251,662	2,555,544	36,129	5,843,335
Total assets	3,959,465	861,104	(19,071)	4,801,498	3,252,196	42,860	8,096,554
Deferred outflows of resources							
Unamortized losses on refundings	78,894	14,599	-	93,493	45,968	210	139,671
Accumulated decrease in fair value of interest swaps derivatives	145,808	-	-	145,808	35,986	-	181,794
Unrealized pension contributions and losses	77,673	11,731	-	89,404	47,606	-	137,010
Accumulated decrease in fair value of fuel hedging derivatives	556	-	-	556	-	-	556
Total deferred outflows of resources	302,931	26,330	-	329,261	129,560	210	459,031
Total assets and deferred outflows of resources	\$ 4,262,396	\$ 887,434	\$ (19,071)	\$ 5,130,759	\$ 3,381,756	\$ 43,070	\$ 8,555,585

**Combining Statement of Net Position
(in thousands - unaudited) November 2016**

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	\$ 68,100	\$ 8,801	\$ (6,803)	\$ 70,098	\$ 11,818	\$ 8	\$ 81,924
Customer deposits	41,983	-	-	41,983	13,734	-	55,717
City of Jacksonville payable	7,689	-	-	7,689	2,030	-	9,719
Compensated absences due within one year	2,025	660	-	2,685	811	31	3,527
State utility taxes payable	2,106	-	-	2,106	-	-	2,106
Total current liabilities	121,903	9,461	(6,803)	124,561	28,393	39	152,993
Current liabilities payable from restricted assets:							
Revenue bonds and line of credit due within one year	95,160	41,330	-	136,490	51,020	1,640	189,150
Renewal and replacement reserve	-	81,730	-	81,730	-	-	81,730
Interest payable	14,817	3,191	-	18,008	10,760	230	28,998
Construction contracts and accounts payable	3,352	12,694	(12,268)	3,778	8,225	3	12,006
Total current liabilities payable from restricted assets	113,329	138,945	(12,268)	240,006	70,005	1,873	311,884
Noncurrent liabilities:							
Net pension liability	297,819	12,993	-	310,812	182,534	-	493,346
Compensated absences due after one year	16,453	1,739	-	18,192	6,423	15	24,630
Environmental liabilities	18,556	-	-	18,556	-	-	18,556
OPEB liability	550	-	-	550	323	-	873
Other liabilities	556	-	-	556	1,274	-	1,830
Total noncurrent liabilities	333,934	14,732	-	348,666	190,554	15	539,235
Long-term debt:							
Bonds payable, less current portion	2,274,055	408,885	-	2,682,940	1,561,620	36,485	4,281,045
Unamortized premium (discount)	65,838	15,900	-	81,738	52,410	(42)	134,106
Fair value of debt management strategy instruments	145,808	-	-	145,808	35,986	-	181,794
Total long-term debt	2,485,701	424,785	-	2,910,486	1,650,016	36,443	4,596,945
Total liabilities	3,054,867	587,923	(19,071)	3,623,719	1,938,968	38,370	5,601,057
Deferred inflows of resources							
Revenues to be used for future costs	348,751	157,638	-	506,389	22,451	-	528,840
Unrealized pension gains	6,545	2,126	-	8,671	4,011	-	12,682
Total deferred inflows of resources	355,296	159,764	-	515,060	26,462	-	541,522
Net position							
Net investment in capital assets	411,854	35,369	-	447,223	1,165,200	(1,747)	1,610,676
Restricted	217,678	24,307	12,268	254,253	201,811	2,027	458,091
Unrestricted	222,701	80,071	(12,268)	290,504	49,315	4,420	344,239
Total net position	852,233	139,747	-	991,980	1,416,326	4,700	2,413,006
Total liabilities, deferred inflows of resources, and net position	\$ 4,262,396	\$ 887,434	\$ (19,071)	\$ 5,130,759	\$ 3,381,756	\$ 43,070	\$ 8,555,585

Combining Statement of Net Position
(in thousands - unaudited) November 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	\$ 169,094	\$ 33,705	\$ -	\$ 202,799	\$ 56,975	\$ 3,898	\$ 263,672
Investments	209,133	12,751	-	221,884	-	-	221,884
Customer accounts receivable, net of allowance (\$4,440)	136,830	-	-	136,830	34,053	636	171,519
Miscellaneous accounts receivable	15,518	12,333	(9,767)	18,084	1,125	-	19,209
Interest receivable	1,003	42	-	1,045	815	-	1,860
Inventories, less reserve of \$226:							
Fuel inventory - Electric System	35,143	32,138	-	67,281	-	-	67,281
Fuel inventory - Plant Scherer	5,822	-	-	5,822	-	-	5,822
Materials and supplies - Water and Sewer	-	-	-	-	42,913	-	42,913
Materials and supplies - Electric System	-	19,884	-	19,884	-	-	19,884
Materials and supplies - Plant Scherer	2,143	-	-	2,143	-	-	2,143
Total current assets	574,686	110,853	(9,767)	675,772	135,881	4,534	816,187
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	141	45,861	-	46,002	27,092	3,061	76,155
Investments	255,405	189,646	-	445,051	260,243	-	705,294
Accounts and interest receivable	1,446	1,261	-	2,707	2,732	-	5,439
Total restricted assets	256,992	236,768	-	493,760	290,067	3,061	786,888
Costs to be recovered from future revenues	229,256	7,069	-	236,325	222,667	-	458,992
Investment in The Energy Authority	7,581	-	-	7,581	-	-	7,581
Other assets	10,203	-	-	10,203	9,758	-	19,961
Total noncurrent assets	504,032	243,837	-	747,869	522,492	3,061	1,273,422
Capital assets:							
Land and easements	95,177	6,660	-	101,837	59,135	3,051	164,023
Plant in service	5,072,204	1,362,908	-	6,435,112	4,168,053	52,620	10,655,785
Less accumulated depreciation	(2,529,522)	(818,451)	-	(3,347,973)	(1,771,107)	(19,907)	(5,138,987)
Plant in service, net	2,637,859	551,117	-	3,188,976	2,456,081	35,764	5,680,821
Construction work in progress	130,579	13,338	-	143,917	92,119	970	237,006
Capital assets, net	2,768,438	564,455	-	3,332,893	2,548,200	36,734	5,917,827
Total assets	3,847,156	919,145	(9,767)	4,756,534	3,206,573	44,329	8,007,436
Deferred outflows of resources							
Unamortized losses on refundings	84,388	19,180	-	103,568	48,551	218	152,337
Accumulated decrease in fair value of interest swaps derivatives	120,400	-	-	120,400	28,349	-	148,749
Unrealized pension contributions and losses	48,712	4,115	-	52,827	31,143	-	83,970
Accumulated decrease in fair value of fuel hedging derivatives	3,441	-	-	3,441	-	-	3,441
Total deferred outflows of resources	256,941	23,295	-	280,236	108,043	218	388,497
Total assets and deferred outflows of resources	\$ 4,104,097	\$ 942,440	\$ (9,767)	\$ 5,036,770	\$ 3,314,616	\$ 44,547	\$ 8,395,933

Combining Statement of Net Position
(in thousands - unaudited) November 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	\$ 51,629	\$ 14,055	\$ (224)	\$ 65,460	\$ 11,393	\$ 26	\$ 76,879
Customer deposits	42,497	-	-	42,497	13,239	-	55,736
City of Jacksonville payable	7,643	-	-	7,643	1,911	-	9,554
Compensated absences due within one year	1,824	1,486	-	3,310	1,217	7	4,534
State utility taxes payable	2,167	-	-	2,167	-	-	2,167
Total current liabilities	105,760	15,541	(224)	121,077	27,760	33	148,870
Current liabilities payable from restricted assets:							
Revenue bonds and line of credit due within one year	102,240	43,785	-	146,025	33,875	1,625	181,525
Renewal and replacement reserve	-	83,328	-	83,328	-	-	83,328
Interest payable	15,367	3,553	-	18,920	10,850	233	30,003
Construction contracts and accounts payable	3,963	10,237	(9,543)	4,657	5,863	32	10,552
Total current liabilities payable from restricted assets	121,570	140,903	(9,543)	252,930	50,588	1,890	305,408
Noncurrent liabilities:							
Net pension liability	246,724	4,163	-	250,887	157,742	-	408,629
Compensated absences due after one year	15,065	1,046	-	16,111	5,425	54	21,590
Environmental liabilities	18,662	-	-	18,662	-	-	18,662
OPEB liability	536	-	-	536	315	-	851
Other liabilities	3,441	-	-	3,441	2,124	-	5,565
Total noncurrent liabilities	284,428	5,209	-	289,637	165,606	54	455,297
Long-term debt:							
Bonds payable, less current portion	2,369,215	450,215	-	2,819,430	1,609,640	38,125	4,467,195
Unamortized premium (discount), net	81,517	23,046	-	104,563	60,789	(47)	165,305
Fair value of debt management strategy instruments	120,400	-	-	120,400	28,349	-	148,749
Total long-term debt	2,571,132	473,261	-	3,044,393	1,698,778	38,078	4,781,249
Total liabilities	3,082,890	634,914	(9,767)	3,708,037	1,942,732	40,055	5,690,824
Deferred inflows of resources							
Revenues to be used for future costs	283,045	169,456	-	452,501	23,791	-	476,292
Unrealized pension gains	16,446	2,835	-	19,281	10,514	-	29,795
Total deferred inflows of resources	299,491	172,291	-	471,782	34,305	-	506,087
Net position							
Net investment in capital assets	331,913	29,302	-	361,215	1,127,693	(2,783)	1,486,125
Restricted	172,179	11,667	9,543	193,389	177,870	2,828	374,087
Unrestricted	217,624	94,266	(9,543)	302,347	32,016	4,447	338,810
Total net position	721,716	135,235	-	856,951	1,337,579	4,492	2,199,022
Total liabilities, deferred inflows of resources, and net position	\$ 4,104,097	\$ 942,440	\$ (9,767)	\$ 5,036,770	\$ 3,314,616	\$ 44,547	\$ 8,395,933

	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Unrestricted cash and investments						
Operations	\$ 99,304	\$ 7,551	\$ 106,855	\$ 37,629	\$ 1,198	\$ 145,682
Rate stabilization:						
Fuel	182,960	-	182,960	-	-	182,960
Debt management	42,126	-	42,126	20,290	2,737	65,153
Environmental	31,160	-	31,160	2,161	-	33,321
Purchased Power	33,373	-	33,373	-	-	33,373
DSM/Conservation	3,746	-	3,746	-	-	3,746
Total rate stabilization funds	293,365	-	293,365	22,451	2,737	318,553
General reserve	-	30,233	30,233	-	-	30,233
Customer deposits	41,844	-	41,844	13,734	-	55,578
Self insurance reserve funds:						
Self funded health plan	10,716	-	10,716	-	-	10,716
Property insurance reserve	10,000	-	10,000	-	-	10,000
Total self insurance reserve funds	20,716	-	20,716	-	-	20,716
Environmental liability reserve	18,556	-	18,556	-	-	18,556
Total unrestricted cash and investments	\$ 473,785	\$ 37,784	\$ 511,569	\$ 73,814	\$ 3,935	\$ 589,318
Restricted assets						
Renewal and replacement funds	\$ 198,734	\$ 81,605	\$ 280,339	\$ 179,908	\$ 1,753	\$ 462,000
Debt service reserve account	65,433	138,058	203,491	108,086	-	311,577
Debt service funds	29,514	7,303	36,817	18,898	504	56,219
Environmental funds	-	-	-	933	-	933
Construction funds	-	-	-	152	-	152
Subtotal	293,681	226,966	520,647	307,977	2,257	830,881
Unrealized holding gain (loss) on investments	2,944	(1,518)	1,426	5,094	-	6,520
Other funds	-	21,712	21,712	-	-	21,712
Total restricted cash and investments	\$ 296,625	\$ 247,160	\$ 543,785	\$ 313,071	\$ 2,257	\$ 859,113

	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Unrestricted cash and investments						
Operations	\$ 72,729	\$ 19,045	\$ 91,774	\$ 19,834	\$ 1,161	\$ 112,769
Rate stabilization:						
Fuel	116,352	-	116,352	-	-	116,352
Debt management	42,126	-	42,126	20,290	2,737	65,153
Environmental	24,641	-	24,641	3,612	-	28,253
Purchased Power	38,000	-	38,000	-	-	38,000
DSM/Conservation	3,316	-	3,316	-	-	3,316
Total rate stabilization funds	224,435	-	224,435	23,902	2,737	251,074
General reserve	-	27,411	27,411	-	-	27,411
Customer deposits	42,338	-	42,338	13,239	-	55,577
Self insurance reserve funds:						
Self funded health plan	10,063	-	10,063	-	-	10,063
Property insurance reserve	10,000	-	10,000	-	-	10,000
Total self insurance reserve funds	20,063	-	20,063	-	-	20,063
Environmental liability reserve	18,662	-	18,662	-	-	18,662
Total unrestricted cash and investments	\$ 378,227	\$ 46,456	\$ 424,683	\$ 56,975	\$ 3,898	\$ 485,556
Restricted assets						
Renewal and replacement funds	\$ 151,610	\$ 83,232	\$ 234,842	\$ 157,758	\$ 2,557	\$ 395,157
Debt service reserve account	69,446	137,056	206,502	108,849	-	315,351
Debt service funds	31,115	7,691	38,806	16,035	504	55,345
Construction funds	3	77	80	664	-	744
Subtotal	252,174	228,056	480,230	283,306	3,061	766,597
Unrealized holding gain (loss) on investments	3,235	(1,262)	1,973	3,959	-	5,932
Other funds	137	8,713	8,850	70	-	8,920
Total restricted cash and investments	\$ 255,546	\$ 235,507	\$ 491,053	\$ 287,335	\$ 3,061	\$ 781,449

Regulatory Accounting Balances
(in thousands - unaudited) November 2016

DESCRIPTION	Electric System	SJRPP System	Total Electric	Water and Sewer	Total JEA
	and Bulk Power Supply System		Enterprise Fund	Enterprise Fund	
Unfunded pension costs	226,691	3,389	230,080	138,940	369,020
Water environmental projects	-	-	-	75,535	75,535
Scherer	11,412	-	11,412	-	11,412
Debt issue costs	2,189	3,584	5,773	240	6,013
Costs to be recovered from future revenues	240,292	6,973	247,265	214,715	461,980
SJRPP and Scherer	44,669	157,638	202,307	-	202,307
Fuel stabilization	182,960	-	182,960	-	182,960
Debt management stabilization	42,126	-	42,126	20,290	62,416
Nonfuel purchased power	33,373	-	33,373	-	33,373
Environmental	31,160	-	31,160	2,161	33,321
Self-insurance medical reserve	10,716	-	10,716	-	10,716
Customer benefit stabilization	3,747	-	3,747	-	3,747
Revenues to be used for future costs	348,751	157,638	506,389	\$ 22,451	528,840

JEA

Regulatory Accounting Balances
(in thousands - unaudited) November 2015

DESCRIPTION	Electric System	SJRPP System	Total Electric	Water and Sewer	Total JEA
	and Bulk Power Supply System		Enterprise Fund	Enterprise Fund	
Unfunded pension costs	214,133	2,883	217,016	136,905	353,921
Water environmental projects	-	-	-	85,512	85,512
Scherer	12,808	-	12,808	-	12,808
Debt issue costs	2,315	4,186	6,501	250	6,751
Costs to be recovered from future revenues	229,256	7,069	236,325	222,667	458,992
SJRPP and Scherer	48,547	169,456	218,003	-	218,003
Fuel stabilization	116,352	-	116,352	-	116,352
Debt management stabilization	42,126	-	42,126	20,290	62,416
Nonfuel purchased power	38,000	-	38,000	-	38,000
Environmental	24,641	-	24,641	3,501	28,142
Self-insurance medical reserve	10,063	-	10,063	-	10,063
Customer benefit stabilization	3,316	-	3,316	-	3,316
Revenues to be used for future costs	283,045	169,456	452,501	\$ 23,791	476,292

Statements of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited)

	Month		Year-To-Date	
	November		November	
	2016	2015	2016	2015
Operating revenues				
Electric - base	\$ 56,786	\$ 59,324	\$ 119,512	\$ 116,468
Electric - fuel and purchased power	39,571	37,910	83,865	81,876
Water and sewer	36,374	28,758	71,017	62,875
District energy system	669	583	1,557	1,395
Other	3,562	2,637	5,671	5,762
Total operating revenues	136,962	129,212	281,622	268,376
Operating expenses				
Operations:				
Fuel	31,675	30,087	69,388	67,903
Purchased power	5,626	4,662	8,662	6,953
Other	21,671	17,997	39,441	39,570
Maintenance	9,176	7,891	14,638	13,887
Depreciation	31,110	30,163	62,476	60,330
State utility and franchise taxes	5,190	5,297	11,353	9,003
Recognition of deferred costs and revenues, net	627	(1,345)	(659)	(2,521)
Total operating expenses	105,075	94,752	205,299	195,125
Operating income	31,887	34,460	76,323	73,251
Nonoperating revenues (expenses)				
Interest on debt	(13,292)	(13,285)	(26,861)	(26,619)
Debt management strategy	(1,465)	(1,662)	(2,867)	(3,320)
Investment income	942	981	2,045	1,998
Other revenue	624	931	1,261	1,712
Allowance for funds used during construction	986	743	1,973	1,551
Earnings from The Energy Authority	411	297	857	208
Other expense	(333)	(21)	(380)	(43)
Other interest, net	(15)	(6)	(153)	(194)
Total nonoperating expenses, net	(12,142)	(12,022)	(24,125)	(24,707)
Income before contributions	19,745	22,438	52,198	48,544
Contributions (to) from				
General Fund, City of Jacksonville, Florida	(9,652)	(9,515)	(19,303)	(19,032)
Developers and other	7,462	4,087	10,946	6,943
Reduction of plant cost through contributions	(5,598)	(3,028)	(7,760)	(4,342)
Total contributions	(7,788)	(8,456)	(16,117)	(16,431)
Change in net position	11,957	13,982	36,081	32,113
Net position, beginning of period	2,401,049	2,185,040	2,376,925	2,166,909
Net position, end of period	\$ 2,413,006	\$ 2,199,022	\$ 2,413,006	\$ 2,199,022

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the month ended November 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	\$ 57,074	\$ -	\$ -	\$ 57,074	\$ -	\$ -	\$ (288)	\$ 56,786
Electric - fuel and purchased power	30,180	21,544	(11,066)	40,658	-	-	(1,087)	39,571
Water and sewer	-	-	-	-	36,416	-	(42)	36,374
District energy system	-	-	-	-	-	669	-	669
Other	3,047	-	-	3,047	705	-	(190)	3,562
Total operating revenues	90,301	21,544	(11,066)	100,779	37,121	669	(1,607)	136,962
Operating expenses								
Operations:								
Fuel	18,035	13,640	-	31,675	-	-	-	31,675
Purchased power	16,692	-	(11,066)	5,626	-	-	-	5,626
Other	10,147	1,596	-	11,743	11,238	297	(1,607)	21,671
Maintenance	5,773	1,584	-	7,357	1,710	109	-	9,176
Depreciation	15,612	3,563	-	19,175	11,741	194	-	31,110
State utility and franchise taxes	4,364	-	-	4,364	826	-	-	5,190
Recognition of deferred costs and revenues, net	(279)	(1,002)	-	(1,281)	1,908	-	-	627
Total operating expenses	70,344	19,381	(11,066)	78,659	27,423	600	(1,607)	105,075
Operating income	19,957	2,163	-	22,120	9,698	69	-	31,887
Nonoperating revenues (expenses)								
Interest on debt	(6,368)	(2,006)	-	(8,374)	(4,802)	(116)	-	(13,292)
Debt management strategy	(1,163)	-	-	(1,163)	(302)	-	-	(1,465)
Investment income	382	281	-	663	277	2	-	942
Other revenue	384	32	-	416	208	-	-	624
Allowance for funds used during construction	555	-	-	555	430	1	-	986
Earnings from The Energy Authority	411	-	-	411	-	-	-	411
Other expense	(54)	-	-	(54)	(279)	-	-	(333)
Other interest, net	(13)	-	-	(13)	(2)	-	-	(15)
Total nonoperating expenses, net	(5,866)	(1,693)	-	(7,559)	(4,470)	(113)	-	(12,142)
Income before contributions	14,091	470	-	14,561	5,228	(44)	-	19,745
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(7,689)	-	-	(7,689)	(1,963)	-	-	(9,652)
Developers and other	216	-	-	216	7,246	-	-	7,462
Reduction of plant cost through contributions	(216)	-	-	(216)	(5,382)	-	-	(5,598)
Total contributions	(7,689)	-	-	(7,689)	(99)	-	-	(7,788)
Change in net position	6,402	470	-	6,872	5,129	(44)	-	11,957
Net position, beginning of period	845,831	139,277	-	985,108	1,411,197	4,744	-	2,401,049
Net position, end of period	\$ 852,233	\$ 139,747	\$ -	\$ 991,980	\$ 1,416,326	\$ 4,700	\$ -	\$ 2,413,006

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the month ended November 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	\$ 59,526	\$ -	\$ -	\$ 59,526	\$ -	\$ -	\$ (202)	\$ 59,324
Electric - fuel and purchased power	27,122	22,322	(10,775)	38,669	-	-	(759)	37,910
Water and sewer	-	-	-	-	28,810	-	(52)	28,758
District energy system	-	-	-	-	-	583	-	583
Other	1,981	-	-	1,981	972	-	(316)	2,637
Total operating revenues	88,629	22,322	(10,775)	100,176	29,782	583	(1,329)	129,212
Operating expenses								
Operations:								
Fuel	15,688	14,399	-	30,087	-	-	-	30,087
Purchased power	15,437	-	(10,775)	4,662	-	-	-	4,662
Other	9,227	1,607	-	10,834	8,164	328	(1,329)	17,997
Maintenance	5,427	1,258	-	6,685	1,148	58	-	7,891
Depreciation	15,468	3,563	-	19,031	10,941	191	-	30,163
State utility and franchise taxes	4,533	-	-	4,533	764	-	-	5,297
Recognition of deferred costs and revenues, net	(218)	(970)	-	(1,188)	(157)	-	-	(1,345)
Total operating expenses	65,562	19,857	(10,775)	74,644	20,860	577	(1,329)	94,752
Operating income	23,067	2,465	-	25,532	8,922	6	-	34,460
Nonoperating revenues (expenses)								
Interest on debt	(6,248)	(2,211)	-	(8,459)	(4,708)	(118)	-	(13,285)
Debt management strategy	(1,293)	-	-	(1,293)	(369)	-	-	(1,662)
Investment income	414	332	-	746	235	-	-	981
Other revenue	377	34	-	411	520	-	-	931
Allowance for funds used during construction	405	-	-	405	335	3	-	743
Earnings from The Energy Authority	297	-	-	297	-	-	-	297
Other expense	(21)	-	-	(21)	-	-	-	(21)
Other interest, net	(6)	-	-	(6)	-	-	-	(6)
Total nonoperating expenses, net	(6,075)	(1,845)	-	(7,920)	(3,987)	(115)	-	(12,022)
Income before contributions	16,992	620	-	17,612	4,935	(109)	-	22,438
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(7,643)	-	-	(7,643)	(1,872)	-	-	(9,515)
Developers and other	-	-	-	-	4,087	-	-	4,087
Reduction of plant cost through contributions	-	-	-	-	(3,028)	-	-	(3,028)
Total contributions	(7,643)	-	-	(7,643)	(813)	-	-	(8,456)
Change in net position	9,349	620	-	9,969	4,122	(109)	-	13,982
Net position, beginning of period	712,367	134,615	-	846,982	1,333,457	4,601	-	2,185,040
Net position, end of period	\$ 721,716	\$ 135,235	\$ -	\$ 856,951	\$ 1,337,579	\$ 4,492	\$ -	\$ 2,199,022

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the two months ended November 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	\$ 120,096	\$ -	\$ -	\$ 120,096	\$ -	\$ -	\$ (584)	\$ 119,512
Electric - fuel and purchased power	64,241	46,630	(24,805)	86,066	-	-	(2,201)	83,865
Water and sewer	-	-	-	-	71,098	-	(81)	71,017
District energy system	-	-	-	-	-	1,557	-	1,557
Other	4,484	-	-	4,484	1,568	-	(381)	5,671
Total operating revenues	188,821	46,630	(24,805)	210,646	72,666	1,557	(3,247)	281,622
Operating expenses								
Operations:								
Fuel	39,284	30,104	-	69,388	-	-	-	69,388
Purchased power	33,467	-	(24,805)	8,662	-	-	-	8,662
Other	19,481	4,117	-	23,598	18,445	645	(3,247)	39,441
Maintenance	8,830	2,966	-	11,796	2,671	171	-	14,638
Depreciation	31,650	7,125	-	38,775	23,316	385	-	62,476
State utility and franchise taxes	9,676	-	-	9,676	1,677	-	-	11,353
Recognition of deferred costs and revenues, net	(557)	(2,010)	-	(2,567)	1,908	-	-	(659)
Total operating expenses	141,831	42,302	(24,805)	159,328	48,017	1,201	(3,247)	205,299
Operating income	46,990	4,328	-	51,318	24,649	356	-	76,323
Nonoperating revenues (expenses)								
Interest on debt	(12,912)	(4,018)	-	(16,930)	(9,698)	(233)	-	(26,861)
Debt management strategy	(2,282)	-	-	(2,282)	(585)	-	-	(2,867)
Investment income	791	569	-	1,360	681	4	-	2,045
Other revenue	778	66	-	844	417	-	-	1,261
Allowance for funds used during construction	1,107	-	-	1,107	861	5	-	1,973
Earnings from The Energy Authority	857	-	-	857	-	-	-	857
Other expense	(98)	-	-	(98)	(282)	-	-	(380)
Other interest, net	(128)	-	-	(128)	(25)	-	-	(153)
Total nonoperating expenses, net	(11,887)	(3,383)	-	(15,270)	(8,631)	(224)	-	(24,125)
Income before contributions	35,103	945	-	36,048	16,018	132	-	52,198
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(15,378)	-	-	(15,378)	(3,925)	-	-	(19,303)
Developers and other	347	-	-	347	10,599	-	-	10,946
Reduction of plant cost through contributions	(347)	-	-	(347)	(7,413)	-	-	(7,760)
Total contributions	(15,378)	-	-	(15,378)	(739)	-	-	(16,117)
Change in net position	19,725	945	-	20,670	15,279	132	-	36,081
Net position, beginning of year	832,508	138,802	-	971,310	1,401,047	4,568	-	2,376,925
Net position, end of period	\$ 852,233	\$ 139,747	\$ -	\$ 991,980	\$ 1,416,326	\$ 4,700	\$ -	\$ 2,413,006

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the two months ended November 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	\$ 116,853	\$ -	\$ -	\$ 116,853	\$ -	\$ -	\$ (385)	\$ 116,468
Electric - fuel and purchased power	59,009	47,642	(23,327)	83,324	-	-	(1,448)	81,876
Water and sewer	-	-	-	-	62,983	-	(108)	62,875
District energy	-	-	-	-	-	1,395	-	1,395
Other	4,426	-	-	4,426	1,969	-	(633)	5,762
Total operating revenues	180,288	47,642	(23,327)	204,603	64,952	1,395	(2,574)	268,376
Operating expenses								
Operations:								
Fuel	36,909	30,994	-	67,903	-	-	-	67,903
Purchased power	30,280	-	(23,327)	6,953	-	-	-	6,953
Other	21,382	4,253	-	25,635	16,020	489	(2,574)	39,570
Maintenance	9,268	2,264	-	11,532	2,235	120	-	13,887
Depreciation	31,106	7,125	-	38,231	21,716	383	-	60,330
State utility and franchise taxes	7,378	-	-	7,378	1,625	-	-	9,003
Recognition of deferred costs and revenues, net	(436)	(1,939)	-	(2,375)	(146)	-	-	(2,521)
Total operating expenses	135,887	42,697	(23,327)	155,257	41,450	992	(2,574)	195,125
Operating income	44,401	4,945	-	49,346	23,502	403	-	73,251
Nonoperating revenues (expenses)								
Interest on debt	(12,531)	(4,423)	-	(16,954)	(9,430)	(235)	-	(26,619)
Debt management strategy	(2,583)	-	-	(2,583)	(737)	-	-	(3,320)
Investment income	902	650	-	1,552	445	1	-	1,998
Other revenue	750	68	-	818	894	-	-	1,712
Allowance for funds used during construction	816	-	-	816	729	6	-	1,551
Earnings from The Energy Authority	208	-	-	208	-	-	-	208
Other expense	(43)	-	-	(43)	-	-	-	(43)
Other interest, net	(152)	-	-	(152)	(42)	-	-	(194)
Total nonoperating expenses, net	(12,633)	(3,705)	-	(16,338)	(8,141)	(228)	-	(24,707)
Income before contributions	31,768	1,240	-	33,008	15,361	175	-	48,544
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(15,287)	-	-	(15,287)	(3,745)	-	-	(19,032)
Developers and other	-	-	-	-	6,943	-	-	6,943
Reduction of plant cost through contributions	-	-	-	-	(4,342)	-	-	(4,342)
Total contributions	(15,287)	-	-	(15,287)	(1,144)	-	-	(16,431)
Change in net position	16,481	1,240	-	17,721	14,217	175	-	32,113
Net position, beginning of year	705,235	133,995	-	839,230	1,323,362	4,317	-	2,166,909
Net position, end of period	\$ 721,716	\$ 135,235	\$ -	\$ 856,951	\$ 1,337,579	\$ 4,492	\$ -	\$ 2,199,022

Statement of Cash Flows
(in thousands - unaudited)

	Year-To-Date	
	November	
	2016	2015
Operating activities		
Receipts from customers	\$ 338,362	\$ 293,200
Payments to suppliers	(131,827)	(147,501)
Payments to employees	(46,938)	(36,408)
Other receipts	6,137	7,219
Net cash provided by operating activities	<u>165,734</u>	<u>116,510</u>
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	(19,137)	(18,823)
Other nonoperating activities	(311)	(14)
Net cash used in noncapital financing activities	<u>(19,448)</u>	<u>(18,837)</u>
Capital and related financing activities		
Repayment of debt principal	(181,525)	(187,501)
Interest paid on debt	(89,103)	(91,130)
Acquisition and construction of capital assets	(57,278)	(43,857)
Contribution from developers and others	3,186	2,601
Proceeds from disposal of assets	(10)	117
Other financing activities	-	(17)
Net cash used in capital and related financing activities	<u>(324,730)</u>	<u>(319,787)</u>
Investing activities		
Purchase of investments	(218,382)	(249,348)
Proceeds from sale and maturities of investments	247,655	173,536
Investment income	1,546	1,561
Distributions from The Energy Authority	717	118
Net cash provided by (used in) investing activities	<u>31,536</u>	<u>(74,133)</u>
Net change in cash and cash equivalents	(146,908)	(296,247)
Cash and cash equivalents, beginning of year	596,923	636,074
Cash and cash equivalents, end of period	<u>\$ 450,015</u>	<u>\$ 339,827</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 76,323	\$ 73,251
Adjustments:		
Depreciation and amortization	62,708	60,574
Recognition of deferred costs and revenues, net	(660)	(2,521)
Gain on sale of noncore assets	-	477
Changes in noncash assets and noncash liabilities:		
Accounts receivable	51,563	60,435
Accounts receivable, restricted	466	980
Inventories	(7,215)	(8,468)
Other assets	(3,749)	(2,237)
Accounts and expenses payable	(9,076)	(24,941)
Liabilities payable, restricted	(8,015)	(9,572)
Other noncurrent liabilities and deferred inflows	3,389	(31,468)
Net cash provided by operating activities	<u>\$ 165,734</u>	<u>\$ 116,510</u>
Noncash activity		
Contribution of capital assets from developers	\$ 7,413	\$ 4,342

Combining Statement of Cash Flows

(in thousands - unaudited) for the two months ended November 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating activities								
Receipts from customers	\$ 237,715	\$ 46,630	\$ (16,730)	\$ 267,615	\$ 72,444	\$ 1,169	\$ (2,866)	\$ 338,362
Payments to suppliers	(88,860)	(44,685)	16,730	(116,815)	(17,405)	(854)	3,247	(131,827)
Payments to employees	(29,063)	(5,867)	-	(34,930)	(11,892)	(116)	-	(46,938)
Other receipts	4,949	-	-	4,949	1,569	-	(381)	6,137
Net cash provided by operating activities	124,741	(3,922)	-	120,819	44,716	199	-	165,734
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(15,332)	-	-	(15,332)	(3,805)	-	-	(19,137)
Other nonoperating activities	(29)	-	-	(29)	(282)	-	-	(311)
Net cash used in noncapital financing activities	(15,361)	-	-	(15,361)	(4,087)	-	-	(19,448)
Capital and related financing activities								
Repayment of debt principal	(102,240)	(43,785)	-	(146,025)	(33,875)	(1,625)	-	(181,525)
Interest paid on debt	(45,231)	(10,656)	-	(55,887)	(32,517)	(699)	-	(89,103)
Acquisition and construction of capital assets	(26,271)	-	-	(26,271)	(30,779)	(228)	-	(57,278)
Contribution from developers and others	-	-	-	-	3,186	-	-	3,186
Proceeds from disposal of assets	(10)	-	-	(10)	-	-	-	(10)
Net cash used in capital and related financing activities	(173,752)	(54,441)	-	(228,193)	(93,985)	(2,552)	-	(324,730)
Investing activities								
Purchase of investments	(48,910)	(109,212)	-	(158,122)	(60,260)	-	-	(218,382)
Proceeds from sale and maturities of investments	66,524	104,256	-	170,780	76,875	-	-	247,655
Investment income	775	245	-	1,020	522	4	-	1,546
Distributions from The Energy Authority	717	-	-	717	-	-	-	717
Net cash provided by (used in) investing activities	19,106	(4,711)	-	14,395	17,137	4	-	31,536
Net change in cash and cash equivalents	(45,266)	(63,074)	-	(108,340)	(36,219)	(2,349)	-	(146,908)
Cash and cash equivalents, beginning of year	295,223	130,021	-	425,244	163,138	8,541	-	596,923
Cash and cash equivalents, end of period	\$ 249,957	\$ 66,947	\$ -	\$ 316,904	\$ 126,919	\$ 6,192	\$ -	\$ 450,015
Reconciliation of operating income to net cash provided by operating activities								
Operating income	\$ 46,990	\$ 4,328	\$ -	\$ 51,318	\$ 24,649	\$ 356	\$ -	\$ 76,323
Adjustments:								
Depreciation and amortization	31,650	7,126	-	38,776	23,547	385	-	62,708
Recognition of deferred costs and revenues, net	(557)	(2,010)	-	(2,567)	1,907	-	-	(660)
Gain on sale of noncore assets	-	-	-	-	-	-	-	-
Changes in noncash assets and noncash liabilities:								
Accounts receivable	50,144	944	-	51,088	863	(388)	-	51,563
Accounts receivable, restricted	465	-	-	465	1	-	-	466
Inventories	(1,907)	(2,321)	-	(4,228)	(2,987)	-	-	(7,215)
Other assets	(3,282)	-	-	(3,282)	(456)	(11)	-	(3,749)
Accounts and expenses payable	(1,086)	(4,591)	-	(5,677)	(3,280)	(119)	-	(9,076)
Liabilities payable, restricted	-	(8,015)	-	(8,015)	-	-	-	(8,015)
Other noncurrent liabilities and deferred inflows	2,324	617	-	2,941	472	(24)	-	3,389
Net cash provided by operating activities	\$ 124,741	\$ (3,922)	\$ -	\$ 120,819	\$ 44,716	\$ 199	\$ -	\$ 165,734
Noncash activity								
Contribution of capital assets from developers	\$ 347	\$ -	\$ -	\$ 347	\$ 7,413	\$ -	\$ -	\$ 7,760

Combining Statement of Cash Flows
(in thousands - unaudited) for the two months ended November 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating activities								
Receipts from customers	\$ 194,681	\$ 47,642	\$ (15,732)	\$ 226,591	\$ 66,827	\$ 1,723	\$ (1,941)	\$ 293,200
Payments to suppliers	(105,951)	(46,833)	15,732	(137,052)	(12,491)	(532)	2,574	(147,501)
Payments to employees	(23,604)	(4,072)	-	(27,676)	(8,654)	(78)	-	(36,408)
Other receipts	5,726	-	-	5,726	2,126	-	(633)	7,219
Net cash provided by operating activities	70,852	(3,263)	-	67,589	47,808	1,113	-	116,510
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(15,153)	-	-	(15,153)	(3,670)	-	-	(18,823)
Other nonoperating activities	(14)	-	-	(14)	-	-	-	(14)
Net cash used in noncapital financing activities	(15,167)	-	-	(15,167)	(3,670)	-	-	(18,837)
Capital and related financing activities								
Repayment of debt principal	(98,765)	(50,946)	-	(149,711)	(36,180)	(1,610)	-	(187,501)
Interest paid on debt	(46,273)	(11,438)	-	(57,711)	(32,714)	(705)	-	(91,130)
Acquisition and construction of capital assets	(24,941)	-	-	(24,941)	(18,802)	(114)	-	(43,857)
Contribution from developers and others	-	-	-	-	2,601	-	-	2,601
Proceeds from disposal of assets	69	-	-	69	48	-	-	117
Other financing activities	(17)	-	-	(17)	-	-	-	(17)
Net cash used in capital and related financing activities	(169,927)	(62,384)	-	(232,311)	(85,047)	(2,429)	-	(319,787)
Investing activities								
Purchase of investments	(137,564)	(81,862)	-	(219,426)	(29,922)	-	-	(249,348)
Proceeds from sale and maturities of investments	103,957	86,771	-	190,728	(17,192)	-	-	173,536
Investment income	887	386	-	1,273	287	1	-	1,561
Distributions from The Energy Authority	118	-	-	118	-	-	-	118
Net cash provided by (used in) investing activities	(32,602)	5,295	-	(27,307)	(46,827)	1	-	(74,133)
Net change in cash and cash equivalents	(146,844)	(60,352)	-	(207,196)	(87,736)	(1,315)	-	(296,247)
Cash and cash equivalents, beginning of year	316,079	139,918	-	455,997	171,803	8,274	-	636,074
Cash and cash equivalents, end of period	\$ 169,235	\$ 79,566	\$ -	\$ 248,801	\$ 84,067	\$ 6,959	\$ -	\$ 339,827
Reconciliation of operating income to net cash provided by operating activities								
Operating income	\$ 44,401	\$ 4,945	\$ -	\$ 49,346	\$ 23,502	\$ 403	\$ -	\$ 73,251
Adjustments:								
Depreciation and amortization	31,106	7,126	-	38,232	21,959	383	-	60,574
Recognition of deferred costs and revenues, net	(436)	(1,939)	-	(2,375)	(146)	-	-	(2,521)
Gain on sale of noncore assets	-	-	-	-	477	-	-	477
Changes in noncash assets and noncash liabilities:								
Accounts receivable	51,569	8,256	-	59,825	282	328	-	60,435
Accounts receivable, restricted	1,300	-	-	1,300	(320)	-	-	980
Inventories	(4,704)	(3,617)	-	(8,321)	(147)	-	-	(8,468)
Other assets	(1,809)	-	-	(1,809)	(428)	-	-	(2,237)
Accounts and expenses payable	(17,630)	(8,179)	-	(25,809)	866	2	-	(24,941)
Liabilities payable, restricted	-	(9,572)	-	(9,572)	-	-	-	(9,572)
Other noncurrent liabilities and deferred inflows	(32,945)	(283)	-	(33,228)	1,763	(3)	-	(31,468)
Net cash provided by operating activities	\$ 70,852	\$ (3,263)	\$ -	\$ 67,589	\$ 47,808	\$ 1,113	\$ -	\$ 116,510
Noncash activity								
Contribution of capital assets from developers	\$ -	\$ -	\$ -	\$ -	\$ 4,342	\$ -	\$ -	\$ 4,342

Electric System

Changes in Debt Service, R & R and Construction Funds

(in thousands - unaudited) for the two months ended November 2016 and November 2015

	November 2016			November 2015		
	Debt service funds	Renewal and replacement funds	Construction funds	Debt service funds	Renewal and replacement funds	Construction funds
Beginning balance	\$ 210,066	\$ 193,947	\$ -	\$ 211,749	\$ 148,459	\$ 4
Transfer from:						
Revenue fund	30,004	32,366	-	31,202	26,452	4
Proceeds from property sales	-	(10)	-	-	69	-
Total additions	30,004	32,356	-	31,202	26,521	4
Deductions:						
Interest/principal payments from sinking funds	145,123	-	-	142,390	-	-
Increase in utility plant	-	19,703	-	-	9,406	1
Decrease in accounts payable	-	6,563	-	-	12,517	4
Total deductions	145,123	26,266	-	142,390	21,923	5
Ending balance	\$ 94,947	\$ 200,037	\$ -	\$ 100,561	\$ 153,057	\$ 3
Renewal and replacement fund:						
Cash & investments		\$ 198,734			\$ 151,610	
Accounts / notes receivable:						
Accounts receivable		1,255			1,345	
Street light & other customer loans		48			102	
		<u>\$ 200,037</u>			<u>\$ 153,057</u>	
Construction fund:						
Generation projects			\$ -			\$ 4
T& D and other capital projects			-			(1)
			<u>\$ -</u>			<u>\$ 3</u>

Water and Sewer System

Changes in Debt Service, R & R and Construction Funds

(in thousands - unaudited) for the two months ended November 2016 and November 2015

	November 2016				November 2015			
	Debt service funds	Renewal and replacement funds	Construction funds	Environmental funds	Debt service funds	Renewal and replacement funds	Construction funds	Environmental funds
Beginning balance	\$ 173,496	\$ 179,513	\$ 152	\$ 2,659	\$ 176,569	\$ 149,130	\$ 664	\$ -
Additions:								
Transfer from:								
Revenue fund	19,065	24,414	-	-	16,038	25,499	-	3,612
Proceeds from property sales	-	-	-	-	-	48	-	-
Contribution in aid of construction	-	3,187	-	-	-	2,601	-	-
Total additions	19,065	27,601	-	-	16,038	28,148	-	3,612
Deductions:								
Increase in utility plant	-	8,330	-	-	-	5,425	-	-
Interest/principal payments from sinking funds	65,577	-	-	-	67,723	-	-	-
Transfer to:								
Revenue fund	-	-	-	-	-	-	-	3,612
Decrease in accounts payable	-	18,794	-	1,726	-	12,138	-	-
Total deductions	65,577	27,124	-	1,726	67,723	17,563	-	3,612
Ending balance	\$ 126,984	\$ 179,990	\$ 152	\$ 933	\$ 124,884	\$ 159,715	\$ 664	\$ -

Recap:

Renewal and replacement fund:

Cash & investments

\$ 179,908

\$ 157,758

Accounts / notes receivable:

Accounts receivable

66

1,937

Notes receivable

16

20

\$ 179,990

\$ 159,715

Construction fund:

Project funds

\$ 152

\$ 152

\$ 664

\$ 664

Environmental fund

Cash & investments

\$ 933

\$ 933

\$ -

\$ -

Electric System

Budget vs. Actual November 2016 and 2015	Month				Prior Year Month	
	ANNUAL BUDGET 2016-17	BUDGET 2016-17	ACTUAL 2016-17	Variance %	ACTUAL 2015-16	Variance %
Fuel Related Revenues & Expenses						
Fuel Rate Revenues	\$ 472,264,680	\$ 34,843,492	\$ 31,362,709	-9.99%	\$ 34,645,147	-9.47%
Fuel Expense and Purchased Power:						
Fuel Expense - Electric System	274,434,887	18,408,269	14,962,448		13,187,818	
Fuel Expense - SJRPP	95,027,760	8,486,700	7,989,721		7,650,961	
Other Purchased Power	64,152,465	4,756,174	6,996,546		6,134,564	
Subtotal Energy Expense	433,615,112	31,651,143	29,948,715	5.38%	26,973,342	-11.03%
Transfer to (from) Rate Stabilization, Net	37,705,038	-	1,413,994		7,617,618	
Fuel Related Uncollectibles	944,530	78,711	-		54,186	
Total	472,264,680	31,729,854	31,362,709	1.16%	34,645,147	9.47%
Fuel Balance	-	3,113,638	-		-	
Nonfuel Related Revenues						
Base Rate Revenues	762,971,975	56,291,756	52,136,613		55,144,770	
Conservation Charge Revenue	1,000,000	73,776	20,602		24,868	
Environmental Charge Revenue	7,942,200	585,972	530,068		563,848	
Investment Income	4,631,588	385,966	379,159		410,307	
Natural Gas Revenue Pass Through	7,188,723	599,060	26,634		9,959	
Other Revenues	29,966,575	2,497,215	3,409,586		2,287,194	
Total	813,701,061	60,433,745	56,502,662	-6.50%	58,440,945	-3.32%
Nonfuel Related Expenses						
Non-Fuel O&M	209,105,373	15,621,532	14,232,418		14,465,923	
DSM / Conservation O&M	8,081,200	712,530	606,205		494,759	
Environmental O&M	2,077,500	173,125	(14,671)		(16,945)	
Net Transfer to Rate Stabilization - DSM	(571,200)	(47,600)	(159,613)		(32,155)	
Transfer to Environmental Fund/RSF	5,864,700	488,725	544,739		580,792	
Natural Gas Expense Pass Through	6,880,298	577,551	54,120		20,856	
Debt Principal - Electric System	89,955,000	7,496,250	7,496,250		8,016,250	
Debt Interest - Electric System	100,943,917	8,411,993	7,816,596		7,996,148	
Bond Buy-Back Principal - Electric System	38,949,702	-	-		-	
R&R - Electric System	62,198,300	5,183,192	5,183,192		5,197,867	
Operating Capital Outlay	107,801,700	7,000,000	7,000,000		8,028,140	
City Contribution Expense	92,270,692	7,689,224	7,689,224		7,643,348	
Taxes & Uncollectibles	1,749,583	145,799	16,400		102,149	
Emergency Reserve	5,000,000	-	-		-	
<i>Nonfuel Purchased Power:</i>						
* SJRPP D/S Principal	26,496,875	2,208,073	2,208,073		2,331,563	
* SJRPP D/S Interest	16,193,308	1,349,442	1,317,009		1,430,297	
** Other Non-Fuel Purchased Power	40,704,113	3,392,010	1,874,194		1,718,542	
Total Nonfuel Expenses	813,701,061	60,401,846	55,864,136	7.51%	57,977,534	3.65%
Non-Fuel Balance	-	31,899	638,526		463,411	
Total Balance	-	3,145,537	638,526		463,411	
Total Revenues	1,285,965,741	95,277,237	87,865,371	-7.78%	93,086,092	-5.61%
Total Expenses	1,285,965,741	92,131,700	87,226,845	5.32%	92,622,681	5.83%
KWH Sold - Territorial	13,020,000,000	960,610,176	863,238,000	-10.14%	923,705,000	-6.55%
KWH Sold - Off System	-	-	7,445,000		5,062,000	
	13,020,000,000	960,610,176	870,683,000	-9.36%	928,767,000	-6.25%

* Gross debt service

** Includes transmission capacity, SJRPP and Scherer R & R, O & M and Investment Income.

Electric System

Budget vs. Actual November 2016 and 2015	Year-To-Date				Prior Year-To-Date	
	ANNUAL BUDGET 2016-17	BUDGET 2016-17	ACTUAL 2016-17	Variance %	ACTUAL 2015-16	Variance %
Fuel Related Revenues & Expenses						
Fuel Rate Revenues	\$ 472,264,680	\$ 72,355,700	\$ 66,000,771	-8.78%	\$ 24,371,727	170.81%
Fuel Expense and Purchased Power:						
Fuel Expense - Electric System	274,434,887	37,890,949	32,827,613		31,751,562	
Fuel Expense - SJRPP	95,027,760	16,911,400	18,197,044		16,578,466	
Other Purchased Power	64,152,465	9,337,373	12,131,421		10,398,971	
Subtotal Energy Expense	433,615,112	64,139,722	63,156,078	1.53%	58,728,998	-7.54%
Transfer to (from) Rate Stabilization, Net	37,705,038	-	2,844,693		(34,390,377)	
Fuel Related Uncollectibles	944,530	157,422	-		33,106	
Total	472,264,680	64,297,144	66,000,771	-2.65%	24,371,727	-170.81%
Fuel Balance	-	8,058,556	-		-	
Nonfuel Related Revenues						
Base Rate Revenues	762,971,975	116,894,981	109,742,732		110,255,554	
Conservation Charge Revenue	1,000,000	153,189	76,034		62,853	
Environmental Charge Revenue	7,942,200	1,216,825	1,112,198		1,147,869	
Investment Income	4,631,588	771,931	785,326		893,876	
Natural Gas Revenue Pass Through	7,188,723	1,198,120	64,273		17,563	
Other Revenues	29,966,575	4,994,429	5,868,704		5,040,508	
Total	813,701,061	125,229,475	117,649,267	-6.05%	117,418,222	0.20%
Nonfuel Related Expenses						
Non-Fuel O&M	209,105,373	34,966,265	24,645,907		26,569,287	
DSM / Conservation O&M	8,081,200	1,378,144	791,493		582,209	
Environmental O&M	2,077,500	346,250	(72,908)		(63,044)	
Net Transfer to Rate Stabilization - DSM	(571,200)	(95,200)	231,572		429,240	
Transfer to Environmental Fund/RSF	5,864,700	977,450	1,185,106		1,210,913	
Natural Gas Expense Pass Through	6,880,298	1,150,070	97,983		41,991	
Debt Principal - Electric System	89,955,000	14,992,500	14,992,500		16,032,500	
Debt Interest - Electric System	100,943,917	16,823,986	15,766,012		16,026,149	
Bond Buy-Back Principal - Electric System	38,949,702	-	-		-	
R&R - Electric System	62,198,300	10,366,383	10,366,383		10,395,733	
Operating Capital Outlay	107,801,700	22,000,000	22,000,000		16,056,280	
City Contribution Expense	92,270,692	15,378,449	15,378,449		15,286,697	
Taxes & Uncollectibles	1,749,583	291,597	32,800		231,129	
Emergency Reserve	5,000,000	-	-		-	
Nonfuel Purchased Power:						
* SJRPP D/S Principal	26,496,875	4,416,146	4,416,146		4,663,125	
* SJRPP D/S Interest	16,193,308	2,698,885	2,634,018		2,860,595	
** Other Non-Fuel Purchased Power	40,704,113	6,784,018	4,118,889		6,626,212	
Total Nonfuel Expenses	813,701,061	132,474,943	116,584,350	12.00%	116,949,015	0.31%
Non-Fuel Balance	-	(7,245,468)	1,064,917		469,207	
Total Balance	-	813,088	1,064,917		469,207	
Total Revenues	1,285,965,741	197,585,175	183,650,038	-7.05%	141,789,949	29.52%
Total Expenses	1,285,965,741	196,772,087	182,585,121	7.21%	141,320,742	-29.20%
KWH Sold - Territorial	13,020,000,000	1,994,794,905	1,814,663,000	-9.03%	1,876,220,000	-3.28%
KWH Sold - Off System	-	-	33,883,000		11,230,000	
	13,020,000,000	1,994,794,905	1,848,546,000	-7.33%	1,887,450,000	-2.06%

* Gross debt service

** Includes transmission capacity, SJRPP and Scherer R & R, O & M and Investment Income.

Water and Sewer System

Budget vs. Actual November 2016 and 2015	Month				Prior Year Month	
	ANNUAL BUDGET	BUDGET	ACTUAL	Variance	ACTUAL	Variance
	2016-17	2016-17	2016-17	%	2015-16	%
REVENUES						
Water & Sewer Revenues	\$ 405,586,412	\$ 32,084,984	\$ 34,841,153		\$ 29,806,527	
Capacity & Extension Fees	19,000,000	1,583,333	1,863,359		1,058,203	
Investment Income	3,152,787	262,732	273,607		231,200	
Other Income	11,638,859	3,039,136	916,122		1,494,771	
Total	439,378,058	36,970,185	37,894,241	2.50%	32,590,701	16.27%
EXPENSES						
O & M Expenses	144,148,527	11,406,982	13,018,938		9,799,969	
Debt Principal - Water & Sewer	51,020,000	4,251,667	4,251,667		2,822,916	
Debt Interest - Water & Sewer	71,552,849	5,962,737	5,557,858		5,564,382	
Rate Stabilization - Environmental	-	-	(762,362)		-	
R&R - Water & Sewer	22,766,900	1,897,242	1,897,242		1,735,450	
Operating Capital Outlay	92,634,428	7,839,743	7,839,743		8,029,307	
Operating Capital Outlay - Capacity/Extension	19,000,000	1,583,333	1,863,359		1,058,203	
Operating Capital Outlay - Environmental	12,858,706	1,071,559	1,920,280		1,658,194	
City Contribution Expense	23,552,258	1,962,688	1,962,688		1,872,280	
Uncollectibles & Fees	844,390	70,366	-		50,000	
Emergency Reserve	1,000,000	-	-		-	
Total Expenses	439,378,058	36,046,317	37,549,413	-4.17%	32,590,701	-15.22%
Total Balance	\$ -	\$ 923,868	\$ 344,828		\$ -	
Sales kgals						
Water	36,750,000	2,853,126	3,067,838	7.53%	2,640,892	16.17%
Sewer	27,867,000	2,004,159	2,432,919	21.39%	1,784,646	36.33%
Total	64,617,000	4,857,285	5,500,757	13.25%	4,425,538	24.30%

Budget vs. Actual November 2016 and 2015	Year-To-Date				Prior Year to Date	
	ANNUAL BUDGET	BUDGET	ACTUAL	Variance	ACTUAL	Variance
	2016-17	2016-17	2016-17	%	2015-16	%
REVENUES						
Water & Sewer Revenues	\$ 405,586,412	\$ 66,479,417	\$ 69,882,279		\$ 65,030,139	
Capacity & Extension Fees	19,000,000	3,166,667	3,186,658		2,600,733	
Investment Income	3,152,787	525,465	673,779		438,125	
Other Income	11,638,859	3,620,806	1,991,192		2,869,298	
Total	439,378,058	73,792,355	75,733,908	2.63%	70,938,295	6.76%
EXPENSES						
O & M Expenses	144,148,527	23,246,434	20,887,534		18,477,788	
Debt Principal - Water & Sewer	51,020,000	8,503,333	8,503,334		5,645,833	
Debt Interest - Water & Sewer	71,552,849	11,925,475	11,191,667		11,142,556	
Rate Stabilization - Environmental	-	-	394,100		-	
R&R - Water & Sewer	22,766,900	3,794,483	3,794,483		3,470,900	
Operating Capital Outlay	92,634,428	20,552,344	20,552,344		22,029,307	
Operating Capital Outlay - Capacity/Extension	19,000,000	3,166,667	3,186,658		2,600,733	
Operating Capital Outlay - Environmental	12,858,706	2,143,118	1,975,869		3,499,701	
City Contribution Expense	23,552,258	3,925,376	3,925,376		3,744,559	
Uncollectibles & Fees	844,390	140,732	-		109,847	
Emergency Reserve	1,000,000	-	-		-	
Total Expenses	439,378,058	77,397,962	74,411,365	3.86%	70,721,224	-5.22%
Total Balance	\$ -	\$ (3,605,607)	\$ 1,322,543		\$ 217,071	
Sales kgals						
Water	36,750,000	6,057,880	6,196,683	2.29%	5,761,677	7.55%
Sewer	27,867,000	4,495,886	4,949,996	10.10%	4,331,842	14.27%
Total	64,617,000	10,553,766	11,146,679	5.62%	10,093,519	10.43%

District Energy System Budget vs. Actual November 2016 and 2015	Month				Prior Year Month	
	ANNUAL BUDGET 2016-17	BUDGET 2016-17	ACTUAL 2016-17	Variance %	ACTUAL 2015-16	Variance %
REVENUES						
Revenues	\$ 9,247,921	\$ 777,453	\$ 668,604		\$ 583,324	
Investment Income	-	-	1,700		388	
Total	9,247,921	777,453	670,304	-13.78%	583,712	14.83%
EXPENSES						
O & M Expenses	5,252,918	403,105	406,717		386,138	
Debt Principal - DES	1,640,000	136,667	136,667		135,417	
Debt Interest - DES	1,382,454	115,205	115,204		116,582	
R&R - DES	437,650	36,471	36,471		36,596	
Operating Capital Outlay	534,899	-	-		-	
Total Expenses	9,247,921	691,448	695,059	-0.52%	674,733	-3.01%
Total Balance	\$ -	\$ 86,005	\$ (24,755)		\$ (91,021)	

Budget vs. Actual November 2016 and 2015	Year-To-Date				Prior-Year-To-Date	
	ANNUAL BUDGET 2016-17	BUDGET 2016-17	ACTUAL 2016-17	Variance %	ACTUAL 2015-16	Variance %
REVENUES						
Revenues	\$ 9,247,921	\$ 1,663,393	\$ 1,556,741		\$ 1,395,492	
Investment Income	-	-	3,767		838	
Total	9,247,921	1,663,393	1,560,508	-6.19%	1,396,330	11.76%
EXPENSES						
O & M Expenses	5,252,918	871,514	815,791		607,741	
Debt Principal - DES	1,640,000	273,333	273,333		270,833	
Debt Interest - DES	1,382,454	230,409	230,409		233,163	
R&R - DES	437,650	72,942	72,942		73,192	
Operating Capital Outlay	534,899	-	-		-	
Total Expenses	9,247,921	1,448,198	1,392,475	3.85%	1,184,929	-17.52%
Total Balance	\$ -	\$ 215,195	\$ 168,033		\$ 211,401	

Electric System

Schedules of Debt Service Coverage
(in thousands - unaudited)

	Month		Year-to-Date	
	November	November	November	November
	2016	2015	2016	2015
Revenues				
Electric	\$ 88,540	\$ 94,814	\$ 187,570	\$ 143,111
Investment income (1)	284	288	595	650
Earnings from The Energy Authority	411	297	857	208
Other, net (2)	3,020	1,975	4,450	4,410
Plus: amounts paid from the rate stabilization fund into the revenue fund	1,120	7,058	1,820	57,187
Less: amounts paid from the revenue fund into the rate stabilization fund	(2,406)	(15,224)	(5,053)	(24,436)
Total revenues	90,969	89,208	190,239	181,130
Operating expenses (3)				
Fuel	14,963	13,188	32,828	31,752
Purchased power (4)	21,479	19,703	43,685	41,658
Other operations and maintenance	15,042	13,805	26,135	26,263
State utility taxes and franchise fees	4,275	4,451	9,587	7,214
Total operating expenses	55,759	51,147	112,235	106,887
Net revenues	\$ 35,210	\$ 38,061	\$ 78,004	\$ 74,243
Debt service	\$ 5,916	\$ 6,525	\$ 11,928	\$ 13,055
Less: investment income on sinking fund	(98)	(126)	(196)	(252)
Less: Build America Bonds subsidy	(126)	(126)	(253)	(253)
Debt service requirement	\$ 5,692	\$ 6,273	\$ 11,479	\$ 12,550
Senior debt service coverage (5), (min 1.20x)	6.19 x	6.07 x	6.80 x	5.92 x
Net revenues (from above)	\$ 35,210	\$ 38,061	\$ 78,004	\$ 74,243
Debt service requirement (from above)	\$ 5,692	\$ 6,273	\$ 11,479	\$ 12,550
Plus: aggregate subordinated debt service on outstanding subordinated bonds	8,225	8,177	16,461	16,353
Less: Build America Bonds subsidy	(172)	(174)	(345)	(347)
Total debt service requirement and aggregate subordinated debt service	\$ 13,745	\$ 14,276	\$ 27,595	\$ 28,556
Senior and subordinated debt service coverage (6), (min 1.15x)	2.56 x	2.67 x	2.83 x	2.60 x
Fixed charge coverage (7)	1.76 x	1.86 x	1.97 x	1.81 x

(1) Excludes investment income on sinking funds.

(2) Excludes the Build America Bonds subsidy.

(3) Excludes depreciation and recognition of deferred costs and revenues, net.

(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 Systems 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 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) Net revenues divided by total debt service requirement and aggregate subordinated debt service. Minimum annual coverage is 1.15x.

(7) Net revenues plus JEA's share of SJRPP's and Bulk Power Supply System's debt service less city contribution divided by the sum of the adjusted debt service requirement and JEA's share of SJRPP's and Bulk Power Supply System's debt service.

	Month November		Year-to-Date November	
	2016	2015	2016	2015
Revenues				
JEA	\$ 4,788	\$ 4,266	\$ 10,218	\$ 11,378
Investment income	10	10	21	20
Total revenues	4,798	4,276	10,239	11,398
Operating expenses (1)				
Fuel	3,072	2,500	6,456	5,157
Other operations and maintenance	1,086	1,056	2,079	2,092
Total operating expenses	4,158	3,556	8,535	7,249
Net revenues	\$ 640	\$ 720	\$ 1,704	\$ 4,149
Aggregate debt service	\$ 807	\$ 897	\$ 1,613	\$ 1,793
Less: Build America Bonds subsidy	(58)	(61)	(117)	(123)
Aggregate debt service	\$ 749	\$ 836	\$ 1,496	\$ 1,670
Debt service coverage (2)	0.85 x	0.86 x	1.14 x	2.48 x

(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. Minimum annual coverage is 1.15x.

St. Johns River Power Park System
Schedule of Debt Service Coverage - 1st Resolution
(in thousands - unaudited)

	Month November		Year-to-Date November	
	2016	2015	2016	2015
Revenues				
JEA	\$ 10,019	\$ 9,728	\$ 22,711	\$ 21,233
FPL	10,478	11,547	21,826	24,316
Investment income	266	303	539	303
Total revenues	20,763	21,578	45,076	45,852
Operating expenses (1)				
Fuel	13,640	14,399	30,104	30,994
Other operations and maintenance	2,683	2,321	6,092	5,431
Total operating expenses	16,323	16,720	36,196	36,425
Net revenues	\$ 4,440	\$ 4,858	\$ 8,880	\$ 9,427
Aggregate debt service	\$ 3,960	\$ 4,344	\$ 7,920	\$ 8,687
Debt service coverage (2)	1.12 x	1.12 x	1.12 x	1.09 x

(1) Excludes depreciation and recognition of deferred costs and revenue

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

St. Johns River Power Park System
Schedule of Debt Service Coverage - 2nd Resolution
(in thousands - unaudited)

	Month November		Year-to-Date November	
	2016	2015	2016	2015
Revenues				
JEA	\$ 1,047	\$ 1,047	\$ 2,094	\$ 2,094
Investment income	15	15	30	15
Total revenues	1,062	1,062	2,124	2,109
Operating expenses	-	-	-	-
Net revenues	\$ 1,062	\$ 1,062	\$ 2,124	\$ 2,109
Aggregate debt service	\$ 1,079	\$ 1,081	\$ 2,158	\$ 2,162
Less: Build America Bonds subsidy	(32)	(34)	(65)	(68)
Aggregate debt service	\$ 1,047	\$ 1,047	\$ 2,093	\$ 2,094
Debt service coverage (1)	1.01 x	1.01 x	1.01 x	1.01 x

(1) Net revenues divided by aggregate debt service. Semiannual minimum coverage is 1.15x.

**Water and Sewer
Schedule of Debt Service Coverage
(in thousands - unaudited)**

	Month November		Year-to-Date November	
	2016	2015	2016	2015
Revenues				
Water	\$ 14,529	\$ 13,293	\$ 29,049	\$ 27,256
Water capacity fees (1)	597	396	1,079	960
Sewer	21,138	17,228	42,511	39,289
Sewer capacity fees (1)	1,267	663	2,108	1,641
Investment Income	277	235	681	445
Other (2)	704	1,284	1,568	2,446
Plus: amounts paid from the rate stabilization fund into the revenue fund	2,636	-	3,354	-
Less: amounts paid from the revenue fund into the rate stabilization fund	(1,887)	(1,711)	(3,816)	(3,562)
Total revenues	39,261	31,388	76,534	68,475
Operating expenses				
Operations and maintenance (3)	13,774	10,076	22,793	19,879
Total operating expenses	13,774	10,076	22,793	19,879
Net revenues	\$ 25,487	\$ 21,312	\$ 53,741	\$ 48,596
Aggregate debt service	\$ 8,118	\$ 7,083	\$ 16,266	\$ 14,166
Less: Build America Bonds subsidy	(208)	(209)	(417)	(417)
Aggregate debt service	\$ 7,910	\$ 6,874	\$ 15,849	\$ 13,749
Senior debt service coverage (4), (min 1.25x)	3.22 x	3.10 x	3.39 x	3.53 x
Net revenues (from above)	\$ 25,487	\$ 21,312	\$ 53,741	\$ 48,596
Aggregate debt service (from above)	\$ 7,910	\$ 6,874	\$ 15,849	\$ 13,749
Plus: aggregate subordinated debt service on outstanding subordinated debt	1,450	1,028	2,918	2,057
Total aggregate debt service and aggregate subordinated debt service	\$ 9,360	\$ 7,902	\$ 18,767	\$ 15,806
Senior and subordinated debt service coverage (5)	2.72 x	2.70 x	2.86 x	3.07 x
Fixed charge coverage	2.51 x	2.46 x	2.65 x	2.84 x

(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 November 2016 and 2015, then the debt service coverage would have been 2.69x and 2.91x.

(2) Excludes the Build America Bonds subsidy.

(3) Excludes depreciation and recognition of deferred costs and revenues, net.

(4) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.25x.

(5) Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity charges) or the sum of 1.00x aggregate debt service and 1.20x aggregate subordinated debt service (including capacity charges). Based on the first requirement, minimum annual coverage is 2.69x and 2.91x. Based on the second requirement, net revenues must exceed 100% of aggregate debt service and 120% of aggregate subordinated debt service, or \$19,351 and \$16,217 for the year-to-date periods ending November 2016 and 2015.

**District Energy System
Schedule of Debt Service Coverage
(in thousands - unaudited)**

	Month November		Year-to-Date November	
	2016	2015	2016	2015
Revenues				
Service revenues	\$ 669	\$ 583	\$ 1,557	\$ 1,395
Investment income	2	-	4	1
Total revenues	671	583	1,561	1,396
Operating expenses (1)				
Operations and maintenance	406	386	816	609
Total operating expenses	406	386	816	609
Net revenues	\$ 265	\$ 197	\$ 745	\$ 787
Aggregate debt service (2)	\$ 252	\$ 252	\$ 504	\$ 504
Debt service coverage (3) (min 1.15x)	1.05 x	0.78 x	1.48 x	1.56 x

(1) Excludes depreciation.

(2) On June 19, 2013, the closing date of the District Energy System Refunding Revenue Bonds, 2013 Series A, the JEA covenanted to deposit into the 2013 Series A Bonds Subaccount from Available Water and Sewer System Revenues an amount equal to the Aggregate DES Debt Service Deficiency that exists with respect to the 2013 Series A Bonds, in the event that the amount on deposit in the Debt Service Account in the Debt Service Fund in accordance with the District Energy System Resolution is less than Accrued Aggregate Debt Service as of the last business day of the then current month.

(3) Net Revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

Electric System, St. Johns River Power Park System and Scherer
Principal Amount of Debt Outstanding and Average Interest Rates
November 2016

Issue/Average Coupon Rate	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Electric System - Fixed Rate Bonds				
Series Three 2004 A	5.000%	2039	\$ 5,000	\$ -
Series Three 2005 B	4.750%	2033	100,000	-
Series Three 2009 C	5.000%	2017	3,355,000	3,355,000
Series Three 2009 D	6.056%	2033-2044	45,955,000	-
Series Three 2010 A	4.000%	2017-2020	20,125,000	4,915,000
Series Three 2010 C	4.000 - 4.500%	2021-2031	11,420,000	-
Series Three 2010 D	4.000 - 5.000%	2017-2038	86,835,000	4,635,000
Series Three 2010 E	5.350 - 5.482%	2028-2040	34,255,000	-
Series Three 2012A	4.000 - 4.500%	2023-2033	60,750,000	-
Series Three 2012B	2.000 - 5.000%	2017-2039	132,770,000	615,000
Series Three 2013A	2.500 - 5.000%	2017-2026	103,270,000	8,625,000
Series Three 2013B	1.875 - 5.000%	2021-2038	7,600,000	-
Series Three 2013C	4.000 - 5.000%	2017-2030	28,685,000	2,460,000
Series Three 2014A	2.600 - 5.000%	2017-2034	45,710,000	2,050,000
Series Three 2015A	2.500 - 5.000%	2017-2041	81,675,000	140,000
Series Three 2015B	3.000 - 5.000%	2017-2031	36,005,000	6,480,000
Total Fixed Rate Senior Bonds			698,515,000	33,275,000
2009 Series A	5.625%	2029-2032	21,140,000	-
2009 Series D	5.000%	2017-2018	23,925,000	12,265,000
2009 Series E	4.000%	2017-2018	2,215,000	1,920,000
2009 Series F	4.625 - 6.406%	2017-2034	64,670,000	1,000,000
2009 Series G	4.000 - 5.000%	2018-2021	18,300,000	-
2010 Series A	3.000%	2017	710,000	710,000
2010 Series B	3.000 - 5.000%	2017-2024	34,525,000	900,000
2010 Series C	3.125 - 4.000%	2020-2027	15,925,000	-
2010 Series D	3.500 - 5.582%	2017-2027	45,575,000	1,450,000
2012 Series A	3.000 - 5.000%	2017-2033	108,065,000	4,590,000
2012 Series B	2.250 - 5.000%	2017-2037	103,445,000	3,970,000
2013 Series A	2.500 - 5.000%	2017-2030	59,330,000	295,000
2013 Series B	2.500 - 5.000%	2017-2026	31,130,000	2,625,000
2013 Series C	1.375 - 5.000%	2017-2038	88,015,000	2,060,000
2013 Series D	2.625 - 5.250%	2017-2035	135,695,000	10,390,000
2014 Series A	4.000 - 5.000%	2017-2039	214,440,000	11,210,000
Total Fixed Rate Subordinated Bonds			967,105,000	53,385,000
Total Fixed Rate Electric System Bonds/4.566%			1,665,620,000	86,660,000
Electric System - Variable Rate Bonds				
	Current Interest Rates (1)			
Series Three 2008 A	0.555%	2027-2036	51,680,000	-
Series Three 2008 B-1	0.958%	2017-2040	60,395,000	375,000
Series Three 2008 B-2	0.555%	2025-2040	41,900,000	-
Series Three 2008 B-3	0.555%	2024-2036	37,000,000	-
Series Three 2008 B-4	0.958%	2017-2036	49,810,000	400,000
Series Three 2008 C-1	0.555%	2024-2034	44,145,000	-
Series Three 2008 C-2	0.555%	2024-2034	43,900,000	-
Series Three 2008 C-3	0.890%	2030-2038	25,000,000	-
Series Three 2008 D-1	0.958%	2017-2036	111,420,000	2,520,000
Total Variable Rate Senior Bonds			465,250,000	3,295,000
Series 2000 A	0.690%	2021-2035	30,965,000	-
Series 2000 F-1	0.770%	2026-2030	37,200,000	-
Series 2000 F-2	0.751%	2026-2030	24,800,000	-
Series 2008 D	0.506%	2024-2038	39,455,000	-
Total Variable Rate Subordinated Bonds			132,420,000	-
Total Variable Rate Bonds			597,670,000	3,295,000
Total Electric System Bonds			2,263,290,000	89,955,000
St. Johns River Power Park - Fixed Rate Bonds				
Issue 2 Series 17	4.700%	2019	100,000	-
Issue 2 Series 18	4.500%	2018	50,000	-
Issue 2 Series 19	4.600%	2017	100,000	100,000
Issue 2 Series 20	4.500%	2021	100,000	-
Issue 2 Series 21	5.000%	2021	5,000	-
Issue 2 Series 22	4.000%	2019	5,000	-
Issue 2 Series 23	3.000 - 5.000%	2017-2021	64,910,000	23,205,000
Issue 2 Series 24	4.000%	2017-2021	29,625,000	16,350,000
Issue 2 Series 25	3.000%	2021	45,000	-
Issue 2 Series 26	2.000 - 5.000%	2019-2021	65,970,000	-
Issue 2 Series 27	1.888 - 2.505%	2019-2021	7,025,000	-
Issue 3 Series 1	4.500%	2037	100,000	-
Issue 3 Series 2	5.000%	2034-2037	29,370,000	-
Issue 3 Series 4	4.200 - 5.450%	2017-2028	24,085,000	1,675,000
Issue 3 Series 6	2.375 - 5.000%	2019-2037	91,330,000	-
Issue 3 Series 7	2.000 - 5.000%	2019-2033	79,500,000	-
Issue 3 Series 8	2.000 - 5.000%	2019-2039	57,895,000	-
Total Fixed Rate St. Johns River Power Park Bonds/4.094%			450,215,000	41,330,000
Bulk Power Supply System, Scherer 4 Project - Fixed Rate Bonds				
Series 2010A	4.250 - 5.920%	2017-2030	39,875,000	2,475,000
Series 2014A	2.000 - 5.000%	2017-2038	66,050,000	2,730,000
Total Fixed Rate Bulk Power Supply System Bonds/4.302%			105,925,000	5,205,000
Weighted Average Cost(2) / Total Outstanding Debt		3.370%	\$ 2,819,430,000	\$ 136,490,000

(1) Current month interest rate excluding variable debt fees.

(2) Weighted Average Cost of debt is net of BABs subsidy, original issue premiums/discounts and excludes variable debt liquidity/remarking fees and interest rate swap payments.

	Electric System	Power Park	Issue Three
• Remaining New Money Authorization	\$ 465,160,992	\$ 103,865,000	
• Remaining Senior Refunding Authorization	\$ 1,239,602,381	\$ 250,810,000	
• Remaining Subordinated Refunding Authorization	\$ 892,378,000	n/a	

Water and Sewer System
Principal Amount of Debt Outstanding and Average Interest Rates
November 2016

Issue/Average Coupon Rate	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Fixed Rate Bonds				
2009 Series B	3.750 - 5.000%	2017-2019	\$ 25,565,000	\$ 7,270,000
2010 Series A	6.210 - 6.310%	2026-2044	83,115,000	-
2010 Series B	4.500 - 5.700%	2017-2025	15,570,000	1,730,000
2010 Series C	5.000%	2020	9,545,000	-
2010 Series D	4.000 - 5.000%	2017-2039	101,850,000	4,125,000
2010 Series E	4.000 - 5.000%	2021-2039	60,990,000	-
2010 Series F	3.200 - 5.887%	2017-2040	45,520,000	1,245,000
2012 Series A	3.000 - 5.000%	2017-2041	317,935,000	1,535,000
2012 Series B	2.000 - 5.000%	2017-2041	130,085,000	1,725,000
2013 Series A	4.000 - 5.000%	2017-2027	89,740,000	10,950,000
2013 Series B	1.882%	2017	3,830,000	3,830,000
2014 Series A	2.000 - 5.000%	2017-2040	284,595,000	4,420,000
Total Fixed Rate Senior Bonds			1,168,340,000	36,830,000
2010 Series A	5.000%	2017-2022	13,150,000	2,525,000
2010 Series B	3.000 - 5.000%	2020-2025	12,770,000	-
2012 Series A	3.000 - 4.000%	2021-2033	20,320,000	-
2012 Series B	3.250 - 5.000%	2030-2043	41,640,000	-
2013 Series A	2.125 - 5.000%	2017-2029	72,250,000	5,410,000
Total Fixed Rate Subordinated Bonds			160,130,000	7,935,000
Total Fixed Rate Bonds/4.622%			1,328,470,000	44,765,000
Variable Rate Bonds		Current Interest Rates (1)		
2006 Series B - CPI Bonds	1.803% (2)	2017-2022	34,625,000	4,255,000
2008 Series A-2	0.552%	2028-2042	51,820,000	-
2008 Series B	0.563%	2023-2041	85,290,000	-
Total Variable Rate Senior Bonds			171,735,000	4,255,000
2008 Series A-1	0.506%	2017-2038	52,950,000	2,000,000
2008 Series A-2	0.561%	2030-2038	25,600,000	-
2008 Series B-1	0.552%	2030-2036	30,885,000	-
Total Variable Rate Subordinated Bonds			109,435,000	2,000,000
Total Variable Rate Bonds			281,170,000	6,255,000
Other Obligations				
Revolving Credit Agreement	1.590%	2018	3,000,000	-
Total Other Obligations			3,000,000	-
Weighted Average Cost(3) / Total Outstanding Debt		3.648%	\$ 1,612,640,000	\$ 51,020,000

(1) Current month interest rate excluding variable debt fees.

(2) Designated swap obligation. The rate shown is the weighted average of the variable CPI Index rates for the 6 month re-set period.

(3) Weighted Average Cost of debt is net of BABs subsidy, original issue premiums/discounts and excludes variable debt liquidity/remarking fees and interest rate swap payments.

• Remaining New Money Authorization	\$	218,078,023
• Remaining Refunding Authorization	\$	1,231,973,942

JEA

District Energy System
Principal Amount of Debt Outstanding and Average Interest Rates
November 2016

Issue/Average Coupon	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Fixed Rate Bonds				
2013 Series A/4.036%	1.425 - 4.538%	2017-2034	\$ 38,125,000	\$ 1,640,000
Weighted Average Cost(1) / Total Outstanding Debt			4.093%	\$ 38,125,000

(1) Weighted Average Cost of debt is net of original issue premiums/discounts.

• Remaining New Money Authorization	\$	54,321,245
• Remaining Refunding Authorization	\$	106,670,000

JEA
INVESTMENT PORTFOLIO REPORT
November 2016
All Funds

<u>INVESTMENT</u>	<u>BOOK VALUE</u>	<u>YIELD</u>	<u>% OF TOTAL</u>	<u>LAST MONTH</u>	<u>6 MONTH AVERAGE</u>
* Treasuries	\$ 15,298,031	0.71%	1.06%	1.09%	0.63%
<u>Agencies</u>					
Federal Farm Credit Bank	193,968,848	0.75%	13.42%	14.73%	18.42%
Federal Home Loan Bank	323,958,644	1.11%	22.42%	22.88%	23.29%
Total	517,927,492	0.98%	35.84%	37.61%	41.71%
Municipal Bonds	256,330,045	1.97%	17.74%	20.19%	18.45%
Commercial Paper	349,738,494	0.73%	24.20%	19.61%	22.54%
U.S. Treasury Money Market Funds (1)	42,379,716	0.26%	2.93%	6.02%	3.14%
Agency Money Market Funds (2)	73,625,000	0.32%	5.09%	9.48%	3.76%
PFM Money Market Fund	70,000,000	0.71%	4.84%	0.00%	0.81%
<u>Wells Fargo Bank Accounts (3)</u>					
Electric, Scherer	47,125,850	0.15%	3.26%	3.54%	4.98%
SJRPP	29,499,442	0.15%	2.04%	1.45%	2.01%
Water & Sewer, DES	43,202,284	0.15%	2.99%	1.02%	1.97%
Total Portfolio	\$ 1,445,126,354	1.00%	100.00%	100.00%	100.00%

* Backed by Full Faith and Credit of U. S. Government

Weighted Avg. Annual Yield for November 2016, Excluding Bank & Money Market Funds: 1.12%

Weighted Avg. Annual Yield for November 2016, Including Bank & Money Market Funds: 1.00%

Some investments listed above may be classified as Cash Equivalents on the Statements of Net Position in accordance with generally accepted accounting principles.

- (1) Morgan Stanley Treasury Fund; Fidelity Treasury Fund; Federated Treasury Fund
- (2) Morgan Stanley Government Fund, Wells Fargo Government Fund
- (3) Month-end bank balances

**JEA
Interest Rate Swap Position Report
November 2016**

JEA Debt Management Swaps Variable to Fixed

ID	Dealer	Effective Date	Termination Date	Electric System Allocation	Water/Sewer Allocation	Fixed Rate	Floating Rate (1)	Spread	Rate Cap	Index
1	Goldman Sachs	9/18/2003	9/18/2033	\$ 84,800,000	\$ -	3.717	0.362	3.355	n/a	68% 1 mth Libor
3	Morgan Stanley	1/27/2005	10/1/2039	82,575,000	-	4.351	0.558	3.793	n/a	SIFMA
4	JPMorgan	1/27/2005	10/1/2035	86,000,000	-	3.661	0.362	3.299	n/a	68% 1 mth Libor
6	JPMorgan	1/27/2005	10/1/2037	39,175,000	-	3.716	0.362	3.354	n/a	68% 1 mth Libor
7	Morgan Stanley	10/31/2006	10/1/2022	-	34,625,000	3.996	1.803	2.193	n/a	CPI
8	Morgan Stanley	1/31/2007	10/1/2031	62,980,000	-	3.907	0.558	3.349	n/a	SIFMA
9	Merrill Lynch	3/8/2007	10/1/2041	-	85,290,000	3.895	0.558	3.337	n/a	SIFMA
10	Goldman Sachs	1/31/2008	10/1/2036	51,680,000	-	3.836	0.558	3.278	n/a	SIFMA
Total				<u>\$ 407,210,000</u>	<u>\$ 119,915,000</u>	Wtd Avg Spread		3.327		

Notes: (1) The "Floating Rate" column is the average of the floating rate for each instrument for this month.

	Month November			Year-To-Date November		
	2016	2015	Variance	2016	2015	Variance
Electric revenue sales (000's omitted):						
Residential	\$ 38,168	\$ 41,501	-8.03%	\$ 84,702	\$ 64,849	30.61%
Commercial	31,185	31,993	-2.53%	63,784	50,130	27.24%
Industrial	16,222	18,078	-10.27%	31,970	23,210	37.74%
Public street lighting	1,095	1,150	-4.78%	2,216	1,950	13.64%
Sales for resale - territorial	1,638	2,092	-21.70%	3,814	2,882	32.34%
Electric revenues - territorial	88,308	94,814	-6.86%	186,486	143,021	30.39%
Sales for resale - off system	231	140	65.00%	1,085	323	235.91%
Electric revenues	88,539	94,954	-6.76%	187,571	143,344	30.85%
Less: rate stabilization & recovery	(1,285)	(8,166)	-84.26%	(3,234)	32,750	-109.87%
Less: allowance for doubtful accounts	-	(140)	-100.00%	-	(232)	-100.00%
Net electric revenues	87,254	86,648	0.70%	184,337	175,862	4.82%
MWh sales						
Residential	325,574	340,228	-4.31%	727,829	714,870	1.81%
Commercial	307,304	322,400	-4.68%	628,506	652,764	-3.72%
Industrial	209,983	231,060	-9.12%	409,257	450,162	-9.09%
Public street lighting	5,473	6,192	-11.61%	11,368	12,868	-11.66%
Sales for resale - territorial	14,904	23,825	-37.44%	37,704	45,556	-17.24%
Total MWh sales - territorial	863,238	923,705	-6.55%	1,814,664	1,876,220	-3.28%
Sales for resale - off system	7,445	5,062	47.08%	33,883	11,230	201.72%
Total MWH sales	870,683	928,767	-6.25%	1,848,547	1,887,450	-2.06%
Number of accounts (1)						
Residential	400,685	393,727	1.77%	400,400	393,505	1.75%
Commercial	51,694	51,018	1.33%	51,680	50,985	1.36%
Industrial	205	204	0.49%	204	205	-0.49%
Public street lighting	3,698	3,615	2.30%	3,699	3,611	2.44%
Sales for resale	2	2	0.00%	2	2	0.00%
Total average accounts	456,284	448,566	1.72%	455,985	448,308	1.71%
Residential averages						
Revenue per account - \$	95.26	105.41	-9.63%	211.54	164.80	28.36%
kWh per account	813	864	-5.90%	1,818	1,817	0.06%
Revenue per kWh - ¢	11.72	12.20	-3.93%	11.64	9.07	28.34%
Degree days						
Heating degree days	115	47	68	130	54	76
Cooling degree days	58	161	(103)	286	362	(76)
Total degree days	173	208	(35)	416	416	-
Degree days - 30 year average	206		431			

(1) The year-to-date column represents a fiscal year-to-date average.

	Month			Year-To-Date		
	2016	2015	Variance	2016	2015	Variance
Water						
<i>Revenues (000's omitted):</i>						
Residential	\$ 7,490	\$ 6,765	10.72%	\$ 15,076	\$ 14,111	6.84%
Commercial and industrial	3,861	3,650	5.78%	7,799	7,740	0.76%
Irrigation	3,178	2,898	9.66%	6,174	5,449	13.31%
Total water revenues	14,529	13,313	9.13%	29,049	27,300	6.41%
Less: rate stabilization environmental	(1,150)	(1,042)	10.36%	(2,318)	(2,114)	9.65%
Less: allowance for doubtful accounts	-	(20)	-100.00%	-	(44)	-100.00%
Net water revenues	\$ 13,379	\$ 12,251	9.21%	\$ 26,731	\$ 25,142	6.32%
<i>Kgal sales (000s omitted)</i>						
Residential	1,400,599	1,146,462	22.17%	2,859,140	2,600,749	9.94%
Commercial and industrial	1,106,249	996,362	11.03%	2,258,359	2,251,310	0.31%
Irrigation	560,990	498,068	12.63%	1,079,184	909,618	18.64%
Total kgal sales	3,067,838	2,640,892	16.17%	6,196,683	5,761,677	7.55%
<i>Number of accounts (1):</i>						
Residential	276,124	269,314	2.53%	275,892	269,154	2.50%
Commercial and industrial	25,333	24,237	4.52%	25,325	24,219	4.57%
Irrigation	36,563	36,160	1.11%	36,561	36,179	1.06%
Total average accounts	338,020	329,711	2.52%	337,778	329,552	2.50%
<i>Residential averages:</i>						
Revenue per account - \$	27.13	25.12	8.00%	54.64	52.43	4.22%
Kgals per account	5.07	4.26	19.01%	10.36	9.66	7.25%
Revenue per kgals - \$	5.35	5.90	-9.32%	5.27	5.43	-2.95%
Reuse						
<i>Revenues (000's omitted):</i>						
Reuse revenues	\$ 1,210	\$ 633	91.15%	\$ 2,116	\$ 1,307	61.90%
<i>Kgal sales (000s omitted)</i>						
Kgal sales (000s omitted)	294,406	144,793	103.33%	534,568	300,982	77.61%
<i>Number of accounts (1):</i>						
Reuse accounts	8,686	6,816	27.44%	8,596	6,745	27.44%
Sewer						
<i>Revenues (000's omitted):</i>						
Residential	\$ 11,172	\$ 9,719	14.95%	\$ 22,822	\$ 21,068	8.33%
Commercial and industrial	8,756	6,906	26.79%	17,573	16,980	3.49%
Total sewer revenues	19,928	16,625	19.87%	40,395	38,048	6.17%
Less: rate stabilization environmental	1,899	(669)	-383.86%	1,856	(1,448)	-228.18%
Less: allowance for doubtful accounts	-	(30)	-100.00%	-	(66)	-100.00%
Net sewer revenues	21,827	15,926	37.05%	42,251	36,534	15.65%
<i>Kgal sales (000s omitted)</i>						
Residential	1,190,805	951,582	25.14%	2,466,434	2,179,893	13.14%
Commercial and industrial	947,708	688,271	37.69%	1,948,994	1,850,967	5.30%
Total kgal sales	2,138,513	1,639,853	30.41%	4,415,428	4,030,860	9.54%
<i>Number of accounts (1):</i>						
Residential	243,603	237,064	2.76%	243,366	236,895	2.73%
Commercial and industrial	18,102	17,882	1.23%	18,102	17,879	1.25%
Total average accounts	261,705	254,946	2.65%	261,468	254,774	2.63%
<i>Residential averages:</i>						
Revenue per account - \$	45.86	41.00	11.85%	93.78	88.93	5.45%
kgals per account	4.89	4.01	21.95%	10.13	9.20	10.11%
Revenue per kgals - \$	9.38	10.21	-8.13%	9.25	9.66	-4.24%
Rainfall						
	Diff in inches			Diff in inches		
Normal	2.11	2.11		6.04	6.04	
Actual	0.02	3.92	(3.90)	9.53	4.12	5.41
Rain Days	1	6		9	11	

(1) The year-to-date column represents a fiscal year-to-date average.

	Month			Year-To-Date		
	2016	November 2015	Variance	2016	November 2015	Variance
Generated power:						
Steam:						
<i>Fuel oil</i>						
Fuel expense	\$ -	\$ -		\$ -	\$ (45,016)	-100.00%
Barrels #6 oil consumed	-	-		-	-	
\$/ per barrel consumed	-	-		-	-	
kWh oil generated (1)	-	-		-	-	
Cost per MWh - oil		\$ -				
<i>Natural gas units #1-3</i>						
Gas expense - variable	\$ 229,245	\$ 76,180	200.93%	\$ 1,985,455	\$ 3,479,887	-42.94%
MMBTU's consumed	88,565	22,050	301.66%	622,899	1,234,526	-49.54%
\$/ per MMBTU consumed	\$ 2.59	\$ 3.45	-24.93%	\$ 3.19	\$ 2.82	13.12%
kWh - gas generated (1)	5,790,367	2,977,402	94.48%	49,961,617	113,404,382	-55.94%
Cost per MWh - gas	\$ 39.59	\$ 25.59	54.71%	\$ 39.74	\$ 30.69	29.49%
Cost per MWh - gas & oil - steam	\$ 39.59	\$ 25.59	54.71%	\$ 39.74	\$ 30.29	31.20%
<i>Coal</i>						
Coal expense	\$ 675,326	\$ 1,250,716	-46.00%	\$ 2,011,001	\$ 3,128,682	-35.72%
kWh generated	20,623,902	59,480,816	-65.33%	73,714,898	142,405,356	-48.24%
Cost per MWh - coal	\$ 32.74	\$ 21.03	55.68%	\$ 27.28	\$ 21.97	24.17%
<i>Pet coke and limestone</i>						
Expense	\$ 1,428,050	\$ 2,146,513	-33.47%	\$ 3,828,983	\$ 5,364,749	-28.63%
kWh generated	36,120,607	94,727,059	-61.87%	130,504,835	227,113,425	-42.54%
Cost per MWh - pet coke and limestone	\$ 39.54	\$ 22.66	74.49%	\$ 29.34	\$ 23.62	24.22%
Cost per MWh - coal & petcoke - steam	\$ 37.07	\$ 22.03	68.27%	\$ 28.60	\$ 22.99	24.40%
Combustion turbine:						
<i>Fuel oil</i>						
Fuel expense	\$ 48,070	\$ 70,652	-31.96%	\$ 98,453	\$ 97,761	0.71%
Barrels #2 oil consumed	153	490	-68.78%	469	451	3.99%
\$/ per barrel consumed	\$ 314.18	\$ 144.19	117.89%	\$ 209.92	\$ 216.76	-3.16%
kWh - oil generated	(100)	141,698	-100.07%	65,566	141,067	-53.52%
Cost per MWh - oil		\$ 498.61		\$ 1,501.59	\$ 693.01	116.68%
<i>Natural gas (includes landfill)</i>						
Gas expense Kennedy & landfill - variable	\$ 94,169	\$ 53,322	76.60%	\$ 188,941	\$ 118,466	59.49%
MMBTU's consumed	33,721	24,228	39.18%	62,394	48,279	29.24%
\$/ per MMBTU consumed	\$ 2.79	\$ 2.20	26.82%	\$ 3.03	\$ 2.45	23.67%
kWh - gas generated (1)	2,607,639	1,723,642	51.29%	4,770,097	3,464,541	37.68%
Cost per MWh - gas	\$ 36.11	\$ 30.94	16.71%	\$ 39.61	\$ 34.19	15.85%
Gas expense BB simple - variable	\$ 130,955	\$ 316,045	-58.56%	\$ 392,593	\$ 336,044	16.83%
MMBTU's consumed	47,457	148,993	-68.15%	134,008	163,643	-18.11%
\$/ per MMBTU consumed	\$ 2.76	\$ 2.12	30.19%	\$ 2.93	\$ 2.05	42.93%
kWh - gas generated (1)	4,185,903	13,381,869	-68.72%	11,865,340	14,501,369	-18.18%
Cost per MWh - gas simple	\$ 31.28	\$ 23.62	32.43%	\$ 33.09	\$ 23.17	42.81%
Gas expense BB combined - variable	\$ 6,877,083	\$ 4,899,535	40.36%	\$ 14,217,752	\$ 9,995,891	42.24%
MMBTU's consumed	2,464,301	2,317,951	6.31%	4,895,670	4,280,983	14.36%
\$/ per MMBTU consumed	\$ 2.79	\$ 2.11	32.23%	\$ 2.90	\$ 2.33	24.46%
kWh - gas generated (1)	354,006,487	335,307,872	5.58%	701,919,313	607,923,192	15.46%
Cost per MWh - gas combined	\$ 19.43	\$ 14.61	32.99%	\$ 20.26	\$ 16.44	23.24%
Gas expense GEC simple - variable	\$ 126,535	\$ 336,688	-62.42%	\$ 572,041	\$ 642,686	-10.99%
MMBTU's consumed	59,343	151,305	-60.78%	222,075	276,593	-19.71%
\$/ per MMBTU consumed	\$ 2.13	\$ 2.23	-4.48%	\$ 2.58	\$ 2.32	11.21%
kWh - gas generated	5,079,431	13,595,746	-62.64%	20,039,559	24,402,003	-17.88%
Cost per MWh - gas simple	\$ 24.91	\$ 24.76	0.61%	\$ 28.55	\$ 26.34	8.39%
Cost per MWh - gas & oil ct	\$ 19.89	\$ 15.59	27.58%	\$ 20.94	\$ 17.21	21.67%
Natural gas expense - fixed	\$ 2,257,870	\$ 2,111,073	6.95%	\$ 4,641,433	\$ 4,416,986	5.08%
Total generated power:						
Fuels expense	\$ 11,867,303	\$ 11,260,724	5.39%	\$ 27,936,652	\$ 27,536,136	1.45%
kWh generated	428,414,236	521,336,104	-17.82%	992,841,225	1,133,355,335	-12.40%
Cost per MWh	\$ 27.70	\$ 21.60	28.24%	\$ 28.14	\$ 24.30	15.81%

(1) Allocation of kWh generated is based upon a ratio of gas MBTU's (adjusted to oil equivalent - 95.5%) and oil MBTU's.

Cost of fuels						
Fuel oil #6	\$ -	\$ -		\$ -	\$ (45,016)	
Natural gas units #1-3 with landfill - variable	229,245	76,180		1,985,455	3,479,887	
Coal	675,326	1,250,716		2,011,001	3,128,682	
Petcoke	1,428,050	2,146,513		3,828,983	5,364,749	
Fuel oil #2	48,070	70,652		98,453	97,761	
Natural gas - simple cycle (BB & GEC) - variable	351,659	706,055		1,153,575	1,097,196	
Natural gas - combined (BB) - variable	6,877,083	4,899,535		14,217,752	9,995,891	
Natural gas - fixed	2,257,870	2,111,073		4,641,433	4,416,986	
Total	\$ 11,867,303	\$ 11,260,724		\$ 27,936,652	\$ 27,536,136	

	Month November			Year-To-Date November		
	2016	2015	Variance	2016	2015	Variance
Production Statistics (Con't.)						
Purchased power:						
<i>Plant Scherer</i>						
Purchases	\$ 4,039,862	\$ 3,431,196	17.74%	\$ 8,721,248	\$ 9,707,601	-10.16%
kWh purchased	104,731,000	94,733,000	10.55%	227,569,000	197,325,000	15.33%
Cost per MWh	\$ 38.57	\$ 36.22	6.50%	\$ 38.32	\$ 49.20	-22.10%
<i>TEA & other</i>						
Purchases	\$ 5,626,450	\$ 4,662,615	20.67%	\$ 8,662,518	\$ 6,953,556	24.58%
kWh purchased	136,512,835	130,168,995	4.87%	196,275,170	174,708,783	12.34%
Cost per MWh	\$ 41.22	\$ 35.82	15.06%	\$ 44.13	\$ 39.80	10.89%
<i>SJRPP</i>						
Purchases	\$ 11,065,889	\$ 10,774,554	2.70%	\$ 24,804,746	\$ 23,326,528	6.34%
kWh purchased	207,521,000	206,109,000	0.69%	473,942,000	443,254,000	6.92%
Cost per MWh	\$ 53.32	\$ 52.28	2.01%	\$ 52.34	\$ 52.63	-0.55%
Total purchased power:						
Purchases	\$ 20,732,201	\$ 18,868,365	9.88%	\$ 42,188,512	\$ 39,987,685	5.50%
kWh purchased	448,764,835	431,010,995	4.12%	897,786,170	815,287,783	10.12%
Cost per MWh	\$ 46.20	\$ 43.78	5.53%	\$ 46.99	\$ 49.05	-4.19%
Subtotal - generated and purchased power:	\$ 32,599,504	\$ 30,129,089	8.20%	\$ 70,125,164	\$ 67,523,821	3.85%
Fuel interchange sales	(231,004)	(140,470)	64.45%	(1,084,715)	(323,361)	235.45%
Earnings of The Energy Authority	(350,193)	(297,066)	17.88%	(75,249)	(207,750)	-63.78%
EPA Allowance Purchases	233,775	-		233,775	-	
Realized and Unrealized (Gains) Losses:	116,400	421,800	-72.40%	116,400	560,400	-79.23%
Fuel procurement and handling	1,277,666	775,015	64.86%	1,905,717	1,519,667	25.40%
By product reuse	1,467,304	730,280	100.92%	2,635,070	2,135,357	23.40%
Total generated and net purchased power:						
Cost, net	35,113,452	31,618,648	11.05%	73,856,162	71,208,134	3.72%
kWh generated and purchased	877,179,071	952,347,099	-7.89%	1,890,627,395	1,948,643,118	-2.98%
Cost per MWh	\$ 40.03	\$ 33.20	20.57%	\$ 39.06	\$ 36.54	6.90%
Reconciliation:						
Generated and purchased power per above	\$ 35,113,452	\$ 40.03		\$ 73,856,162	\$ 39.06	
<i>SJRPP operating expenses:</i>						
SJRPP O & M	(1,666,139)	(1.90)		(3,794,436)	(2.01)	
SJRPP debt service	(3,180,643)	(3.63)		(6,354,493)	(3.36)	
SJRPP R & R	1,770,613	2.02		3,541,227	1.87	
<i>SCHERER operating expenses:</i>						
Scherer power production	(649,420)	(0.74)		(1,186,325)	(0.63)	
Scherer R & R	118,279	0.13		(185,803)	(0.10)	
Scherer transmission	(347,208)	(0.40)		(803,591)	(0.43)	
Scherer taxes	(89,371)	(0.10)		(89,371)	(0.05)	
Florida and other capacity	(607,050)	(0.69)		(799,586)	(0.42)	
MEAG	(513,799)	(0.59)		(1,027,707)	(0.54)	
Rounding	1	0.00		1	0.00	
	<u>\$ 29,948,715</u>	<u>\$ 34.14</u>		<u>\$ 63,156,078</u>	<u>\$ 33.40</u>	

	Month November		Year-to-Date November	
	2016	2015	2016	2015
MWh sales				
JEA	207,521	206,109	473,942	443,254
FPL saleback	146,545	181,593	309,630	385,029
FPL direct portion	88,517	96,926	195,893	207,071
Total MWh sales	<u>442,583</u>	<u>484,628</u>	<u>979,465</u>	<u>1,035,354</u>
Fuel costs	\$ 7,995,392	\$ 7,654,277	\$ 18,209,102	\$ 16,585,728
(Includes fuel handling expenses)				
Less interest credits: inventory bank	(4,891)	(2,958)	(11,066)	(6,821)
Plus (less): true-up interest	(780)	(361)	(992)	(441)
Total	<u>7,989,721</u>	<u>7,650,958</u>	<u>18,197,044</u>	<u>16,578,466</u>
Cost per MWh	\$ 38.50	\$ 37.12	\$ 38.40	\$ 37.40
Operating and maintenance expenses	1,666,986	1,435,455	3,796,321	3,355,299
Less: operations bank interest	(847)	(313)	(1,885)	(710)
Less: annual variable o & m true-up	-	-	-	-
Total	<u>1,666,139</u>	<u>1,435,142</u>	<u>3,794,436</u>	<u>3,354,589</u>
Cost per MWh	\$ 8.03	\$ 6.96	\$ 8.01	\$ 7.57
Debt service contribution				
Principal	2,208,073	2,331,563	4,416,146	4,663,124
Interest	1,349,442	1,464,488	2,698,885	2,928,976
Less credits:				
Reserve Issue 2	(194,161)	(256,863)	(388,246)	(495,480)
Reserve Issue 3	(13,130)	(14,976)	(26,350)	(30,040)
Debt service Issue 2	(554)	(6)	(2,426)	(64)
Debt service Issue 3	-	-	-	-
Bond proceeds COB	(4,885)	-	(11,094)	-
General reserve Issue 2	(5,808)	(14,286)	(19,722)	(28,234)
General reserve Issue 3	(1,845)	(1)	(3,691)	(2)
Build America Bonds subsidy	(32,433)	(34,190)	(64,866)	(68,380)
Inventory carrying costs	(69,829)	(58,852)	(140,305)	(116,811)
Total	<u>3,234,870</u>	<u>3,416,877</u>	<u>6,458,331</u>	<u>6,853,089</u>
Cost per MWh	\$ 15.59	\$ 16.58	\$ 13.63	\$ 15.46
R & R contribution	309,387	339,343	618,773	678,686
Less: interest credit	(54,228)	(42,766)	(103,838)	(88,302)
Less: cumulative capital recovery amount	(2,080,000)	(2,025,000)	(4,160,000)	(4,050,000)
Total	<u>(1,824,841)</u>	<u>(1,728,423)</u>	<u>(3,645,065)</u>	<u>(3,459,616)</u>
Cost per MWh	\$ (8.79)	\$ (8.39)	\$ (7.69)	\$ (7.81)
Debt service coverage	-	-	-	-
Transfer to JEA	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cost per MWh	-	-	-	-
Total	<u>\$ 11,065,889</u>	<u>\$ 10,774,554</u>	<u>\$ 24,804,746</u>	<u>\$ 23,326,528</u>
kWh purchased	207,521,000	206,109,000	473,942,000	443,254,000
Cost per MWh	\$ 53.32	\$ 52.28	\$ 52.34	\$ 52.63

[Return to Agenda](#)

III. A. 5.

Monthly Operations Report



JEA Operations Report

as of November 30, 2016

[Return to Agenda](#)

III. A. 5.
12/13/2016

Board of Directors Meeting December 13, 2016

FY2016

- RIR = 1.82
- # of Recordables = 38
- November YTD Recordables = 1

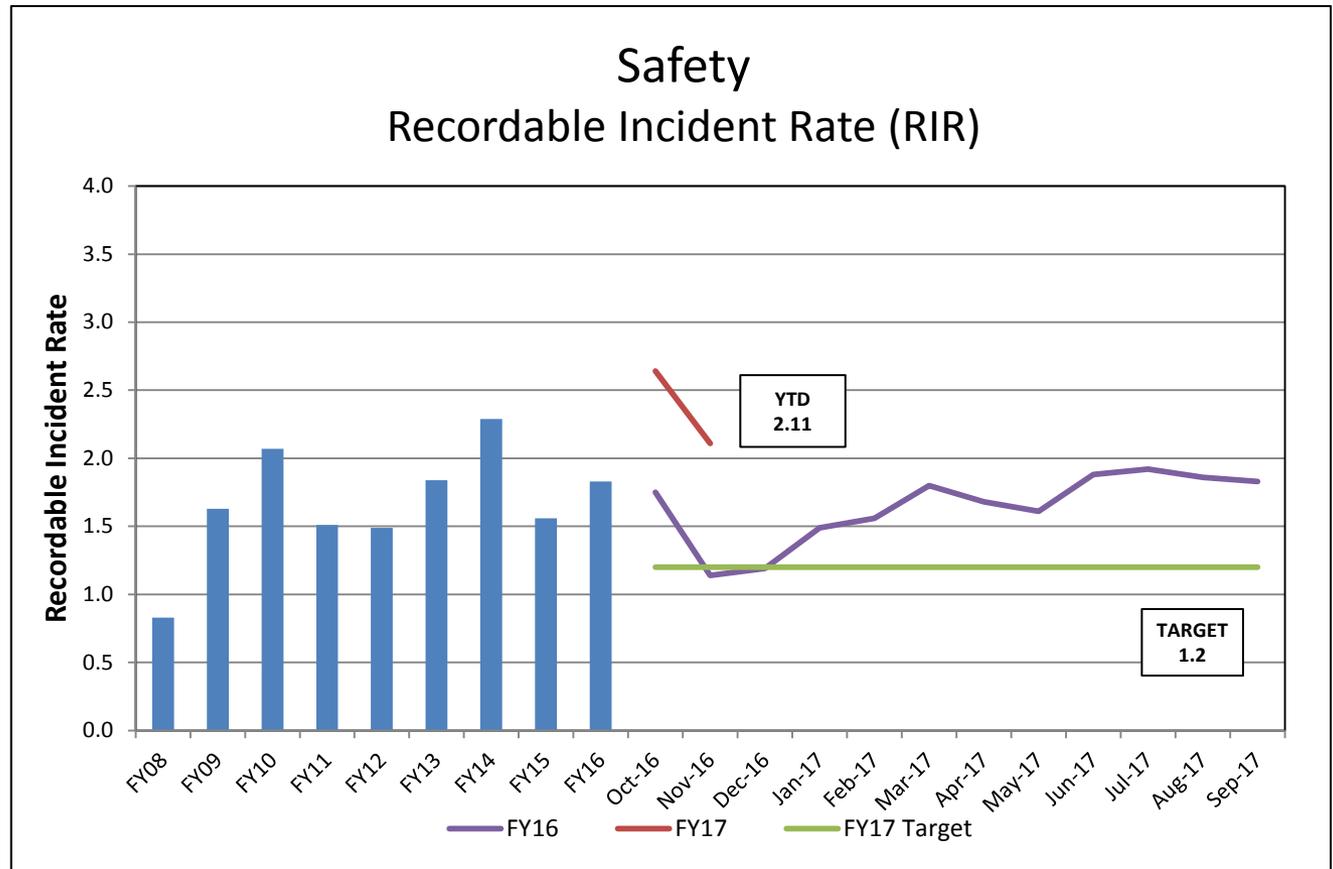
FY2017

- November Recordables = 3
- Year to Date Recordables = 8
- 1 (12.5%) was lost time
 - Electric Systems = 5
 - Water/WW Systems = 3
- Continuing to “Plan for Zero”
- Increased focus on:
 - Complacency
 - Hand/Finger
 - 0-5 Year Employees
 - PPE Use
 - Strains, Sprains, Slip/Trip/Fall

Industry Benchmark*

Average Municipal Utility RIR is 6.3
Average LPPC RIR is 3.7

Units	FY2017 YTD	FY2017 Target	FY2016	FY2015
RIR	2.11	1.2	1.82	1.56

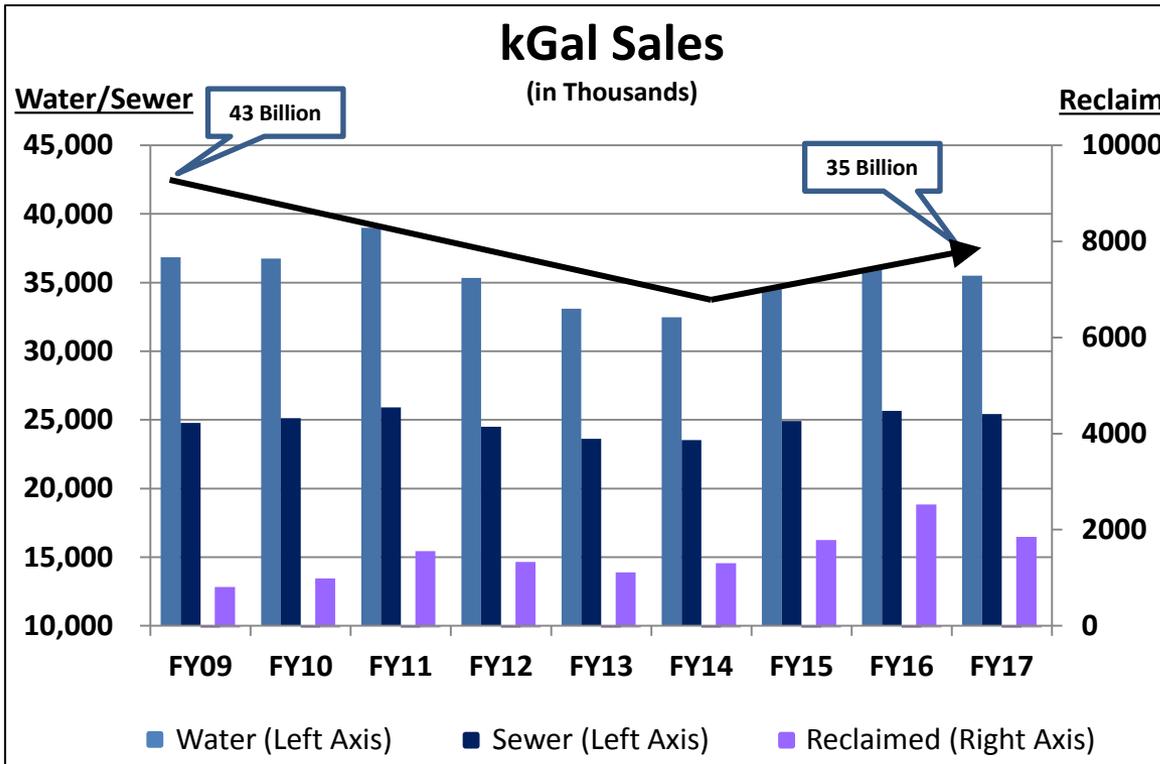




JEA Water and Sewer System

kGal Sales

(in Thousands)



Month	FY16	FY17	%
Oct	3,120	3,129	0.3%
Nov	2,641	3,068	16.2%
YTD	5,761	6,197	7.6%
Dec	2,758		
Jan	2,527		
Feb	2,479		
Mar	2,825		
Apr	2,914		
May	3,523		
Jun	3,290		
Jul	3,736		
Aug	3,451		
Sep	3,094		
Total/Forecast	36,358	35,511	

Unit Sales Driver: YTD rainfall up 6 inches; rain days down 2.

Irrigation for November YTD FY17 up 19% versus November YTD FY16.

YTD Rainfall			
	30-Yr. Avg.	FY16	FY17
Inches	6	4	10
Days	15	11	9

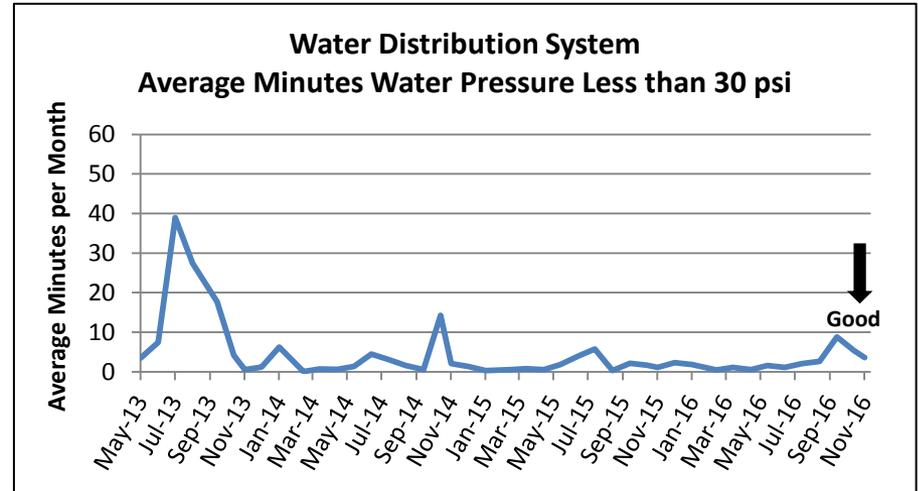
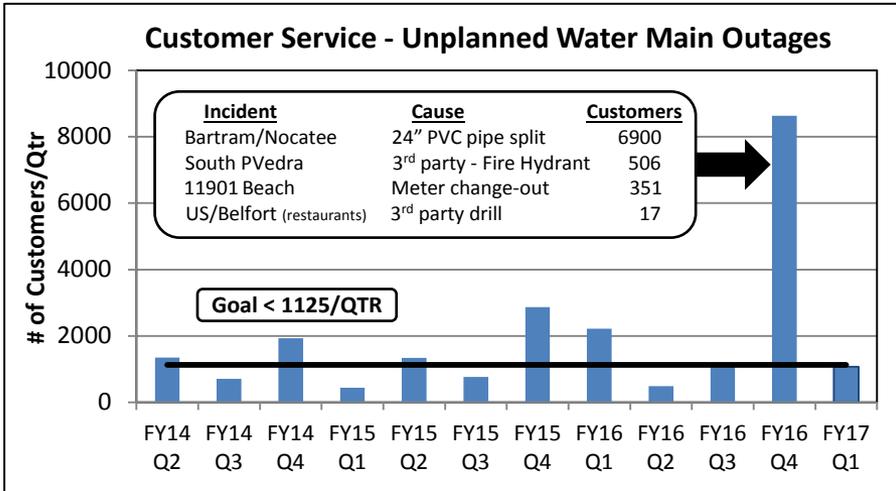
YTD Customer Accounts			
	FY16	FY17	%
Water	329,711	338,020	2.5%
Sewer	254,946	261,705	2.7%
Reclaimed	6,816	8,686	27.4%

Total System	7.6%
Residential	9.9%
Comm./Industrial	0.3%
Irrigation	18.6%

Customer Reliability Objectives

Water and Wastewater System

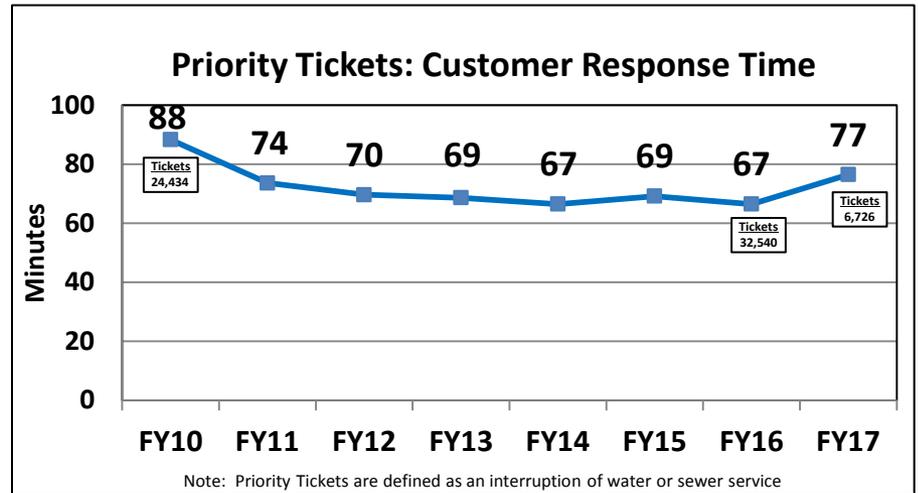
Water Grid Performance	Metric	FY2017 YTD	FY2017 Target	FY2016	FY2015
Water Main Outages	# of Customers per Year	1,067	9,000	12,735	5,629



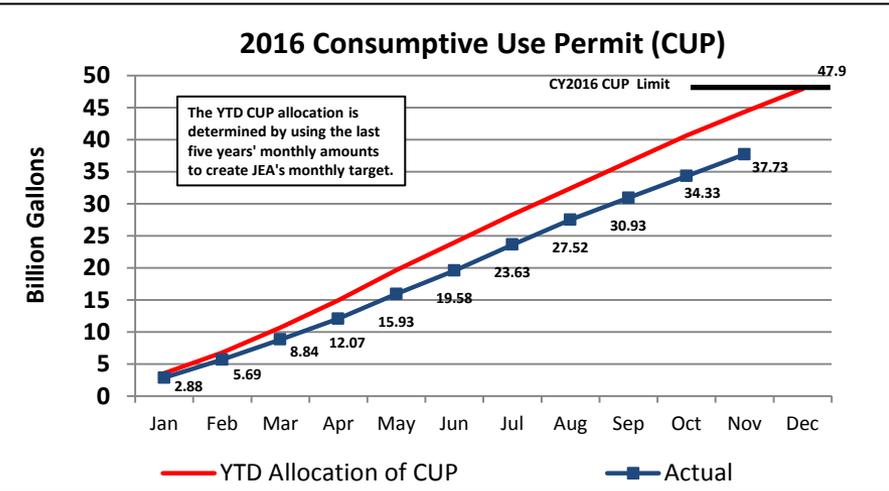
Unplanned Water Outages
 # of Customers Affected by Unplanned Outages has increased due to 3rd Party Damages

Water Pressure (minutes per month < 30 psi)
 Measured by 110 pressure monitoring stations in the distribution system. Pressure must be greater than 20 psi, and is expected to be greater than 50 psi.

Customer Response Time
 Average time from a customer call to the ticket completion or transfer to a field crew for a more extensive repair



Compliance	Metric – CY Basis	FY2016	2016 Target	2015	2014
Water	CUP Limits (MGD)	113	131 limit	107 (129 limit)	104 (127 limit)
South Grid	Wellfield Allocation (MGD)	53.51	< 50.23 limit	47.50 (<50.23 limit)	46.61 (<61.23 limit)
Reclaim	Usage (MGD)	16	15	13	12



CUP Condition 44: South Grid Wellfield Allocation Limits

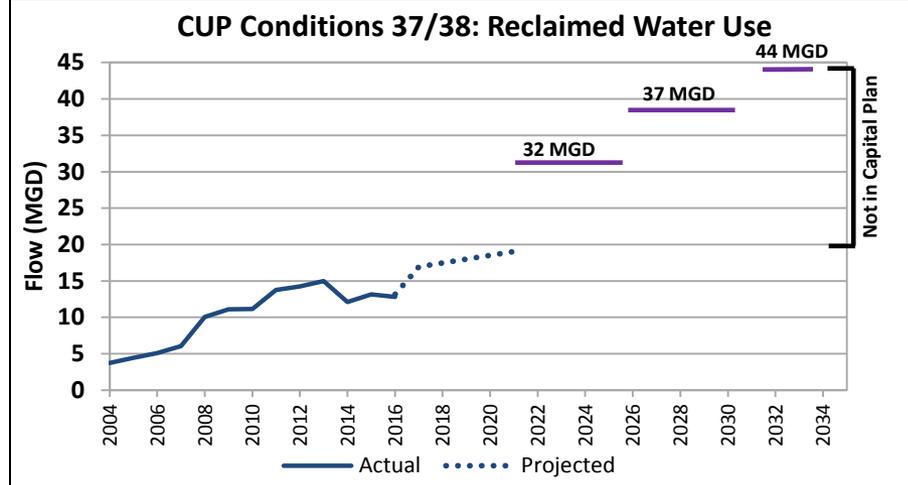
Critical Wellfields	Actuals				YTD 2016	Post Sep - 14 Limit
	2013	2014	2015	2016		
Deerwood III	6.96	7.01	6.67	8.18	8.18	7.00
Ridenour	5.97	6.39	6.66	7.81	7.81	6.85
Oakridge	8.78	6.23	4.99	5.87	5.87	5.65
Greenland	---	1.53	4.27	4.15	4.15	4.53
Brierwood	5.58	4.53	2.84	3.20	3.20	3.02
Subtotal	27.29	25.69	25.43	29.22	29.22	27.05
Other Wellfields	22.21	20.92	22.07	24.29	24.29	23.18
Total South Grid	49.50	46.61	47.50	53.51	53.51	50.23
Total System MGD	100	104	107	113	113	131

St. Johns River Water Management District CUP

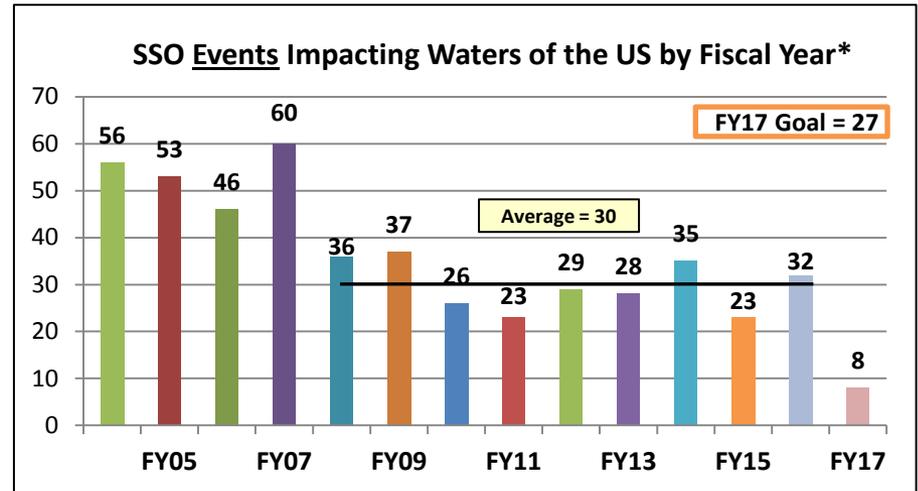
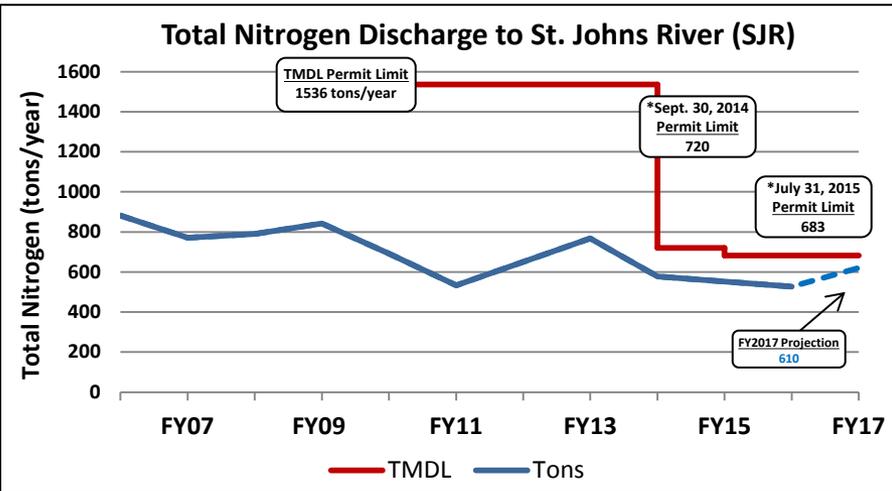
Condition 12: YTD average daily flow is 14% below CY limit of 131 MGD

Condition 44: South Grid Wellfields are 6% above base limit, yet have annual operational flexibility of 20% above the allocation limits

Conditions 37/38: Use of reclaimed water “to the maximum extent technologically, economically, and environmentally feasible”. The annual CUP limit continues to increase beginning in FY21 if 32 MGD is achieved.



Compliance	Metric	FY2017 YTD	FY2017 Target	FY2016	FY2015
Sewer	Nitrogen (N) Tons – FY basis	110	550	527 (TMDL of 683*)	553 (TMDL of 683*)

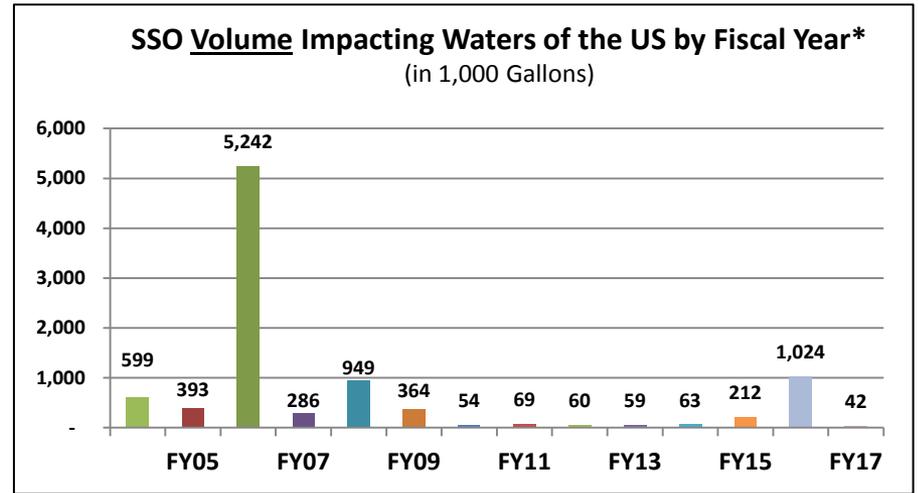


Nitrogen Discharge to St. Johns River

Florida Department of Environmental Protection (FDEP) has reduced the Total Maximum Daily Load (TMDL) to 683 tons with Water Quality Trading Credits allocated to the COJ

Sanitary Sewer Overflows (SSOs to US Waters)

FY08 - FY16 SSO's averaged 30 per year. Eight (8) SSO's year-to-date impacting US Waters excluding events occurring during Hurricane Matthew.



*Aligned with the PSC Rule for Electric Reliability Reporting, the Operational Metrics will exclude the impact of all service interruptions associated with a storm named by the National Hurricane Center.



JEA Water and Sewer System

Financial Results and Cost Metrics

(\$ in thousands)

Revenues	FY17 Forecast	FY16 Actual	FY17 Budget	FY17 vs FY16 (\$)	Variance (%)
Water & Sewer Revenues	\$ 400,099	\$ 409,889	\$ 394,430	\$ (9,790)	-2.4%
Other Revenue	34,010	40,070	33,792	(6,060)	-15.1%
Total Revenues	\$ 434,109 ①	\$ 449,959	\$ 428,222	\$ (15,850)	-3.5%
Select Expenses					
O & M Expense	\$ 141,790 ②	\$ 130,296	\$ 144,149	\$ (11,494)	-8.8%
Net Revenues	\$ 289,135	\$ 313,130	\$ 280,753	\$ (25,505)	-8.1%
Capital Expenditures	\$ 211,115 ③	\$ 147,363	\$ 205,000 ¹	\$ (63,752)	-43.3%
Debt Service	\$ 117,421	\$ 95,418	\$ 118,375	\$ (22,003)	-23.1%

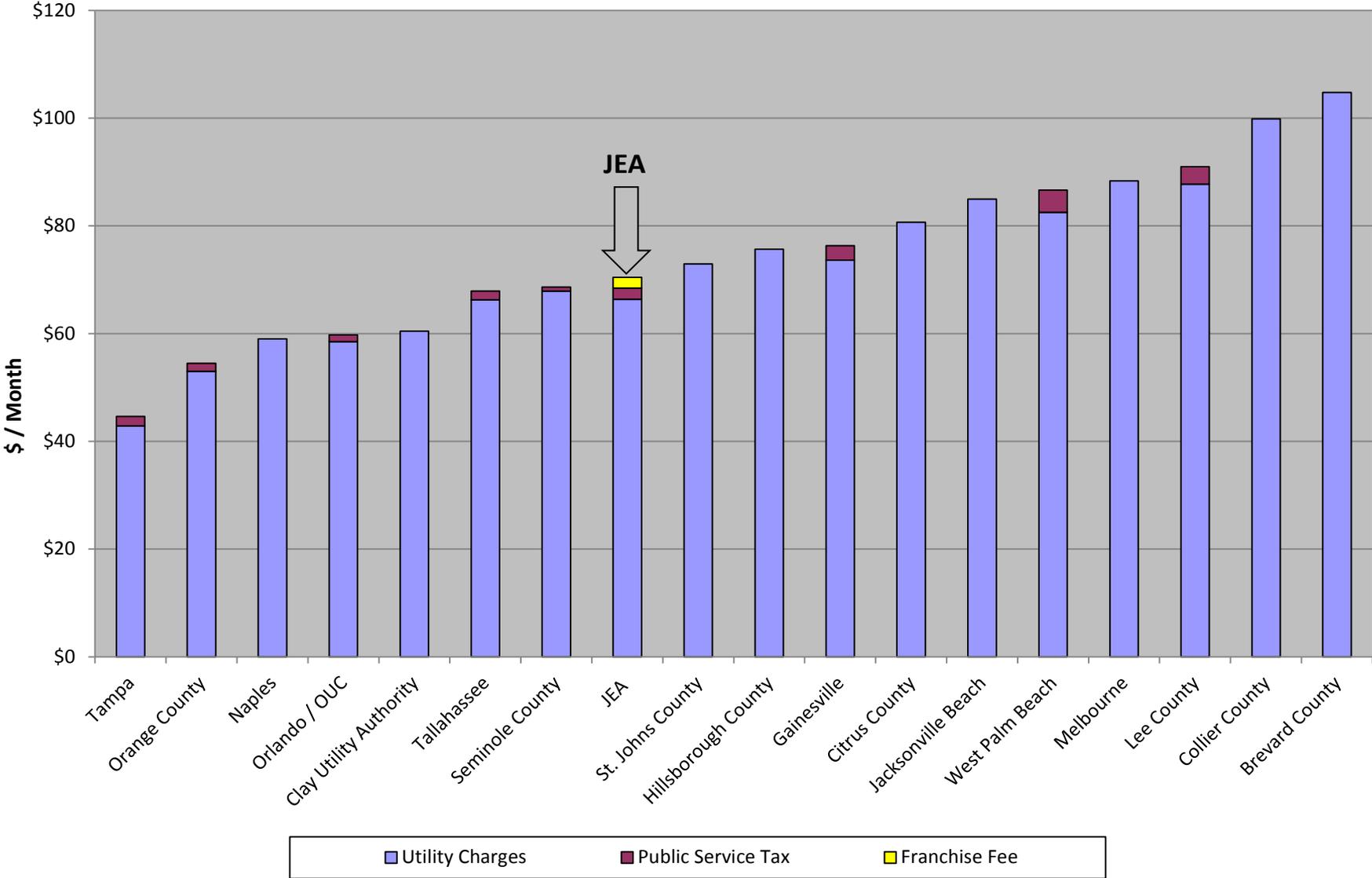
Metrics	FY17 Forecast
Coverage:	2.5x
Days Liquidity/Cash:	304 / 192
Debt/Asset:	50% (3% lower)
Total Debt:	\$1.6B (\$34M lower)

Cost / KGal	Water	Sewer
Target	\$ 4.75	\$ 10.27
Forecast	<u>5.11</u>	<u>10.78</u>
Difference	\$ (0.36)	\$ (0.51)

¹ Council approved limit for capital expenditures in FY17 is \$225.5 million

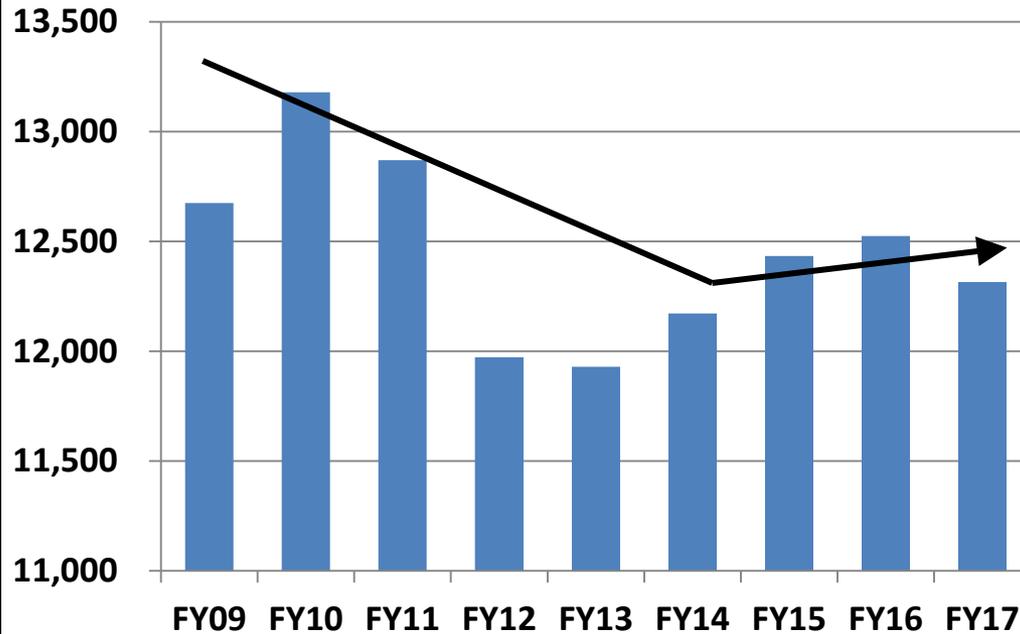
Water & Sewer Rates in Florida

Residential Service with a 5/8" meter and 6 kgals of Consumption
 Residential Rates as of December 2016



MWh Sales

(in Thousands)



Month	FY16	FY17	%
Oct	952,515	951,425	(0.1%)
Nov	923,705	863,238	(6.5%)
YTD	1,876,220	1,814,663	(3.3%)
Dec	922,956		
Jan	1,049,897		
Feb	894,563		
Mar	893,954		
Apr	900,013		
May	1,089,555		
Jun	1,231,251		
Jul	1,336,836		
Aug	1,254,240		
Sep	1,111,769		
Total/Forecast	12,561,253	12,314,926	

Unit Sales Driver: YTD MWh reduction due to moderate weather, holiday, and decrease in FPU demand.

YTD Degree Days		
<u>30-yr. Avg.</u>	<u>FY16</u>	<u>FY17</u>
431	416	416

YTD Customer Accounts		
<u>FY16</u>	<u>FY17</u>	<u>%</u>
448,566	456,284	1.7%

Total System	(3.3%)
Residential	1.8%
Comm./Industrial	(3.1%)
Interruptible	(15.8%)
Wholesale (FPU)	(44.0%)

T&D Grid Performance	Metric	FY2017 YTD	FY2017 Target	FY2016	FY2015
Customer Outage Frequency*	# of Outages per Year	1.34	1.8	1.4	1.8
Electric Outage Duration*	# of Minutes out per Year	68.7	80	71	99
Transmission Line Faults	# of Faults per 100 miles	0.8	2.5	0.7	2.8
CEMI ₅ *	% Customers > 5 outages per yr	1.53	1.5	1.4	2.1

Electric Service Reliability

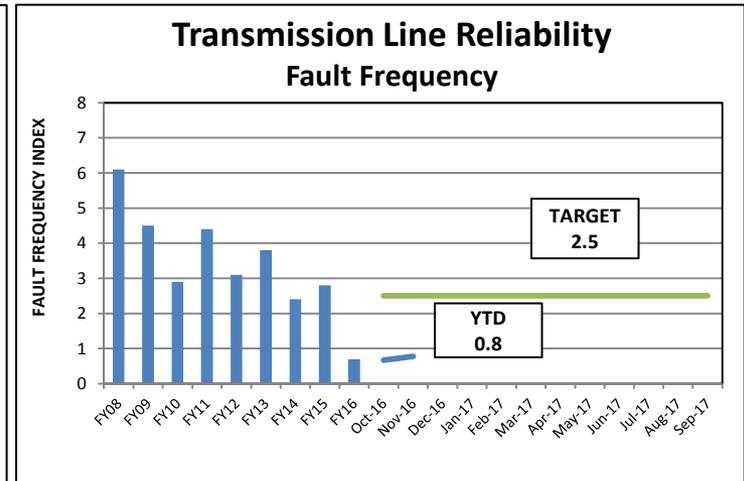
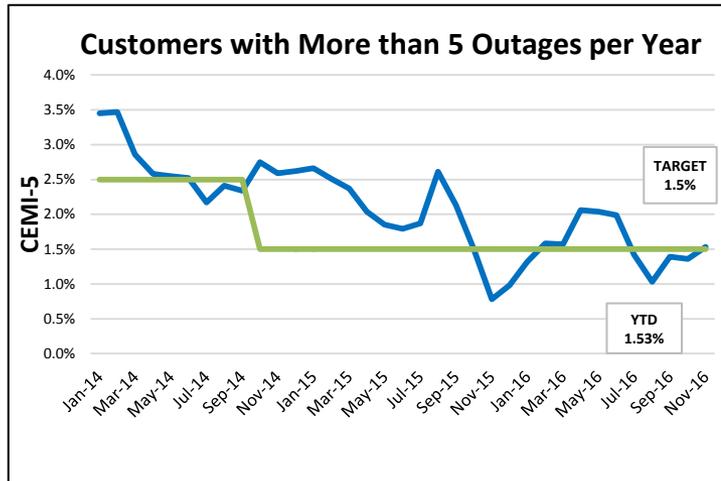
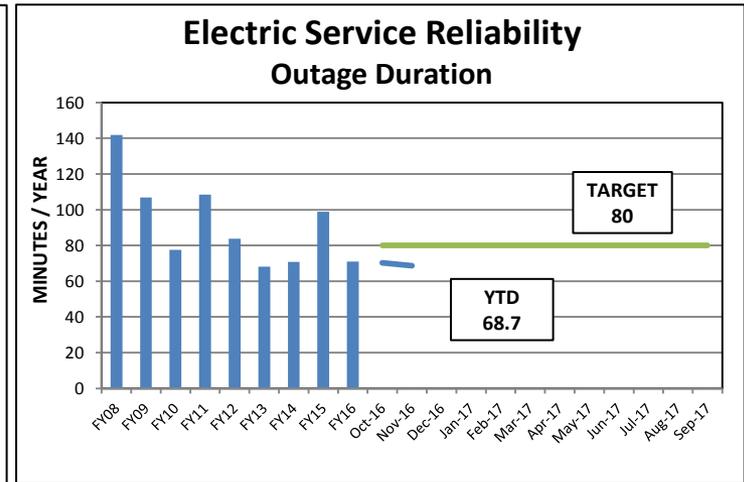
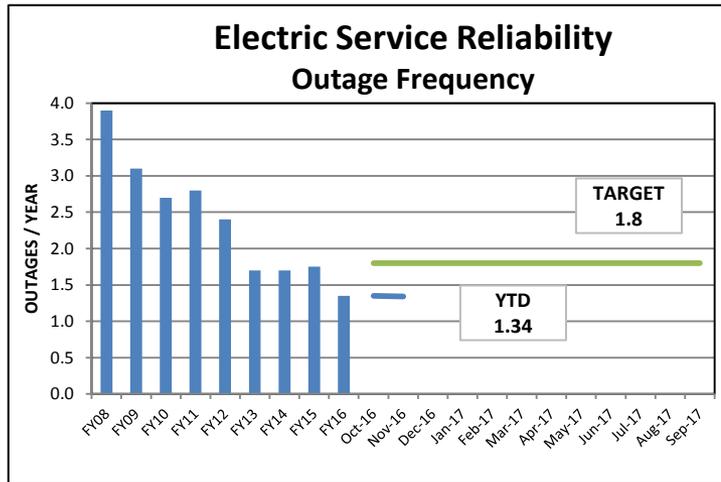
- Outage frequency and duration have been reduced significantly over the last 8 years; running flat this year and near the FY2017 targets.
- The typical JEA customer sees 1.3 outages per year and a total outage duration of 68.7 minutes
- CEMI₅: 7,168 (1.53%) of our customers have experienced more than 5 outages in the past 12 months

Transmission Line Reliability

- Overall downward trend over the last eight years
- YTD (0.8) running below the FY17 target

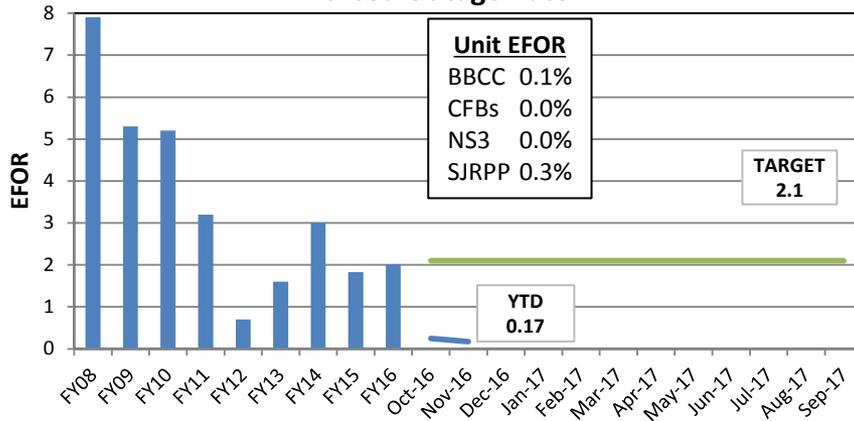
Other Operational Metrics

- Continue showing favorable trends over time

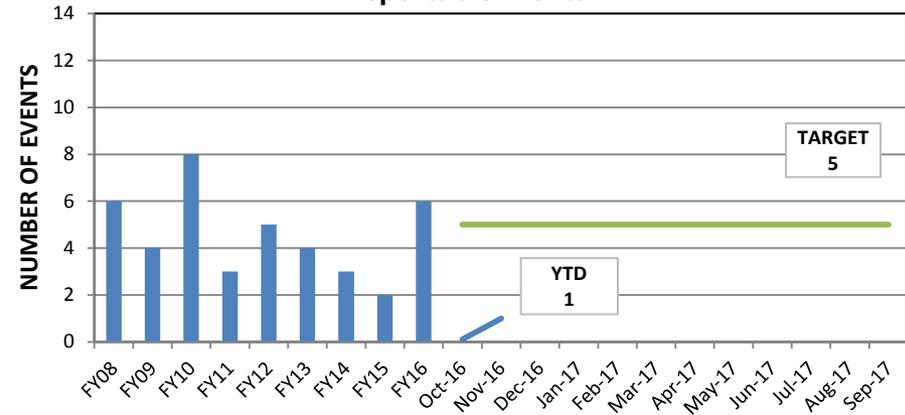


Generating Plant Performance	Metric	FY2017 YTD	FY2017 Target	FY2016	FY2015
Generation Fleet Reliability	Forced Outages Rate	0.17	2.1	2.0	1.8
Environmental Compliance	Permit Exceedances	1	5	6	2

JEA Fleet Reliability
Forced Outage Rate



Environmental Compliance
Reportable Events



Generating Fleet Reliability

- The JEA fleet Forced Outage Rate is in line with prior 6-year performance and better than FY2017 target of 2.1
- Planned outage work completed this past fall on all 3 Northside steam units.
- High unit reliability contributes to lower fuel and non-fuel expenses

Environmental Compliance

- Excellent environmental performance in prior years. No air permit exceedances occurred in FY16.
- Electric System's have experienced 1 reportable event during FY2017.
- JEA remains actively engaged in and preparing for all new and emerging environmental regulations.

JEA Electric System

Financial Results and Cost Metrics

(\$ in thousands)

Revenues	FY17 Forecast	FY16 Actual	FY17 Budget	FY17 vs FY16 (\$)	Variance (%)
Fuel Revenue	\$ 402,829 ¹	\$ 426,653 ²	\$ 449,776	\$ (23,824)	-5.6%
Base Revenue	765,221 ¹	750,038	735,204	15,183	2.0%
Other Revenue	41,541	37,904	41,787	3,637	9.6%
Total Revenues	\$ 1,209,591	\$ 1,214,595	\$ 1,226,767	\$ (5,004)	-0.4%

\$(17M)

Select Expenses	FY17 Forecast	FY16 Actual	FY17 Budget	FY17 vs FY16 (\$)	Variance (%)
Fuel Expense	\$ 454,763	\$ 397,280	\$ 411,903	\$ (57,483)	-14.5%
Fuel Fund Transfers	(51,934)	29,373	37,705	81,307	
O & M Expense	213,767	192,527	226,180	(21,240)	-11.0%
Non-fuel Purchased Power	80,664	87,426	83,394	6,762	7.7%
Net Revenues	\$ 499,508	\$ 496,092	\$ 454,939	\$ 3,416	0.7%

\$45M

Capital Expenditures	\$ 147,448	\$ 150,926	\$ 153,200 ³	\$ 3,478	2.3%
Debt Service	\$ 213,693 ⁴	\$ 171,506	\$ 179,654	\$ (42,187)	-24.6%

Electric Costs / MWh	Non-Fuel
Target	\$ 53.94
Forecast	<u>54.52</u>
Difference	\$ (0.58)

Financial Metrics	FY17 Forecast
Coverage:	2.3x
Days Liquidity/Cash:	262 / 151
Debt/Asset:	62% (3% lower)
Total Debt:	\$2.8B (\$146M lower)

Fuel Fund (\$ in millions)	
Beginning Balance	\$ 180
Surplus/(Deficit)	<u>(52)</u>
Ending Balance	\$ 128

¹ Assumes rate change in December 2016

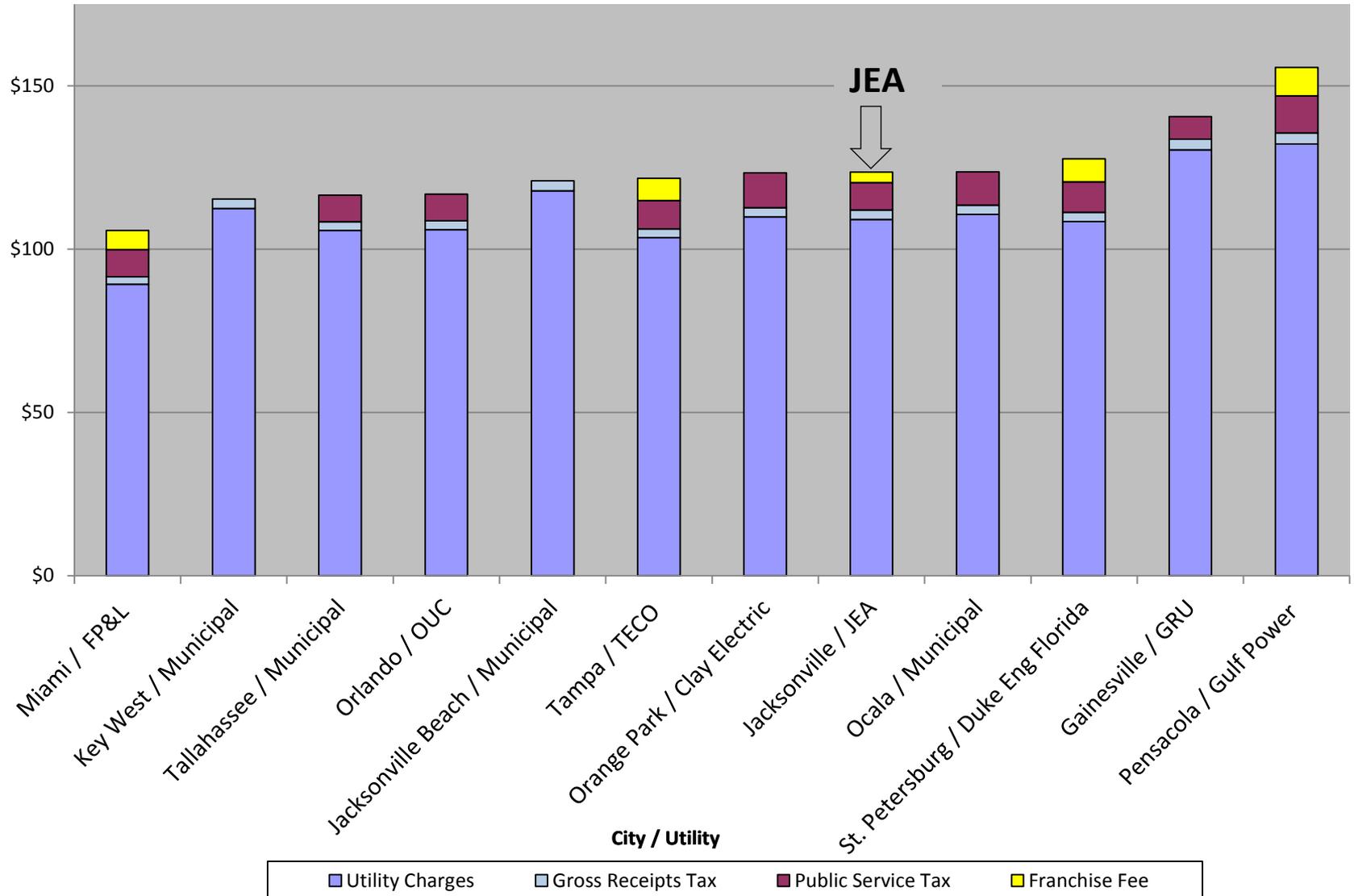
² Net of \$57 million fuel credit and fuel rate reduction

³ Council approved limit for capital expenditures in FY17 is \$170 million

⁴ Includes additional \$40 million related to advanced debt refunding approved by Board in November 2016

Florida Utilities Monthly Residential Electric Bill Comparison

(Consumption @ 1,000 kWh)
Residential Rates as of December 2016



Customer Experience

Presenter: Monica Whiting

Date: December 2016

FY17 Customer Satisfaction Goal

Achieve 1st Quartile Ranking for JD Power Customer Satisfaction Index for both Residential and Business Studies

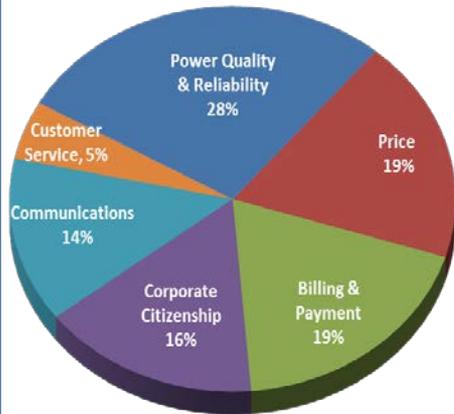
Residential (R)

FY15		FY16		Wave 1		Wave 2		Wave 3		Wave 4		FY17	
1Q	692	2Q	703	1Q	749							1Q	749

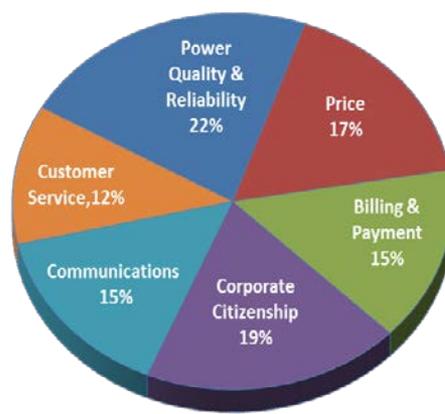
Business (B)

FY15		FY16		Wave 1		Wave 2		FY17	
1Q	705	1Q	754	1Q	788			1Q	788

Residential



Business



FY17 Residential # of companies ranked: 137

FY17 Business # of companies ranked: 87

1Q= 1st quartile 2Q= 2nd quartile 3Q = 3rd quartile 4Q = 4th quartile

Achieve 1st Quartile Ranking on All Drivers

Be Easy to Do Business With

Customer Service

	FY16		Wave 1		Wave 2		Wave 3		Wave 4		FY17	
R	1Q	782	1Q	808							1Q	808
B	1Q	782	1Q	817							1Q	817

Power Quality & Reliability

	FY16		Wave 1		Wave 2		Wave 3		Wave 4		FY17	
R	2Q	749	2Q	791							2Q	791
B	1Q	794	1Q	826							1Q	826

Empower Customers to Make Informed Decisions

Billing & Payment

	FY16		Wave 1		Wave 2		Wave 3		Wave 4		FY17	
R	1Q	763	1Q	818							1Q	818
B	1Q	785	1Q	806							1Q	806

Communication

	FY16		Wave 1		Wave 2		Wave 3		Wave 4		FY17	
R	1Q	665	1Q	713							1Q	713
B	1Q	721	1Q	766							1Q	766

Price

	FY16		Wave 1		Wave 2		Wave 3		Wave 4		FY17	
R	2Q	630	2Q	671							2Q	671
B	1Q	701	1Q	744							1Q	744

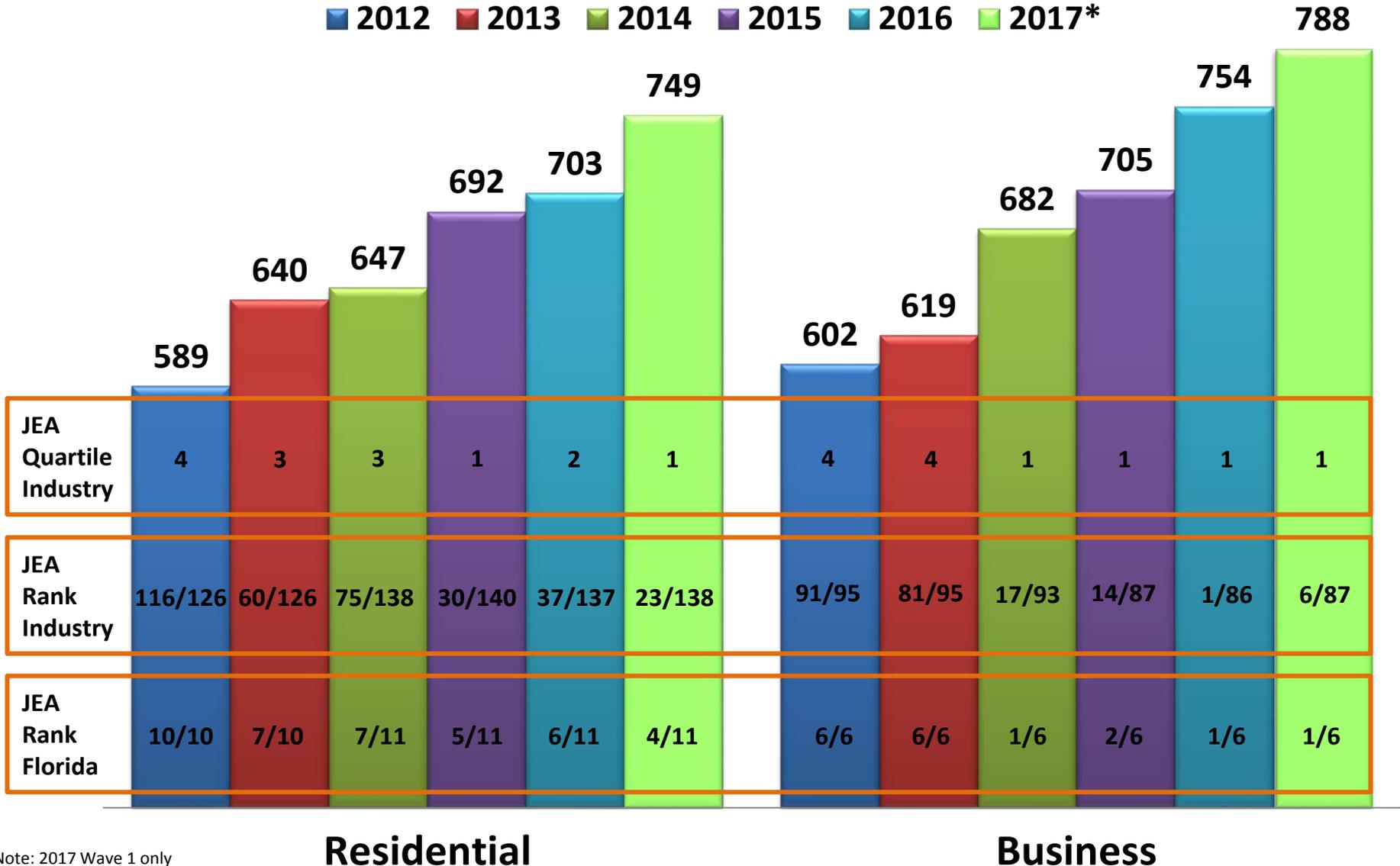
Demonstrate Community Responsibility

Corporate Citizenship

	FY16		Wave 1		Wave 2		Wave 3		Wave 4		FY17	
R	2Q	645	2Q	685							2Q	685
B	1Q	731	1Q	758							1Q	758

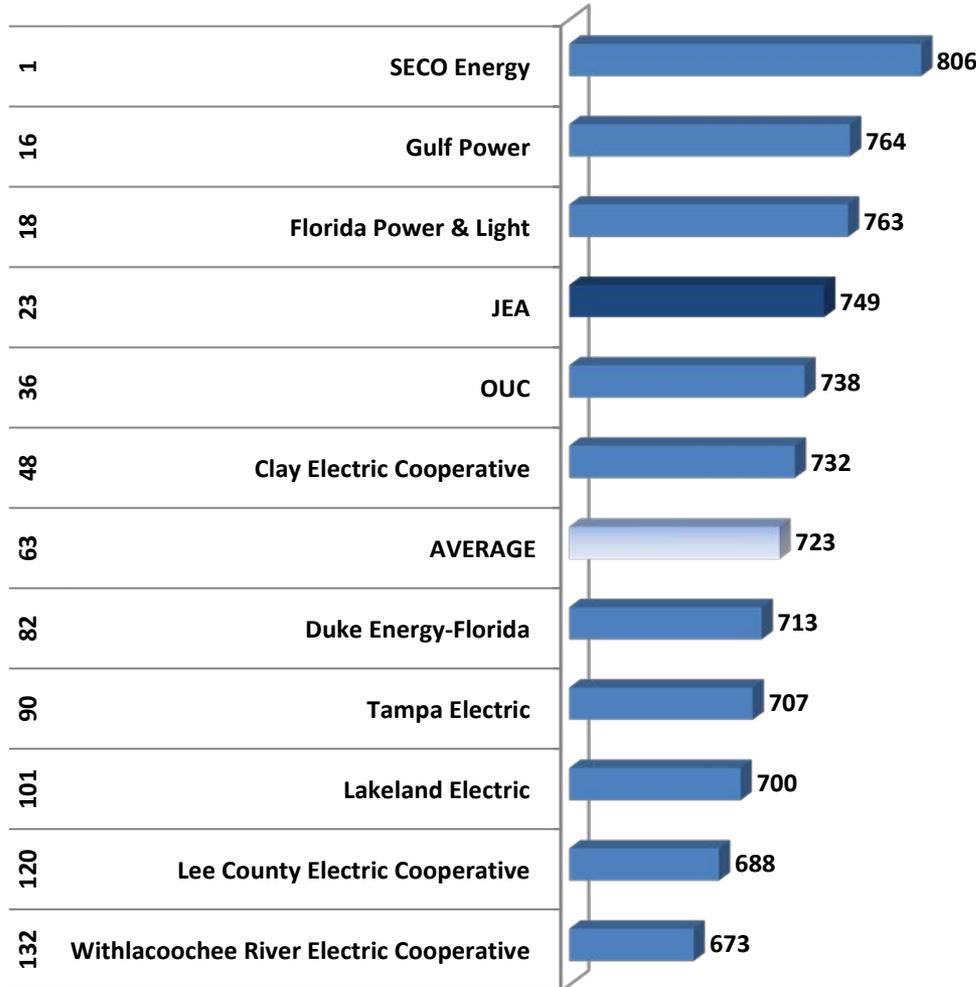
Customer Satisfaction Index Scores

■ 2012 ■ 2013 ■ 2014 ■ 2015 ■ 2016 ■ 2017*

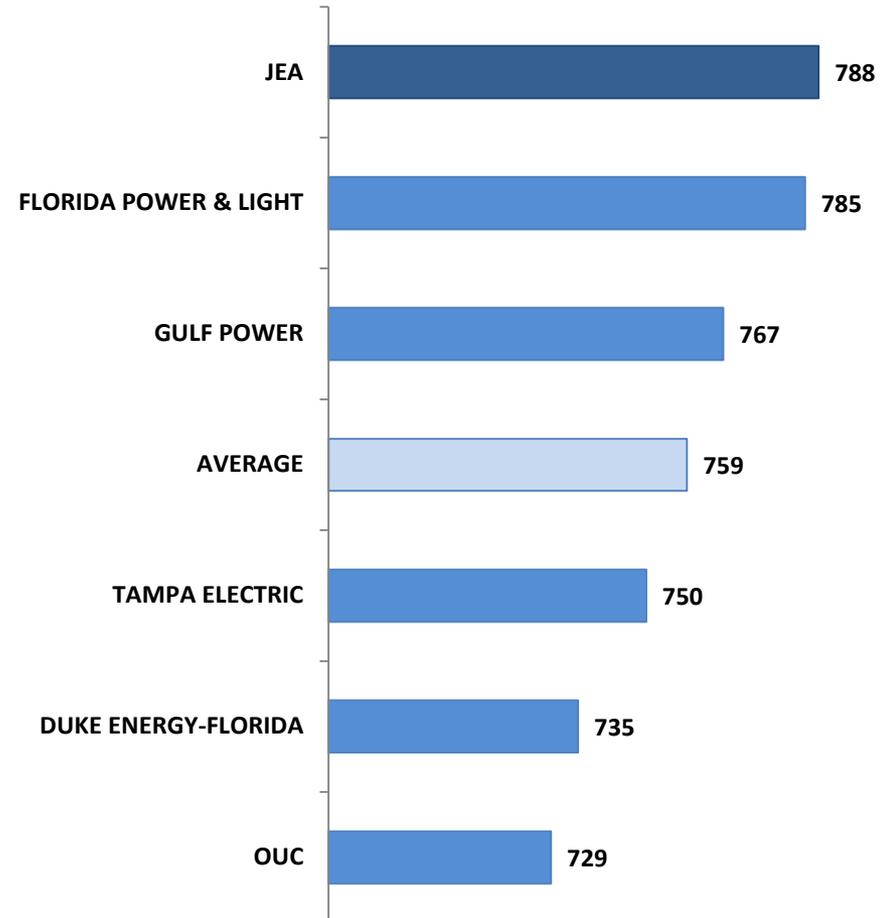


* Note: 2017 Wave 1 only

Residential FY17 YTD



Business FY17 YTD



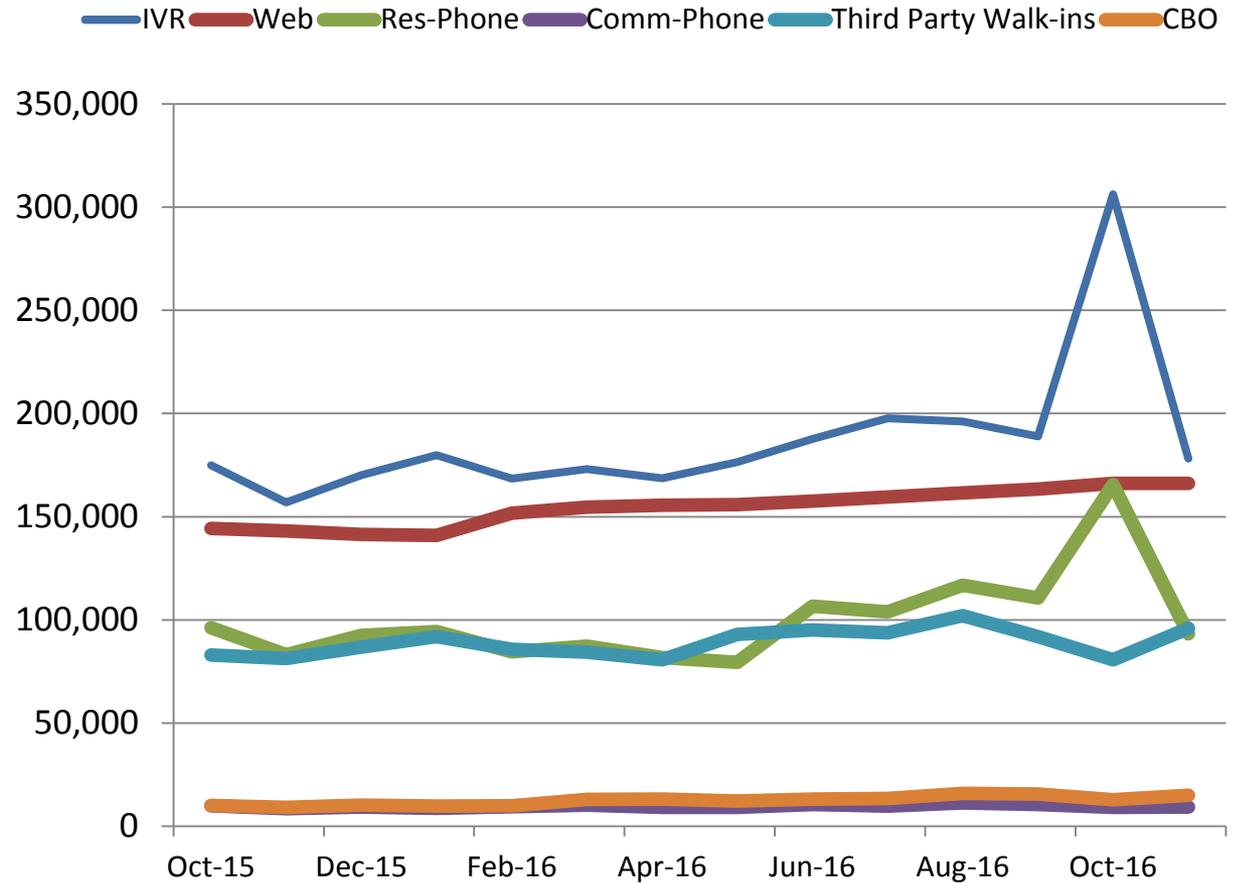
Providing multiple contact channels allows the customer to interact with JEA in a way that's easiest for them.

Customer Satisfaction
Rating: 8s-10s by Channel - JDP

	JEA FY16	JEA FY17	Industry FY17
Phone	72.5%	69.5%	71.3%
CCC	57.0%	63.1%	68.1%
IVR	79.6%	73.5%	72.6%
Web	64.6%	92.2%	69.6%

Note: FY17 Wave 1 only

Transactional Volume



Accurately addressing a customer's needs the first time produces a positive customer experience

FY2017 YTD Transactional Study

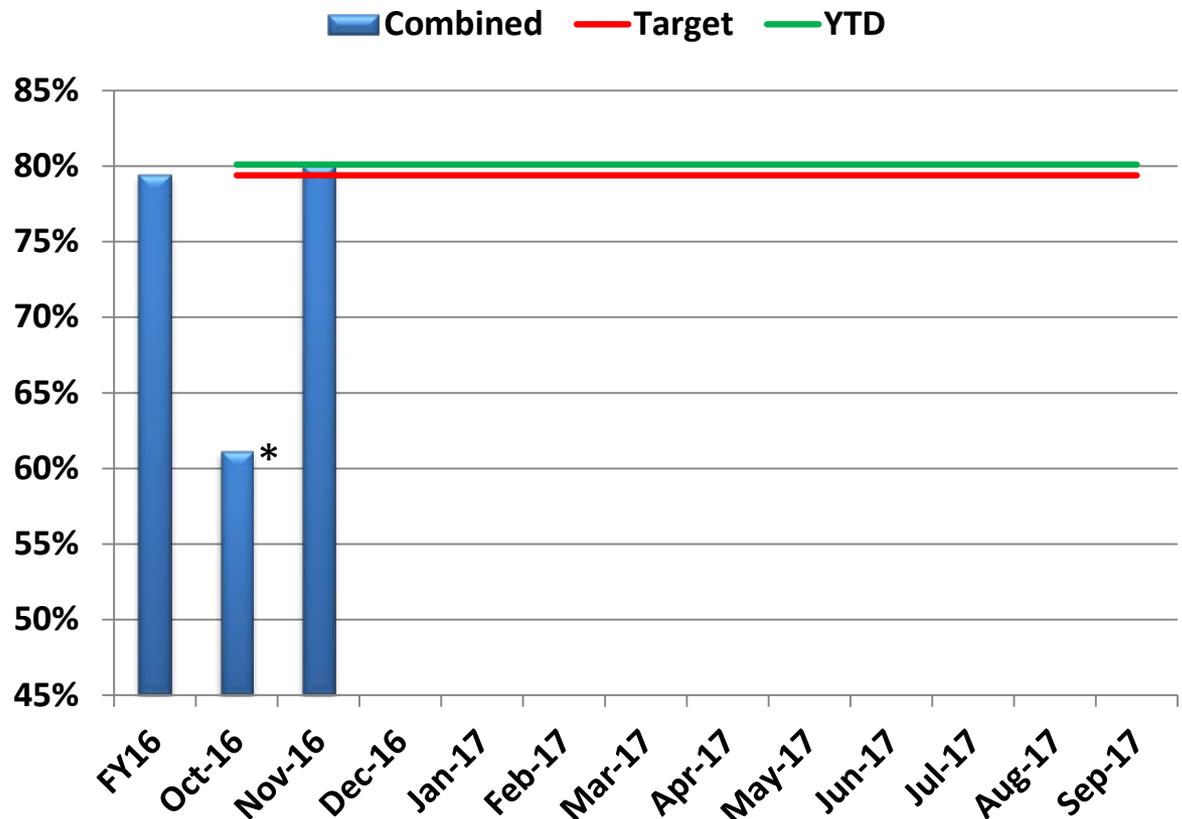
Residential CC	79.1%
Branches	82.1%
Commercial CC	81.1%
IVR	76.5%
<u>jea.com</u>	<u>84.1%</u>
Overall	80.1%

JD Power FCR

	JEA FY16	JEA FY17	Industry FY17
Res CC/IVR	74.8%	73.1%	72.0%
Jea.com	77.7%	74.1%	71.6%
Bus CC/IVR	71.4%	87.3%	73.2%

Note: FY17 Wave 1 only

First Contact Resolution Branches, Call Centers, and jea.com



* October decline result of Hurricane Mathew

Customers are more satisfied when receiving additional information when reporting an outage and when given updates when power is restored

JD Power
“Keeping you informed about outage”

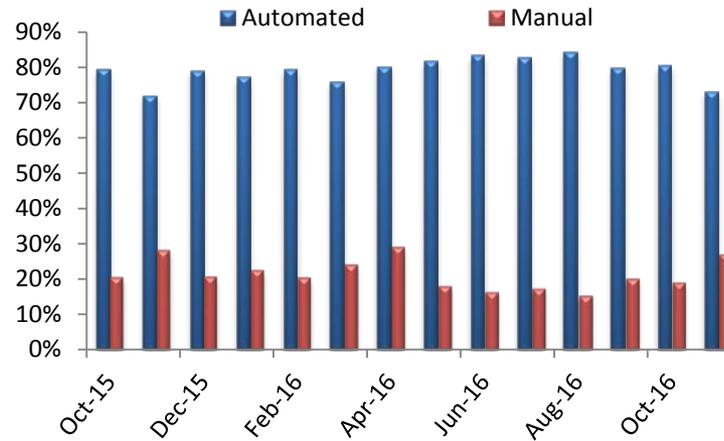
Score	JEA FY16	JEA FY17	Ind FY17
8 – 10	37.9%	50.9%	46.0%
< 5	20.0%	16.0%	16.9%

Outage Information Points

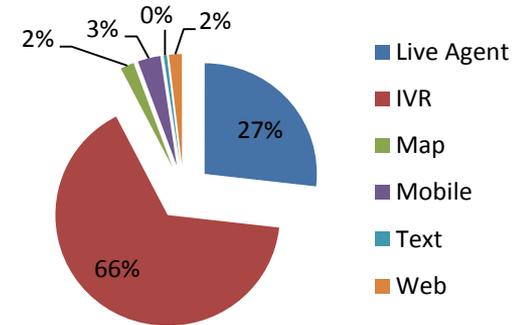
	FY16	FY17
JEA	2.3	2.6
Industry	2.1	2.3

Note: FY17 Wave 1 only

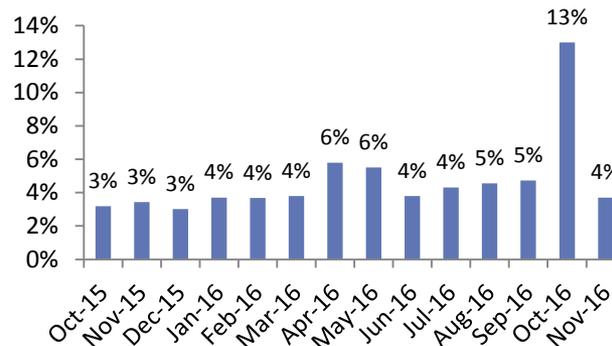
Outage Reporting



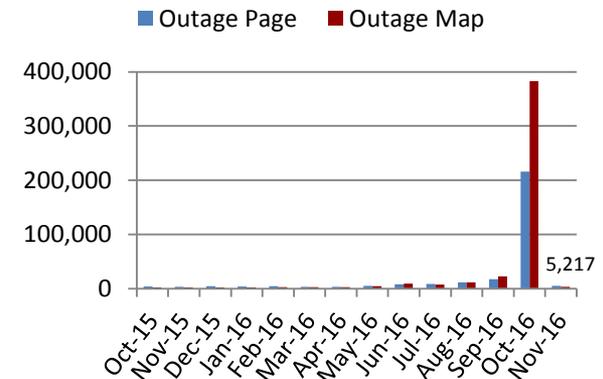
Outage Reporting by Channel



% Customers Receiving Outage Updates



jea.com Outage Page Volume



Customer Solution Participation	FY17 Goal	FY17 YTD
e-Billing Participation	97,982	80,702
Levelized Bill Participation	25,592	20,570
AutoPay Participation	41,800	35,511
JEA MyWay Participation	19,418	14,190



Our October-November “eBill Like a Pro Campaign” has ended successfully with over 3,100 new enrollments despite Hurricane Matthew’s arrival the first of October

	FY17 YTD	Industry Benchmark*
e-Bill	19.7%	22.6%
Budget Bill	5.0%	11.0%
Auto Pay	8.7%	13.4%
*2015 IOU Benchmark 1 st Quartile		

Communicating with customers is a key driver of satisfaction and impacts all drivers.

JDP Frequency of Received Communication

FY17 YTD

Not enough	5%
Just right	87%
Too much	8%

JDP Comm Awareness

Residential

FY13	48.8%
FY14	51.9%
FY15	54.6%
FY16	54.4%
FY17 YTD	58.4%

Commercial

FY13	53.4%
FY14	55.7%
FY15	68.7%
FY16	55.4%
FY17 YTD	64.1%



JEA's Neighbor to Neighbor Fund

Energy & Water Efficiency

Water Efficiency

December is the time of year when the need to water our lawns decreases, but the desire to take long, hot showers increases. After all, we see Floridians and December mornings can be chilly! With this in mind, we've got some winter water tips:

For more water saving tips, visit jea.com/ways_to_save.

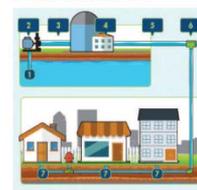


Watch for leaks and drips. A dripping faucet or running toilet can add up over time. Don't overlook routine maintenance.



Follow watering guidelines. Winter weather means your lawn will need less water. Be sure to adjust your watering schedule to no more than once a week November through March. Learn more at jea.com/seasonalguides.

Cheers from JEA, Straight from the Tap!



Do you know JEA's source for water is the Floridan Aquifer? With this pristine, groundwater resource stretching beneath our state, JEA customers have the good fortune of drinking from one of the best aquifers in the United States.

With a team of expert engineers, scientists and technicians on staff, JEA consistently delivers clean, safe water to our customers. And this is personal—the JEA team not only serves you, but we also live in your community. We are your friends, your neighbors.

JEA draws water from the Floridan Aquifer. Next we pass it through our water treatment facilities for minimal treatment. This treatment includes aeration to remove sulfur and the addition of a small amount of chlorine to disinfect it. Then, JEA delivers clean, safe water to your home through our distribution system. But we don't stop there. The water we deliver to you is routinely tested to ensure quality and safety, not only by JEA scientists, but also by the Florida Department of Environmental Protection (FDEP).

1. The Floridan Aquifer is an underground flow that carries through thousands of miles beneath the surface of the state. 2. Deep Well Turbine Pumps are used to draw the water from the aquifer and deliver it through 3. Well Headers to the 4. Water Treatment Plant, the water is aerated, stored, and eventually chlorinated as needed. 5. Transmission Mains carry the potable water throughout the more than 6,000 miles of service area and ultimately deliver the water through 6. Distribution Mains, service connections, and water meters to our 7. Customers.

To learn more about our water quality please visit jea.com/waterqualityreport.



Communication Channels
FY17
Volume: 53,482,042

- e-Com (jea.com, email, social) 17,421,810
- Paid Media (Radio, TV, Print) 33,762,888
- Community Engagement (Events, Workshops) 131,994
- Other Communication (Bill Inserts, Brochures, 2,165,350)



JEA's Electric Rate Restructuring Will Lower Bills and Keep Rates Stable for Five Years

JEA's electric rate restructuring will immediately lower bills for all 460,000 JEA electric residential and commercial customers. It will keep electric base rates (the energy charge) stable for the next five years, and it will allow JEA to pay down \$190 million of debt over the next three years, saving customers an estimated \$100 million in energy costs over the next eight years.

Financially, this restructuring will support economic development by lowering bills for all customers and it will prepare JEA for the costs of future environmental regulations.

Effective December 1, 2016.



JEA Employee Volunteer Participation

Giving back to our community through volunteering is foundational as a community-owned utility

FY17 Total Volunteers—86

November— 43 Volunteers

- Feeding NE Florida Food Bank
- Five Star Veterans Center
- Jacksonville Sea and Sky Show
- The A-Maize-Ing Race Glow Run
- FIRST Lego League Practice Tournament
- Special Olympics Area Bowling
- Salvation Army Thanksgiving Food

December—Vol. Events

- Salvation Army Toy Shop – December 7, 8, 9, 15, 16, 19 and 20
- NE Florida Food Bank – December 8
- City Rescue Mission Holiday Celebration – December 22



JEA Ambassadors are engaging customers throughout our community in a greatly expanded way.

FY17 Activities:

- Speakers Bureau—17
- Facility Tours—14
- Community Events—24
- Educational Partnership Activities—4



JEA Employee Ambassadors participated in the 2016 Veterans Day Parade and were very well received by on lookers.

JEA Ambassadors kicked off another session for the JEA Power Pals Program at SP Livingston Elem., 14 Ambassadors flooded the office ready to work with the (7) 1st grade classes.



JEA Ambassador Program

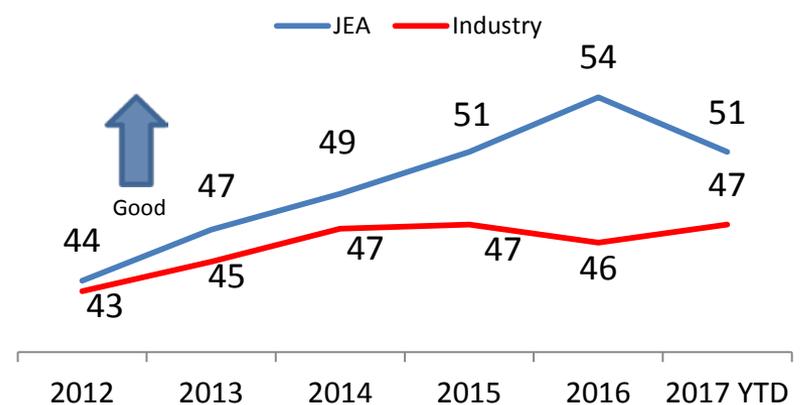
DSM Programs & Participation	FY17* Goal	FY17 YTD
Tracker Participation (Entering Site)	110,000	18,511
Invest Smart	≥395	160
Shop Smart	77,678	37,145
Neighborhood Energy Efficiency	1,259	198
Electric Vehicle Rebates	75	5

Non-road Electrification Program



Types of Equipment	Forklifts, Cranes, Welders, Golf Carts, Truck Refrigeration Units, Boom lift
kWh Achieved	42,121,000 kWh (would power 2,300 homes for 1 year)
Participating Customers	137
# of Equipment Rebates	1,443
CO2 Avoided	56,890 tons annually

Familiarity with Utility Energy Efficiency or Conservation Programs (%)



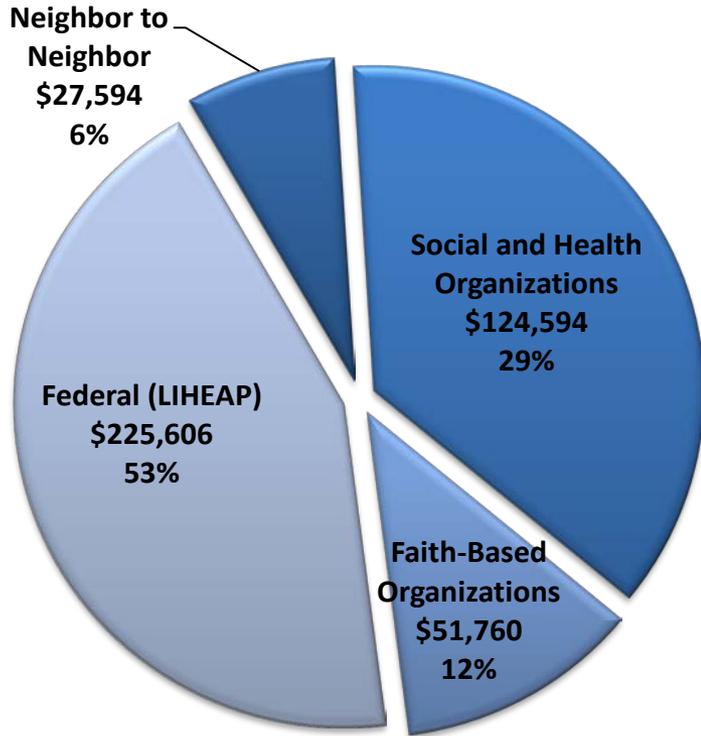
*Initial, unapproved goals



Building Community

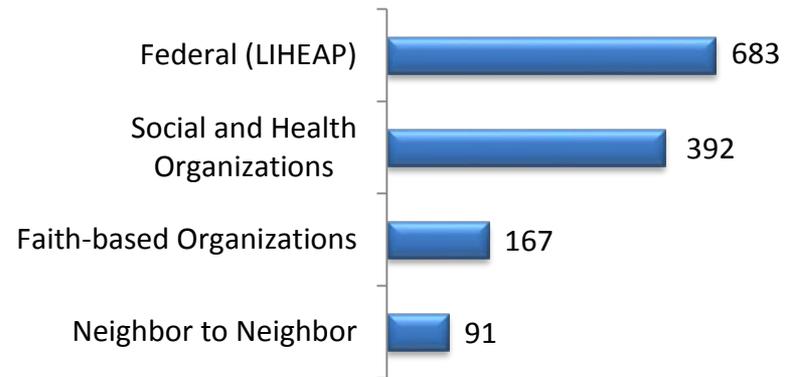
Demonstrating Community Responsibility

Corporate Citizenship: Customer Assistance Funding



23 agencies provided **771** utility payments on behalf of JEA customers in November 2016 totaling **\$244,206**

Customers Receiving Agency Assistance YTD



Agency & Federal
Customer Assistance
FY 17 YTD
\$429,554

Number of Customers Receiving
Agency & Federal Utility Assistance
FY 17 YTD
1,333

III. A. 6.

Monthly FY17 Communications & Engagement Calendar and Plan Update

JEA Community Engagement Calendar - October - December 2016

III. A. 6.
12/13/2016

(Events highlighted in blue are either JEA corporate or partner events)

	A	B	C	D	E	F
1	Date	Event/Activity	Location	Time	Type	Opportunity for Public to Attend or Participate
2	Oct-16					
3	10/2/2016	Southside Robotics Club	Brooks YMCA	1pm	Ambassador Speaker	No
4	10/3/2016	JEA Power Pals Program	Rufus E Payne Elem	1:45pm	Ambassador Instructor	No
5	10/3/2016	JEA 1 Hour Power Pals Program	Girl Scout Troop #35 1700 Old Middleburg Rd.	6:30pm	Ambassador Instructor	No
6	10/4/2016	Industrial Management Assoc.	University Club	7am	Ambassador Speaker	No
7	10/5/2016	Red Cross Phone Bank	Channel 12 & 4	5pm	Ambassador Event	Yes
8	10/10/2016	Greater Arlington CPAC	Craig Airport	6pm	Ambassador Speaker	Yes
9	10/12/2016	Tree of Trails	Holy Catholic Church	8am	Ambassador Event	Yes
10	10/12/2016	Tree of Trails	Neptune Beach Elem.	9am	Ambassador Event	No
11	10/12/2016	Utility of Trees	Riverside Presbyterian Church	9am	Ambassador Speaker	Yes
12	10/13/2016	Tree of Trails	Lonestar Elem	9am	Ambassador Event	No
13	10/13/2016	Tree of Trails	Highlands Elem	11am	Ambassador Event	No
14	10/13/2016	Youth Leadership Jax	City Hall	6pm	Ambassador Speaker	Yes
15	10/14/2016	NAS Jax Energy Event	NASJax	10am	Ambassador Event	No
16	10/14/2016	Tree of Trails	Ruth Upson Elem	9am	Ambassador Event	NO
17	10/14/2016	Tree of Trails	Arlington Elem.	11am	Ambassador Event	No
18	10/15/2016	Operation New Hope Fall Festival	1830 N Main St	10am - 2pm	Ambassador Event	Yes
19	10/15/2016	Energy Star World Tour	Wal-Mart Stores	10am - 2pm	Ambassador Event	Yes
20	10/18/2016	BOMA Ride Along	Deer Creek Golf Club	12pm	Ambassador Event	No
21	10/18/2016	The ARC	3675 Kirbo Way	6pm	Ambassador Speaker	Yes
22	10/18/2016	BOMA Facilities Managers	Deer Creek Golf Club	12pm	Ambassador Speaker	No
23	10/19/2016	FL Fresh Food Tree Planting	A Philip Randolph Park	9am	Ambassador Event	Yes
24	10/20 - 23/2016	Southern Women's Show	Prime Osborn	10am - 9pm	Ambassador Event	Yes
25	10/20/2016	Mayport Energy Action Month	Mayport Naval Station	10am	Ambassador Event	No
26	10/20/2016	The Cape HOA	2311 Starratt Rd	7pm	Ambassador Speaker	No

JEA Community Engagement Calendar - October - December 2016

(Events highlighted in blue are either JEA corporate or partner events)

	A	B	C	D	E	F
27	10/20/2016	Mandarin Garden Club	Mandarin Club	6pm	Ambassador Speaker	Yes
28	10/22/2016	Greenleaf Tree Planting	Raymond Davis Park	8am	Ambassador Event	Yes
29	10/22/2016	Q&A With JEA	WOKV	11am	Ambassador Speaker	Yes
30	10/23/2016	TEDTalks	Florida Theater	3pm	Ambassador Event	Yes
31	10/24/2016	JU Conservation Ecology Class	NGS Tour	1:30pm	Ambassador Facility Tour	No
32	10/25/2016	RV Daniels 5th Grade Gifted	Main St Lab Tour	9am	Ambassador Facility Tour	No
33	10/27/2016	RV Daniels 4th Grade Gifted	Main St Lab Tour	9am	Ambassador Facility Tour	No
34	10/28/2016	Lighthouse Christian School Career Day	Lighthouse School - Arlington Campus	11am	Ambassador Event	No
35	10/29/2016	Q&A With JEA	WOKV	11am	Ambassador Speaker	Yes
36	10/31/2016	RS&H Lunch & Learn	10748 Deerwood Park Blvd. South Suite 100	12Noon	Ambassador Speaker	No
37	Nov-16					
38	11/3/2016	Tulsa Welding School	Tour - Solar Farm	9am	Ambassador Facility Tour	No
39	11/4/2016	Web.com Resource fair	12808 Gran Bay Parkway	10am	Ambassador Event	Yes
40	11/4/2016	Ridgeview High IB Physics Class	NGS Tour	8am	Ambassador Facility Tour	No
41	11/5/2016	Cubscouts Pack 227	Main St Lab Tour	10am	Ambassador Facility Tour	No
42	11/6/2016	Arlington Congregational Church	431 University Blvd.	11:30am	Ambassador Speaker	Yes
43	11/7/2016	United Way Golf Tournamemt	St Johns Golf & Country Club	8am	Volunteer Event	Yes
44	11/8/2016	Osher Lifelong Learning Institute	Main St Lab Tour	10am	Ambassador Facility Tour	No
45	11/9/2016	Prudential Financial	701 San Marco Blvd	1pm	Ambassador Speaker	No
46	11/11/2016	Veterans Day Parade	Downtown Jax	10am	Ambassador Event	Yes
47	11/12/2016	Cubscouts Pack 35	Main St Lab Tour	10am	Ambassador Facility Tour	No
48	11/12/2016	Q&A With JEA	WOKV	11am	Ambassador Speaker	Yes
49	11/12/2016	TRIPS Homeschool	NGS Tour	10am	Ambassador Facility Tour	No
50	11/14/2016	SW CPAC Meeting	FSCJ Kent Campus	6:30pm	Ambassador Event	Yes

JEA Community Engagement Calendar - October - December 2016

(Events highlighted in blue are either JEA corporate or partner events)

	A	B	C	D	E	F
51	11/16/2016	Osher Lifelong Learning Institute	Main St Lab Tour	10am	Ambassador Facility Tour	No
52	11/18/2016	District Energy Ops	Downtown Chiller Plant Tour	9am	Ambassador Facility Tour	No
53	11/19/2016	Q&A With JEA	WOKV	11am	Ambassador Speaker	Yes
54	11/21/2016	Chamber - Young Professionals	NGS Tour	8am	Ambassador Facility Tour	No
55	11/29/2016	JEA Power Pals Program	SP Livingston Elem	1:45pm	Ambassador Instructor	No
56	Dec-16					
57	12/3/2016	NAS Jax Squadron Stand Down	NAS Jax	8am	Ambassador Speaker	No
58	12/5/2016	JU Conservation Ecology Class	Arlington East Wastewater Plant Tour	10am	Ambassador Facility Tour	No
59	12/12/2016	Cub Scout Troop 522	Ortega UMC	7pm	Ambassador Speaker	No
60	12/13/2016	The ARC UNF Transition Students	Campus	9am	Ambassador Speaker	Yes
61	12/13/2016	CSX Employees	NGS Tour	2pm	Ambassador Facility Tour	No
62	12/15/2016	Nassau County High	Main St Lab Tour	10:30am	Ambassador Facility Tour	No
63	12/15/2016	Rufus E Payne Science Fair	6725 Hema Rd	5:30pm	Ambassador Event	Yes
64	12/17/2016	2016 Black Expo	Prime Osborn	10am	Ambassador Event	Yes
65	12/19/2016	SP Livingston Science Fair	SP Livingston Elem	5:30pm	Ambassador Event	Yes



FY17 Communications & Community Engagement Overview and November/December Update

Overview: Each month we update the board on communications and community engagement activities for the previous and current months. The purpose is to keep you informed about these activities so that you are knowledgeable about JEA's efforts to keep our customers informed, to assist them in the management of their utility services and to be a good corporate citizen.

Communications: In November, we got back on track with normal communications including our ebill promotion which was originally scheduled to only run through November, but was extended into December to help make up for the time we lost during the storm. We also participated with other utilities in a campaign to make customers aware of the various utility scams going on around the country and how to avoid becoming a victim of one. Our campaign included social media, outreach to small commercial customers and use of digital billboards. Otherwise we continued all key messages that were identified by J.D. Power as critical to customers. All paid and owned messaging is supported by social media, using Twitter, Facebook, LinkedIn, Google+ and YouTube to provide additional timely, relevant information.

Community Engagement: JEA employees are actively involved in our community engagement efforts. JEA Ambassadors participate in activities where we have an opportunity to help customers manage their utility services and/or to educate customers about how JEA provides critical utility services to our community. These employees are trained and certified ahead of time to help JEA deliver on our mission. On the other hand, JEA Volunteers go out into the community to assist nonprofits accomplish their goals by offering their time and talents to help the nonprofit deliver their mission. Volunteers do not have to have any special training or talent; they just have a caring heart.

In November, Ambassador activities included participation in five speaking engagements and three community events/activities. Ambassadors were requested to speak to the Arlington Congregational Church and at a Lunch and Learn at Prudential Financial.

Below, JEA Employee Ambassadors participated in the 2016 Veterans Day Parade and were very well received by on lookers.



In November, JEA volunteers came out in support of Five Star Veterans Center, Jacksonville Sea and Sky Show, FIRST Lego League Practice Tournament, Salvation Army Thanksgiving Food Distribution.



Five Star Veterans Center



Salvation Army



Employee Collection Drive

As a community-owned utility, JEA employees take a great pride in the Ambassador and Volunteer programs and these programs go a long way to tangibly demonstrate to customers and the community the incredible “Heart of JEA.”

Communications Contacts* Generated Year to Date	53,482,584
• Number of Paid Communications Contacts (Radio, Television, Out of Home, Online, Print)	33,762,888
• Number of Other Communications Contacts (Bill Insert, Bill Envelop, Brochure, etc.)	2,165,350
• Number of E-communications Contacts (jea.com Visitors, Email, Social Media, Videos)	17,421,810
• Number of Community Engagement Communications Contacts (Events, Public Speaking, Presentations, Training, Workshops, etc.)	131,994

*Communications Contacts are the opportunities we have to communication information to our customers.

[Return to Agenda](#)

III. B. 1.

Monthly Operational and Financial Presentation



Monthly Operating and Financial Reporting Summary

[Return to Agenda](#)

III. B. 1.
12/13/2016

Board of Directors December 13, 2016

Water & Wastewater Monthly Operations Scorecard

Water & Wastewater	FY2016	FY2017 Goal	FY2017 YTD	Status
JEA Safety RIR	1.82	1.20	2.11	
Sales Forecast (kGals in 1000's)	36,358	34,558	35,511	
Water Unplanned Outages (# cust.)	12,735	9,000	1,067	
CUP Compliance	Yes	Yes	Yes	
Nitrogen to the River (tons)	524	550	110	
Sanitary Sewer Overflows (SSO's)	32	27	8	

Significant Occurrences or Concerns This Month

- Three (3) OSHA recordable safety incidents in November
- Unplanned Water Main Outages: 474 customers in November
- CUP: Average daily flow of 113 MGD is 14% below CY limit of 131 MGD; reclaim usage has reached 16 MGD
- Nitrogen to River: 110 tons YTD, 1st Quarter trending higher due to storm impacts
- SSO's Impacting Waters of the US: Eight(8) year-to-date, excluding the Hurricane events

Electric Monthly Operations Scorecard

Electric System	FY2016	FY2017 Goal	FY2017 YTD	Status
JEA Safety RIR	1.82	1.20	2.11	
Sales Forecast (million MWh)	12.6	12.4	12.3	
T&D Grid Performance Customer Outage				
<i>Frequency (outages/year)</i>	<i>1.4</i>	<i>1.8</i>	<i>1.34</i>	
<i>Electric Outage Duration (minutes/year)</i>	<i>71</i>	<i>80</i>	<i>68.7</i>	
<i>Transmission Line Faults (# per 100 miles)</i>	<i>0.7</i>	<i>2.5</i>	<i>0.8</i>	
<i>CEMI₅ (% cust. > 5 outages/year)</i>	<i>1.4</i>	<i>1.5</i>	<i>1.53</i>	
Generating Plant Performance				
<i>Generation Fleet Reliability (forced outages rate)</i>	<i>2.0</i>	<i>2.1</i>	<i>0.17</i>	
<i>Environmental Compliance (permit exceedances)</i>	<i>4</i>	<i>5</i>	<i>1</i>	

Significant Occurrences or Concerns This Month

- Generation Fleet performing well this fall. All 3 Northside successfully completed planned outages. Fleet reliability very high (at 0.17) through 2nd month of FY17.
- Despite a tough weather year, T&D grid performance metrics all better than targets. Excellent recovery work by JEA field crews.

FY17 Customer Satisfaction Goal

1st Quartile in Overall Customer Satisfaction

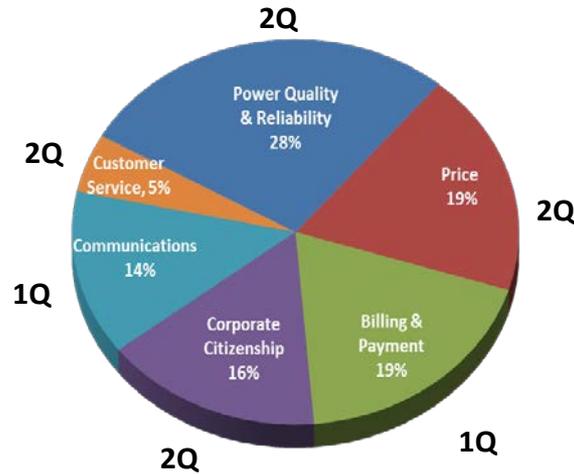
Residential ●

FY15		FY16		FY17 YTD	
1Q	692	2Q	703	1Q	749

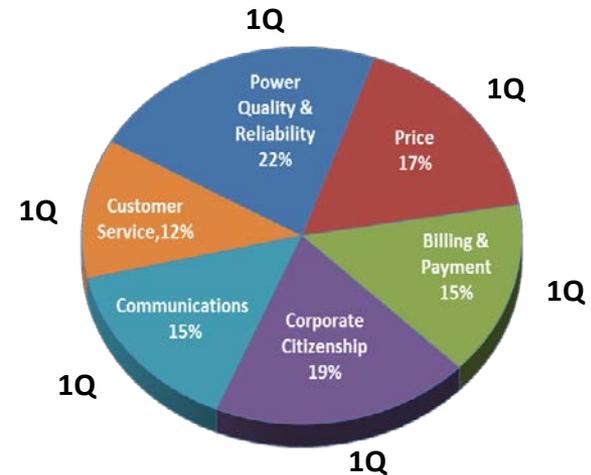
Business ●

FY15		FY16		FY17 YTD	
1Q	705	1Q	754	1Q	788

Residential



Business



Highlights

- No changes since last Board update
- Both the 2017 Final Business Study results and Residential Wave 2 will be reported out in January

Electric Systems Metrics Forecast

	Rating Agency/ Perform. Goal	Forecast	Score
System Sales (GWh)	12,000	12,314	
Base Revenue Growth	(.10%)	2.0%	
Debt Svc. Coverage	2.3x	2.3x	
Days Liquidity (Cash)	282 (163)	262 (151)	
Debt/Asset %	62%	62%	
Non-Fuel/MWh	\$53.94	\$54.52	
Net Funded Debt Reduction	\$216m	\$216m	
Capital Expenditures	\$166m	\$147m	
Moody's/S&P/Fitch Ratings	Aa2/AA-/AA	Aa2/AA-/AA	

Water and Sewer Systems Metrics Forecast

	Rating Agency/ Perform. Goal	Forecast	Score
Water System Sales (mGals)	35,000	35,511	
Base Revenue Growth	(1.3%)	(2.4%)	
Debt Svc. Coverage	2.5x	2.5x	
Days Liquidity (Cash)	227 (109)	304 (192)	
Debt/Asset %	50%	50%	
Water Cost/kgal	\$4.75	\$5.11	
Sewer Cost/kgal	\$10.27	\$10.78	
Net Funded Debt Reduction	\$77m	\$77m	
Capital Expenditures	\$205m	\$211m	
Moody's/S&P/Fitch Ratings	Aa2/AA/AA	Aa2/AAA/AA	

Significant Occurrences or Concerns This Month

- Have incurred \$12MM of actual expenses YTD from Hurricane Mathew and does not include to date any significant incurred mutual aid costs

IV. A.
Finance & Audit Committee

JEA
FINANCE & AUDIT COMMITTEE AGENDA

DATE: December 1, 2016
TIME: 2:00 – 3:00 PM
PLACE: 21 W. Church Street
8th Floor Conference Room

Committee Members will meet on the 8th Floor
Other Board Members may join via conference call by dialing:
904-665-7100

	Responsible Person	Action (A) Info (I)	Total Time
I. OPENING CONSIDERATIONS	Kelly Flanagan		
A. Call to Order			
B. Adoption of Agenda		A	
C. Approval of Minutes – August 8, 2016	Melissa Charleroy	A	
D. Approval of Minutes – October 18, 2016	Melissa Charleroy	A	
II. NEW BUSINESS			
A. Quarterly Reports and Updates		I	5 mins.
1. Audit Services – Quarterly ERM/Audit Report			
2. Ethics Officer Quarterly Report			
3. Electric System and Water and Sewer System Reserve Fund Quarterly Report			
4. JEA Energy Market Risk Management Policy Report			
B. Action Items			
1. JEA Calendar Years 2017 and 2018 Fixed Rate Refunding Debt Parameter Resolutions for Electric, Water and Sewer and St. Johns River Power Park Systems	Joe Orfano	A	5 mins.
C. Ernst & Young FY2016 External Audit Report	John DiSanto	I	45 mins.
D. Announcements			
1. Next Meeting, March 2017, 8:00 – 10:00 AM (Date to be determined)			
E. Committee Discussion Sessions			5 mins.
1. Director, Audit Services	Steve Tuten	I	
2. Ernst & Young	John DiSanto	I	
3. Council Auditor's Office	Robert Campbell	I	
F. Adjournment			

IV. A. 1.

Approval of Minutes – August 8, 2016

JEA FINANCE & AUDIT COMMITTEE MINUTES
August 8, 2016

The Finance & Audit Committee of JEA met on Monday, August 8, 2016, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Committee Chair Flanagan called the meeting to order at 8:00 AM with Member Husein Cumber in attendance. Board Chair Tom Petway attended telephonically. Board Vice Chair Ed Burr was in attendance telephonically until arriving at 8:10 AM. Others in attendance were Paul McElroy, Melissa Dykes, Mike Brost, Brian Roche, Ted Hobson, Angie Hiers, Steve Tuten, Janice Nelson, Joe Orfano, Judi Spann, Steve McInall, Walette Stanford, Ryan Wannemacher, Jane Upton, Garry Baker, John McCarthy, Lee Montanez, and Frank DiBenedetto. Jody Brooks, Office of General Counsel, Mike Pattillo, Chris Edmunds, and John DiSanto, Ernst & Young, were also in attendance. Robert Campbell, Council Auditors Office, was not in attendance.

Due to a lack of quorum physically present, agenda items were received for information only and deferred until a quorum was physically present at 8:10 AM; however, the minutes reflect the original order of the agenda.

- B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Cumber and second by Mr. Burr.
- C. Approval of Minutes – The May 9, 2016 minutes were unanimously approved on **motion** by Mr. Burr and second by Mr. Cumber.

Agenda Item II – New Business

- A. Approval of Annual Internal Audit Plan – Steve Tuten, Director, Audit Services, introduced Lee Montanez, Manager, Audit Services. Mr. Montanez provided an overview of the FY2017 annual Internal Audit Plan, as required by the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards). On **motion** by Mr. Cumber and second by Mr. Burr, the Committee unanimously recommends the Board approve the annual Internal Audit Plan for FY2017.

Mr. Burr entered the meeting at 8:10 AM.

- B. Adoption of Changes to the Finance & Audit Committee Operating Policy – On **motion** by Mr. Cumber and second by Mr. Burr, the Committee unanimously recommends that the Board adopt the revised Finance and Audit Committee Operating Policy to reflect the revision to add the word “investigations” on page two to clarify the specific information reported.
- C. Annual Approval of Audit Services Charter – Steve Tuten, Director, Audit Services, presented the Audit Services Charter as required by the Institute of Internal Auditors (IIA). Mr. Tuten stated the purpose of the Audit Services Charter has been revised to align with language found in subsequent paragraphs. On **motion** by Mr. Burr and second by Mr. Cumber, the Committee unanimously recommends the Board approve the revised Audit Services Charter.
- D. Audit Services – Quarterly ERM/Audit Update – Steve Tuten, Director, Audit Services, provided the Committee with key FY2016 Audit Services highlights, FY2016 Internal Audit Plan timeline, and the Ethics Hotline Report. Mr. Tuten introduced Frank DiBenedetto, Manager Enterprise Risk Management. Mr. DiBenedetto provided the Committee with the Enterprise Risk

Management (ERM) Trend Report and key FY2016 ERM highlights. This presentation was received for information.

Mike Pattillo, Ernst & Young, entered the meeting at 8:15 AM.

- E. Coordinated Dispatch Agreement and Pricing Policy Revisions – Ryan Wannemacher, Director, Financial Planning & Analysis, presented on March 25, 2016, JEA entered into a coordinated dispatch agreement with Gainesville Regional Utilities (GRU) with the intent to optimize asset utilization of both utilities, and to pass on the savings to customers. Mr. Wannemacher stated this agreement has produced \$78,631 in savings to JEA year-to-date, and expects this to produce approximately \$6.5 million in savings annually. Mr. Wannemacher introduced Garry Baker, Director, Electric Systems Operations, who was instrumental in the development and implementation of the agreement, as well as the day-to-day execution and settlement of funds. On **motion** by Mr. Burr and second by Mr. Cumber, the Finance and Audit Committee recommends the full Board approve the proposed revisions to the Pricing Policy, including an addition that states “Gains realized from coordinated dispatch agreements will be allocated to base revenue, unless otherwise directed by the Board”, as well as administrative edits.
- F. Ethics Officer Quarterly Report – Walette Stanford, Ethics Officer and Director, Workforce Strategies, presented the Ethics Officer Quarterly Report, which was received for information.
- G. External Auditors
 1. Schedule of Expenditures of Federal Awards – Mike Pattillo, Coordinating Partner, Ernst & Young, LLP (E&Y), introduced John DiSanto, Executive Director, and Chris Edmunds, Senior Manager. Mr. DiSanto reviewed the Schedule of Expenditures of Federal Awards, which was received for information. The audit found no control deficiencies and was submitted by the deadline.
 2. Ernst & Young FY2016 Annual Financial Audit Plan was reviewed by Mike Pattillo, John DiSanto, and Chris Edmunds, Ernst and Young. On **motion** by Mr. Burr and second by Mr. Cumber, the Committee recommends the full Board approve the FY2016 Annual Financial Audit Plan.
- H. Treasury
 1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the Electric System and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
 2. JEA Investment Policy Revisions – Joe Orfano, Treasurer, presented staff is recommending revisions to the Investment Policy which include a revision to the lists of Authorized Investments for the Electric System and the District Energy System to ensure the language in the Investment Policy is consistent with updates to the Florida Statutes. In addition, the Policy will include new language to formally state that the authority to approve, amend or revise the Policy rests with the JEA Board. Additionally, U.S. dollar-denominated commercial paper issued by the Canadian government or Canadian provinces would be included as eligible commercial paper investments. At the request of Mr. Cumber, staff will revise section 7.0 – Portfolio Composition to include a denomination qualifier for commercial paper investments issued by Fortune 500 companies with significant operations in the U.S. On **motion** by Mr. Cumber and second by Mr. Burr, the Finance and Audit Committee recommends the full Board approve the revised Investment Policy as amended.
- I. JEA Energy Market Risk Management Policy Report – Steve McInall, Director, Electric Production Resource Planning, reviewed the Energy Market Risk Management Policy Report,

which was received for information. Committee Chair Flanagan requested staff to revise the presentation material prior to the next Committee meeting.

- J. Update on Procurement for External Auditor – Janice Nelson, Controller, presented at its meeting on January 19, 2016, the Board approved a one-year extension of the contract with Ernst & Young (E&Y) for the period from July 1, 2016 through June 30, 2017. As part of the recommendation for approval of the contract extension, the Finance and Audit Committee stated that staff will evaluate and issue a Request for Proposal (RFP) for independent audit services the next fiscal year. At its meeting on May 17, 2016, the Board approved the recommendation of the Finance and Audit Committee for staff to prepare an RFP, evaluation matrix and timeline for its review and approval at the next scheduled committee meeting on August 8, 2016. Staff intends to use the Invitation to Negotiate solicitation process for the procurement. Committee Members held discussions regarding the continued process. On **motion** by Mr. Burr and second by Mr. Cumber, the Committee recommends the Board approve the Invitation to Negotiate document and timeline, revising the selection criteria calculation as follows: Quotation of Rates – 10%, Professional Staff Experience – 30%, Past Performance/Company Experience – 30%, and Design Approach and Workplan – 30%. The Committee additionally recommended to review and approve the Short List on or before November 1, 2016.

Due to business commitments, Mr. Burr left the meeting at 9:54 AM.

K. Announcements

1. A special Finance & Audit Committee Meeting will take place tentatively in September/October 2016.
2. The next Finance and Audit Committee meeting is tentatively scheduled in December 2016 at 8:00 AM.

L. Committee Discussion Sessions

1. Director, Audit Services – Committee Discussion Session was not conducted.
2. Ernst & Young – Committee Discussion Session was not conducted.
3. Council Auditor's Office – Mr. Campbell was not in attendance.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 9:57 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair

Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant

IV. A. 2.

Approval of Minutes – October 18, 2016

JEA FINANCE & AUDIT COMMITTEE MINUTES
October 18, 2016

The Finance & Audit Committee of JEA met on Tuesday, October 18, 2016, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Committee Chair Flanagan called the meeting to order at 10:32 AM with Board Chair Tom Petway, Board Vice Chair Ed Burr, and Board Member Husein Cumber in attendance. Others in attendance were Paul McElroy, Melissa Dykes, Jody Brooks, Ryan Wannemacher, Janice Nelson, John McCarthy, Walette Stanford, and Steve Tuten. Sebastian Kitchen, Florida Times-Union was also in attendance.
- B. Adoption of Agenda – The agenda was adopted on **motion** by Board Vice Chair Burr and second by Board Chair Petway.

Agenda Item II – New Business

- A. External Audit Services Contract – John McCarthy, Director, Supply Chain Management, presented at the direction of the Finance & Audit Committee during the August 8, 2016 meeting, JEA staff issued a procurement solicitation for independent audit services. The new contract will begin after the expiration of JEA’s current audit services on June 30, 2017. Mr. McCarthy provided an overview of the solicitation process which included solicitation of proposals and independent scoring of the proposals by the evaluation team, which is made up of JEA staff. Mr. McCarthy stated the firms were scored as follows: Ernst & Young: 88.5, Baker Tilly: 86.1, Maudlin & Jenkins: 60.4. On **motion** by Board Chair Petway and second by Mr. Cumber, the Committee unanimously approved to remove Maudlin & Jenkins from the short list. Committee Chair Flanagan provided an opportunity to Janice Nelson, Ryan Wannemacher, Joe Orfano, and Ryan Wannemacher, members of the evaluation team, to provide comments. On **motion** by Board Chair Petway and second by Mr. Cumber, the Committee held discussions and unanimously recommends the Board approve to award a contract to Ernst & Young, based upon the Selection Committee’s evaluation. Board Vice Chair Burr encouraged staff to record lessons learned regarding generating more qualified responses to JEA’s request for proposals.
- B. Announcements
 - 1. The next Finance and Audit Committee meeting is scheduled on December 1, 2016 at 2:00 PM.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 11:06 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair
Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant

IV. A. 3.
Audit Services – Quarterly ERM/Audit Report

Audit Services 4Q FY16 Report

Steve Tuten - Director, Audit Services



Audit Services 4Q FY16 Report – Table of Contents

<u>Topic</u>	<u>Page #s</u>
• Internal Audit	3-4
• Enterprise Risk Management (ERM)	5-12
• Ethics Investigations & Audit	13-18

- **FY16 Internal Audit Plan** - To recap, nine audit reports were issued and five audits were carried over to the FY17 Plan. The remaining five audits from the original FY16 Plan were either deferred or not rescheduled.
- **Open Position** - The selected candidate for our Internal Audit position accepted a counteroffer from his current employer, so we have reopened the recruitment, but at the Senior Auditor level. Position likely to be filled sometime in January.
- **FY17 Internal Audit Plan** - We are slightly behind schedule, due primarily to the open position and impact of Hurricane Matthew (*approximately two weeks lost from regular schedule*). The current timeline for the FY17 Internal Audit Plan is shown on p. 4.
- **Open Audit and Investigation Report Issues** - As of 9/30/16, there were 26 open issues requiring management's corrective action plans.

FY17 Internal Audit Plan – Schedule

Audit/Project	Auditor-in-Charge	Status	FY 2017 Hours			First Draft Report			Comments	2017 Audit Timeline				
			Budgeted Hours (per audit plan)	Actual Hours	Will Meet/Met Budget	Audit Estimate Due Date (italics if updated)	Actual Date	Will Meet/Met Due Date		Oct	Nov	Dec	Jan	Feb
2016 Distribution, Development & Joint Projects (400 hrs. total)	Troy England (TE)	Reporting	60	122		8/29/2016	TBD		Exceeded budget due to complexity of analyzing client project and related processes.					
2016 Facilities Management	David Arnold (DA)	Reporting	140	145		11/7/2016 (1)	TBD		Audit Estimate updated due to Call Center work during Hurricane Matthew. Exceeded budget due to issues related to ADA.					
2016 System Protection & Controls	Laurie Gaughan (LG)	First Draft Issued	128	121		11/8/2016 (1)	11/8/2016		Audit Estimate updated due to Call Center work during Hurricane Matthew					
Information Security (FY16-60hrs. / FY17 500 hrs.)	Rashid Brittain (RB)	Testing	500	124.5		2/21/2016 (1)	TBD		Audit Estimate updated due to Call Center work during Hurricane Matthew					
TEA Audit	LG	Testing	100	27		No Report	N/A		TEA audit - November 14-18; Laurie working with auditors from Nebraska Public Power and Santee Cooper.					
JEA and SJRPP FY2016 Performance Pay Audit	TE	Testing	200	20.5					Tentative due date if all information is received on time - November 21.					
Real Estate Services and Revenue Contracts	Chris Page (CP) / DA	Planning	350	9										
SJRPP Enviro Engineering and Preventive Maintenance	LG	Planning	350	4										
FY2017 Action Plan Follow-Up	All Staff	Ongoing	400	62										

Notes:

(1) Updated due to Hurricane Matthew call center duties.

	>10% variance in hours from estimate >10 workdays from estimate.
	Variance within 10% of hours or 10 workdays from estimate.
	No negative variance in hours or days.
	Not Applicable or no data.

	Completed Audit
	In-Progress Audit
	Scheduled Audit
	Pending Audit
	Administrative



Enterprise Risk Management (ERM) Highlights

- **Updated Total Risk Scores** - The following risks have been adjusted to reflect the certainty of required compliance and/or increase in the estimated cost:
 - **Effluent Guidelines** – Increased from a 4 impact/4 likelihood to a 4 impact/5 likelihood to reflect the change in certainty for compliance.
 - **Cooling Water Intake Structure [316(b)]** – Increased from a 2 impact/5 likelihood to a 4 impact/5 likelihood, driven by an increase in the estimated cost.
- **Sanitary Sewer Overflow (SSO)** - Total risk score increased from a 4 impact/ 2 likelihood to a 4 impact/ 3 likelihood due to the recent events that occurred during Hurricane Matthew, as well as more stringent standards expected from the Florida Department of Environmental Protection (FDEP).
- **CCR (Coal Combustion Residual)**
 - Decreased from a 3 impact/5 likelihood to a 1 impact/1 likelihood, since the cost of compliance is known and will be funded as part of the annual budget process.
 - However, a new CCR risk has been created to address litigation that third-party environmental groups might initiate to challenge the effectiveness of our compliance efforts. (See page 10, item E22).

ERM Highlights (cont.)

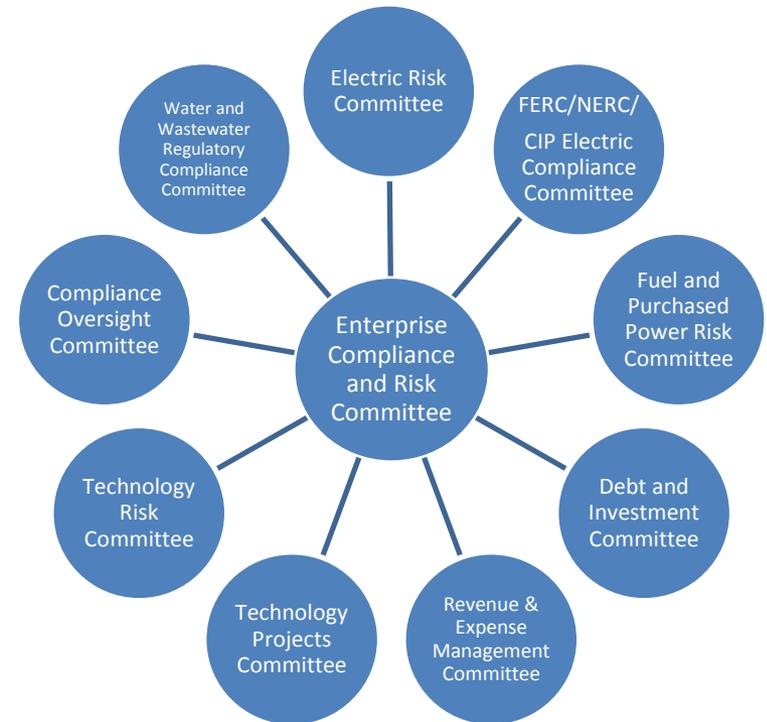
- **Business Unit Risk Assessments** – Continuation of risk assessment development to better align business processes with top corporate risk mitigations efforts, as well as identify/manage risks that may negatively impact business objectives.
 - Eleven risk assessments completed to date, with eight in progress.
- **Risk Management Training** – The latest iteration of ERM training is now required for all appointed employees and is expected to further enhance JEA’s overall risk management culture, including:
 - Understanding of JEA’s risk management infrastructure
 - Risk identification, assessment, and mitigation skills
 - Inter-departmental coordination of risk mitigation efforts
 - Since 9/29/16 rollout, 40 employees (about 20% of appointed staff) have attended the class.
- **Continuous Auditing/Continuous Monitoring (CACM)**
 - Continue to generate exception reports and coordinating with the Internal Audit and Ethics Investigations teams to address transactions that may reflect violations of company policies, processing errors, potential fraudulent activities, and/or control deficiencies.

ERM Committee Structure

- **Purpose** - JEA's ERM program identifies, assesses, measures, monitors and actively manages risk, including mitigation strategies and actions. Top corporate risks are reviewed monthly by the Enterprise Compliance & Risk Committee (ECRC) & quarterly with the Board.

- **ECRC & Subcommittees**

- Electric Risk
- FERC/NERC/CIP Electric Compliance
- Fuel and Purchased Power
- Debt and Investment
- Revenue and Expense Management
- Technology Projects
- Technology Risk
- Compliance Oversight
- Water and Wastewater Regulatory Compliance



ERM Corporate Risk Heat Map

Top Corporate Risks
Tier 1 (See p. 10) **Score** **10-25**
Tier 2 (See p. 11) **5-9**
Tier 3 (See p. 12) **1-4**

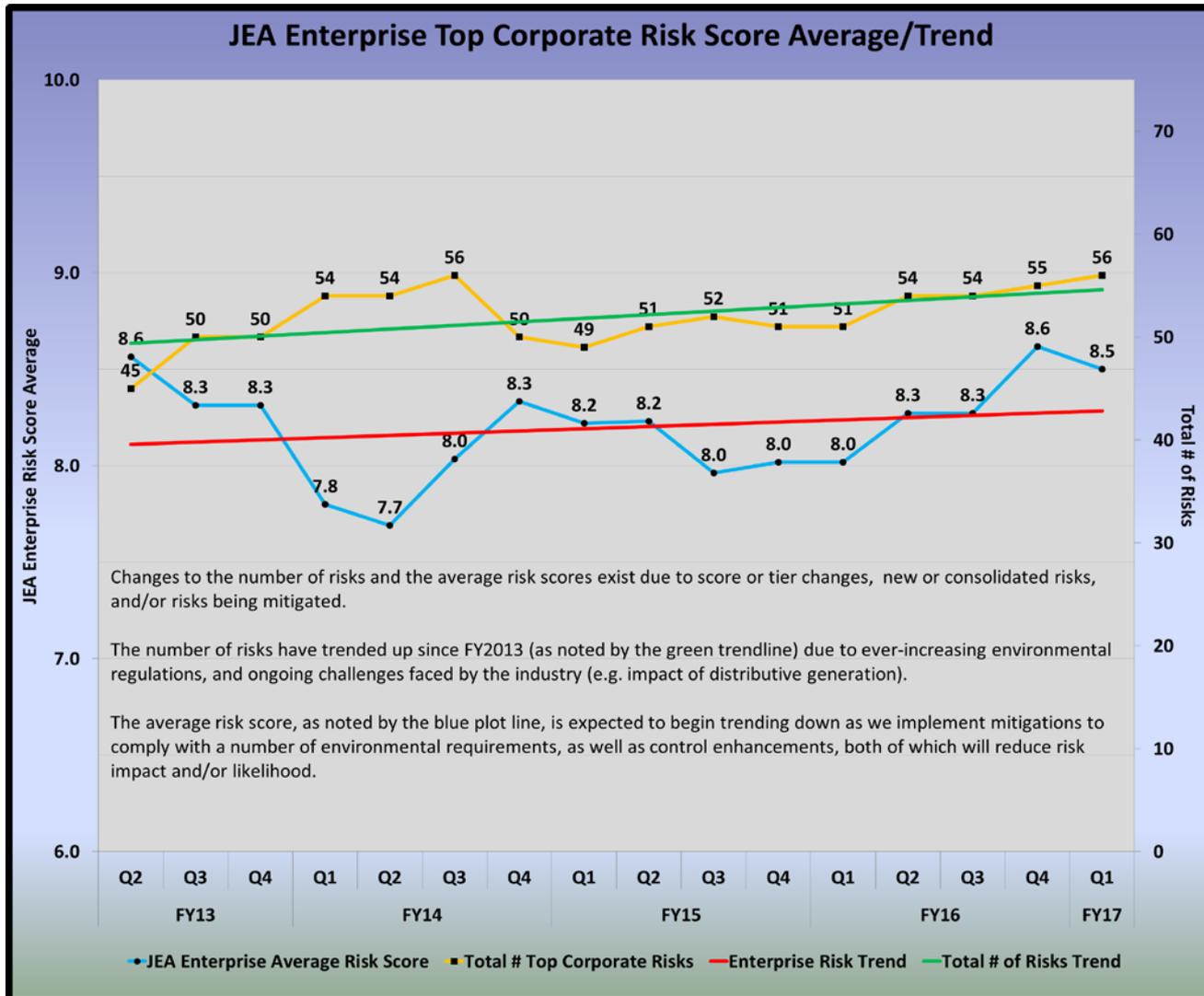
**Impact x
Likelihood
Score**

Likelihood	Almost Certain >90%	5	5	10	15	20	25	15-25	Red
	Likely 65-90%	4	4	8	12	16	20	10-12	Orange
	Possible 35-65%	3	3	6	9	12	15	8-9	Yellow
	Unlikely 5-35%	2	2	4	6	8	10	4-6	Light Green
	Rare <5%	1	1	2	3	4	5	1-3	Dark Green
			1	2	3	4	5		
			Minor	Moderate	Significant	Major	Severe		
Impact									



*The risk score is a factor of the risk impact x likelihood.

ERM – Top Corporate Risk Average Trends



ERM – Tier 1 Top Corporate Risk Trends

ERM - Tier 1 Risk Trends as of Current Quarter (Q1 FY17)

Risk <small>E= Electric, W= Water/Wastewater. F= Financial, H= Human Resources, T= Technology, C= Corporate -wide. Risks are in order by risk score within Business Function</small>	FY13			FY14				FY15				FY16				FY 17	Long Term Risk Exposure Trend (> 5 Years)	Change	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
Electric Risks																			
E1 - Carbon Emission Mitigation	20	20	20	20	20	25	25	25	25	25	25	25	25	25	25	25	↑ Increasing		
E2 - Effluent Limit Guidelines for Steam Units	12	12	16	16	16	16	16	16	16	16	16	16	16	16	20	20	↔ Stable	X	
E4 - Adverse Electric Commodity Supply and Pricing	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	↔ Stable		
E5 - Cooling Water Intake Structures 316(b)	12	10	10	10	10	10	10	10	10	10	10	10	10	10	20	20	↔ Stable	X	
E6 - Long-term Planning/Load Forecast - Electric	6	6	6	6	6	10	10	10	10	10	10	10	10	10	10	10	↑ Increasing		
E7 - Critical Infrastructure Protection (CIP) Compliance	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	↑ Increasing		
Water/Wastewater Risks																			
W1 - Water Supply Management/Long Term Planning	12	12	12	12	12	12	15	15	15	15	15	15	15	15	15	15	↑ Increasing		
Corporate Wide Risks																			
H1 - Pensions	16	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	↔ Stable		
F1 - Revenues and Expenses Management	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	↑ Increasing		
C16 - Weather & Climate Change Impact														15	15	15	15	↑ Increasing	
C1 - Customer Relationship Management	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	↔ Stable		
C2 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	9	9	9	9	12	12	12	12	12	12	12	12	12	12	12	12	↑ Increasing		
C3 - New Technology					12	12	12	12	12	12	12	12	12	12	12	12	↑ Increasing		
W3 - Sanitary Sewer Overflow Management	6	6	6	6	6	6	6	6	8	8	8	8	8	8	8	12	↑ Increasing	X	

Note: E1 Carbon Emission Mitigation risk is under review based on post-election results.



ERM – Tier 2 Top Corporate Risk Trends

ERM - Tier 2 Risk Trends as of Current Quarter (Q1 FY17)

Risk <small>E= Electric, W= Water/Wastewater, F= Financial, H= Human Resources, T= Technology, C= Corporate -wide. Risks are in order by risk score within Business Function</small>	FY13			FY14				FY15				FY16				FY 17	Long Term Risk Exposure Trend (> 5 Years)	Change	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
	Electric Risks																		
E8 - SJRPP	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
E9 - FERC/NERC (Section 693) O&P Reliability & Compliance	9	9	9	9	9	9	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
E10 - Nuclear Power Portfolio	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	↑ Increasing	
E21 - Natural Gas Sales - Commercial Customers										6	6	6	6	6	6	6	6	↔ Stable	
E11 - Infrastructure Maintenance - Electric Systems Assets	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E20 - Operations Technology Management - Electric	4	4	4	4	4	4	4	4	6	6	6	6	6	6	6	6	6	↔ Stable	
E12 - By Product Management	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E13 - Infrastructure Destruction Due to Severe Weather	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
Water/Wastewater Risks																			
W2 - Operations Technology Management - Water/Wastewater Systems	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
E22 - Coal Combustion Residual Rule (CCR) Litigation Risk																8		↔ Stable	X
W4 - Infrastructure Maintenance - Water/Waste Water Systems	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
Corporate Wide Risks																			
C5 - Records Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
C6 - Fraud Risk Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
T2 - Cyber Security Information Protection			9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
H2 - Staffing	16	16	12	12	9	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
H3 - Public and Employee Safety	6	6	6	6	6	9	9	9	9	9	9	9	9	9	9	9	9	↔ Stable	
T1 - Technology Infrastructure Reliability	12	12	12	12	12	12	12	12	4	4	4	4	8	8	8	8	8	↔ Stable	
T3 - Cyber Security Business Disruption									8	8	8	8	8	8	8	8	8	↑ Increasing	
T4 - Technology Services Disaster Recovery/Business Continuity									8	8	8	8	8	8	8	8	8	↔ Stable	
T5 - Technology Services Resource Optimization													9	9	9	9	9	↑ Increasing	
C7 - Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
C8 - Black Swan (High Impact - Low probability event)	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	↔ Stable	
F3 - Credit Availability/Cost	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
C9 - Other Regulatory Compliance	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	↔ Stable	
F4 - Counterparty Risk	10	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	↔ Stable	
C4 - External Influence on Policy	9	9	9	9	10	10	10	10	10	10	10	10	10	10	8	8	8	↔ Stable	
W6 - Water Quality Management															8	8	8	↔ Stable	



ERM – Tier 3 Top Corporate Risk Trends

ERM - Tier 3 Risk Trends as of Current Quarter (Q1 FY17)

Risk <small>E= Electric, W= Water/Wastewater. F= Financial, H= Human Resources, T= Technology, C= Corporate -wide. Risks are in order by risk score within Business Function</small>	FY13			FY14				FY15				FY16				FY 17	Long Term Risk Exposure Trend (> 5 Years)	Change
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
Electric Risks																		
E3 - Coal Combustion Residual Rule (CCR)	15	15	15	15	15	15	15	15	15	10	10	10	10	10	15	1	↔ Stable	X
E15 - TEA Activities Risk Management	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
E16 - Air Emissions Reduction Regulatory Initiatives	20	20	20	20	20	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
E17 - Mercury and Air Toxics Standards (MATS)		15	15	15	15	15	4	4	4	4	4	4	4	4	4	4	↔ Stable	
E18 - Renewable Energy Standards	20	20	20	3	3	3	3	3	3	3	3	3	3	3	3	3	↔ Stable	
E19 - Plant Scherer Environmental Lawsuit			6	6	6	4	1	1	1	1	1	1	1	1	1	1	↓ Decreasing	
Water/Wastewater Risks																		
W5 - Numeric Nutrient Criteria Mandates	12	10	4	4	4	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
Corporate Wide Risks																		
C10 - Project Risk Assessment and Capital Allocation	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
C12 - Capacity Plan Land Acquisition	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
C13 - Key Customer Accounts Management	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	↔ Stable	
F2 - Financial Regulatory Compliances (e.g. Dodd-Frank Bill)	9	9	9	9	9	9	9	9	9	4	4	4	4	4	4	4	↔ Stable	
F5 - IRS Bond Audit Records Requirements	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	↔ Stable	
H4 - Benefits	6	6	6	6	6	6	6	6	6	4	4	4	4	4	4	4	↔ Stable	
C14 - Environmental Compliance Management	1	1	1	1	1	1	4	4	4	4	4	4	4	4	4	4	↔ Stable	

Ethics Investigations & Audit Highlights

- As of 9/30/16, 241 cases have been handled through the Ethics Hotline (EHL) since its inception in 2006.
- Letter of Understanding (LOU) with the City's Office of the Inspector General (OIG) has been signed, effective November 16, 2016, in compliance with the Ordinance Code requirements for reporting to the OIG any fraud, waste or abuse complaints we receive through the EHL and other sources.

Ethics Hotline (EHL) Case Statistics

Open Cases 7/1/2016	Cases Opened 4Q FY16	Cases Closed 4Q FY16	Open Cases 9/30/2016
14	8	13	9

Categories For Cases Opened During 4Q FY16

Fraud / Waste / Abuse	3
Discrimination / Harassment	2
Conflict of Interest / Ethics Matters	2
General Inquiries	1
Total	8

Summary of Closed EHL Cases - 4Q FY16

Reporting Source	Allegation	Investigation Results
External	JEA-15-10-0002 - An anonymous letter was received from “concerned employees” alleging corruption and cover-up by Management and certain employees. Five allegations were made in the anonymous letter: (1) An alliance exists, which is how they get what they want and take care of each other; (2) Cocaine was found at a JEA facility with no drug testing or investigation performed; (3) They questioned how an employee (who is related to a member of management in the same division) scored 101 on the coordinators test and everyone else failed; (4) Several employees were given coordinator jobs, which were taken away 3-4 days later and given to another applicant with a lower score; and (5) One employee committed suicide (hanging) because he became so depressed and felt like a failure when they took the job away from him.	Our investigation did not provide evidence to substantiate the claim (1) that an alliance exists amongst the individuals listed in the anonymous letter. Evidence of (2) cocaine use was found at a JEA facility; however, the items that tested positive for cocaine residue could not be linked to any particular employee and per the bargaining agreement, management did not have probable cause to drug test employees. There was not sufficient evidence to substantiate the (3) allegation that the coordinator exam was compromised. We were able to confirm (4) that a previous coordinator job was offered to an employee, and the offer was rescinded a short time later due to an exam grading error. There was not any evidence to show (5) the employee’s suicide a year later resulted from the job being taken away from him.
External	JEA-16-01-0004 - It was reported that approximately 2,500 pounds of copper was stripped from underground residential distribution wire which was placed in JEA’s scrap bins.	Our investigation determined employees were disposing of the wire insulation casings in the Investment Recovery scrap bins rather than by disposing of them in a trash dumpster. Also, the lengths of insulation casings were consistent with the employees making “jumpers” to use in their electrical installation applications.
External	JEA-16-03-0004 - JEA was notified that batteries were being sold to a recycling company by an individual who stated the batteries were obtained from a JEA employee.	We determined the individual selling the batteries was a contractor for a JEA battery vendor. Based on a review of the quotes/purchase orders between the battery vendor and JEA, the vendor was within its rights to dispose and/or sell the scrap batteries. We recommended to management and Procurement that battery scrap value be considered when negotiating future battery replacement contracts/purchase orders.

Summary of Closed EHL Cases - 4Q FY16 (cont.)

Reporting Source	Allegation	Investigation Results
EHL	JEA-16-04-0001 – It was alleged an employee may have stolen JEA time because this employee takes a full lunch and also routinely goes to the JEA gym for an hour. The caller indicated this person does not have any JEA business at this gym's location, and this has been an on-going problem.	Evidence was found to conclude the employee regularly visited the gym location, did not always work the hours claimed on the timecard, claimed overtime at times when it was not warranted, and regularly used JEA's vehicle for personal use. The individual retired before JEA was able to seek restitution or terminate the employee.
Internal	JEA-16-04-0003 – Sixteen boxes of JEA steel cups for the J.D. Power award celebration were reported missing from two JEA facilities.	We were not able to confirm evidence of the deliveries to the destinations in question or determine the disposition of the cups. However, we made recommendations for increased controls over the delivery of valuable fulfillment items.
Internal	JEA-16-04-0004 – An employee may have stolen JEA equipment and supplies and used them for a personal business.	<p>Evidence was found to conclude that JEA tools, an assigned JEA vehicle, and the employee's JEA email account were occasionally used for the employee's personal business. No evidence was found that JEA funds were used to purchase equipment for the personal business; however, we noted that the work the employee conducted on behalf of JEA and the personal business was similar enough to sometimes make it difficult to distinguish between the two. Also, the employee did not submit the required Secondary Employment Form for approval of the secondary employment.</p> <p>The investigation and subsequent fact finding resulted in the employee being issued a Letter of Counseling. Management recommendations were made to periodically communicate Secondary Employment requirements and to strengthen procedures for the management of their remotely deployed workforce.</p>
EHL	JEA-16-04-0006 – The caller reported an employee was using company equipment for the employee's personal business and also using contacts from a group within JEA to push through projects for the personal business.	Evidence was found to conclude the employee had personal business information on a JEA computer and was using JEA email and a JEA-issued cell phone for the personal business. Files associated with the personal business were date/time stamped during business hours, indicating some computer use was during work hours. It was also determined the employee used a JEA vehicle for both personal and personal business use. We were unable to conclude contacts from a group within JEA were used to push through projects for the personal business. As a result of the investigation, the employee retired.

Summary of Closed EHL Cases - 4Q FY16 (cont.)

Reporting Source	Allegation	Investigation Results
External	JEA-16-05-0001 – An external email noted observance that JEA vehicles were used at two different schools for dropping off or picking up children.	According to JEA's GPS records, there were numerous JEA vehicles in the vicinity of the schools for the stated period. Given the complainant did not provide details such as days or vehicle numbers nor were there driving patterns that correlated with the start/stop times of the schools, we were unable to identify the JEA drivers alleged in the complaint. In an attempt to obtain additional details, we reached out to the complainant twice by email, but did not receive a response. Although we could not identify the drivers or vehicles, we notified management of the complaint for purposes of reemphasizing to employees that JEA Fleet Services Procedures prohibit the personal use of company vehicles.
EHL	JEA-16-06-0002 – The caller alleged that a probationary employee regularly abuses marijuana and codeine syrup, and the caller was not certain how long the situation had been ongoing or if the employee will use heavy machinery at work. The caller also alleged the employee had been involved in several car accidents and continued to operate a vehicle. The caller suggested that unannounced and random drug tests be conducted more often.	We determined the employee in question did not have a suspended or revoked driver's license. Also, there were no safety recordable incidents or any reports by management of suspicion of impairment while on the job. Based on the lack of evidence and the terms of the employee's collective bargaining agreement regarding drug testing, a drug screening test could not be performed. However, we shared the caller's concerns regarding more frequent drug testing with Labor Relations management.
External	JEA-16-06-0004 – An individual alleged that an employee was using JEA information to perform improper searches to locate the caller's address and phone number, along with the phone numbers of the caller's friends.	We determined the employee in question had access to look up customer information; however, due to system limitations, there is no record of inquiries, thus, we could not substantiate or refute the allegation. The matter was referred to Labor Relations for disposition.
EHL	JEA-16-06-0005 – The caller alleged a JEA manager showed favoritism by allowing an employee to report to work late and sit in the manager's office. It was also alleged the employee reports to work under the influence of drugs or alcohol, and the manager supports the employee by overlooking the employee's faults. The caller indicated the employee and manager are friends and drink together outside of work.	The caller subsequently asked that we disregard the information reported to the hotline and as a result, we did not continue our investigation. Labor Relations was aware of the related personnel issues and was working to resolve them.

Summary of Closed EHL Cases - 4Q FY16 (cont.)

Reporting Source	Allegation	Investigation Results
EHL	<p>JEA-16-07-0003 – The caller reported an employee received special treatment because the employee has a relative who is a manager in the department. Recently, the employee was in an accident, hitting a stationary pole with a company truck. The employee was found "not at fault", and the caller heard the employee's relative was involved in the employee's "fact-finding" for the accident. The caller indicated that management is typically quick to try to fire employees who get in accidents, but this employee was given special treatment.</p>	<p>Evidence was found that for approximately three months, a nepotism procedure violation existed as the employee in question was reporting through the relative's chain-of-command. However, there was no evidence to support the allegation the employee received special treatment in regards to the accident. The evidence showed a post-incident substance collection and test were performed on the day of the accident, and there was an accident investigation that did not include the employee's relative. Also, the employee's management notified Labor Relations, Health and Safety and the Chief Customer Officer of the accident.</p>
EHL	<p>JEA-16-08-0001 – The caller reported another department manager sent an email to the caller's manager in which the email alleges the caller was intoxicated in the workplace. The caller denied being intoxicated in the workplace and indicated a similar situation occurred in 2007 with this same department manager making a false allegation against the caller.</p>	<p>Our investigation concluded the Manager in question had no basis for making the allegation of intoxication. The Manager received counseling for making the false allegation.</p>

IV. A. 4.
Ethics Officer Quarterly Report

JEA

Ethics Officer Report

December 1, 2016

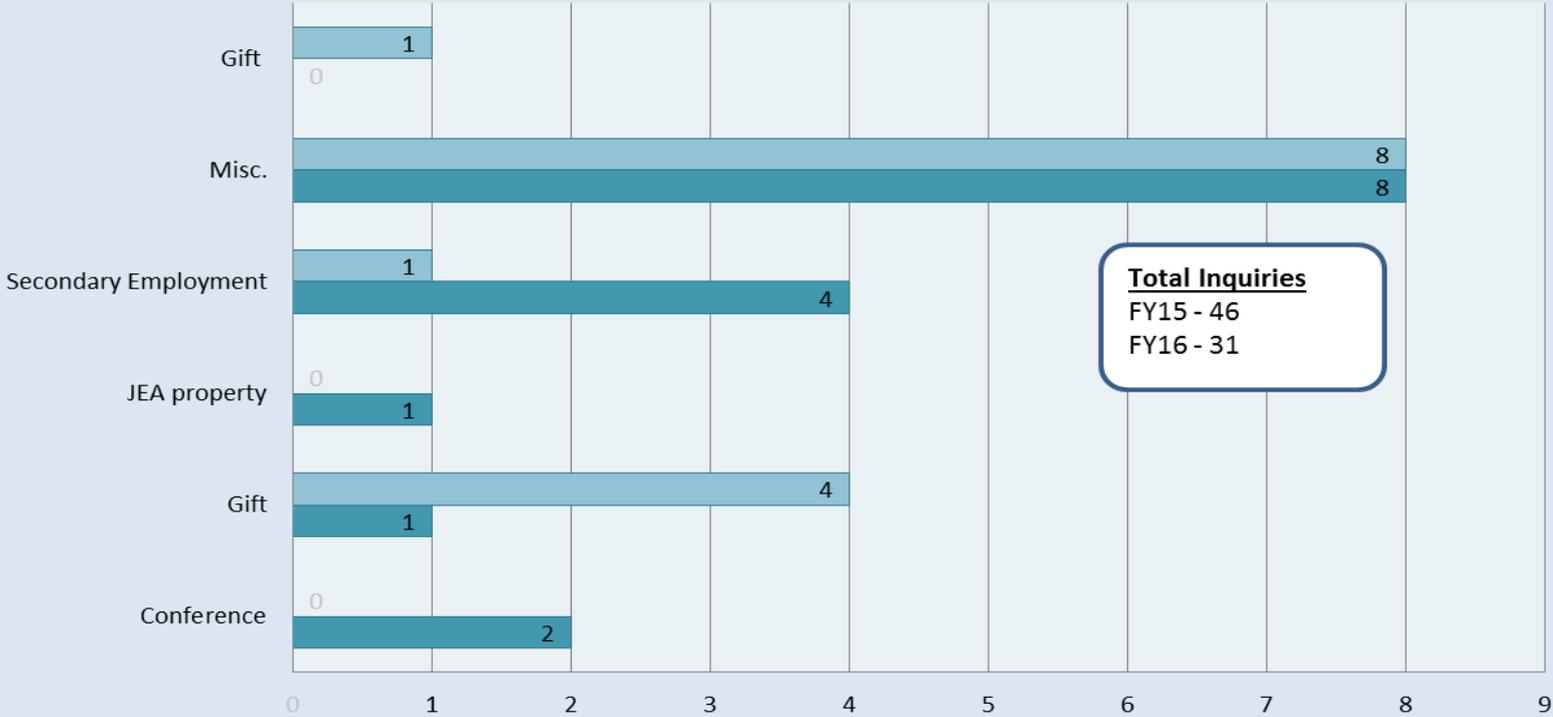
Creating an Ethical Culture

JEA will conduct its business fairly, impartially, in an ethical and proper manner, and in full compliance with all applicable laws and regulations



FY15/16 Comparison

Ethics Inquiries Comparison FY15/FY16 4th Quarter Results



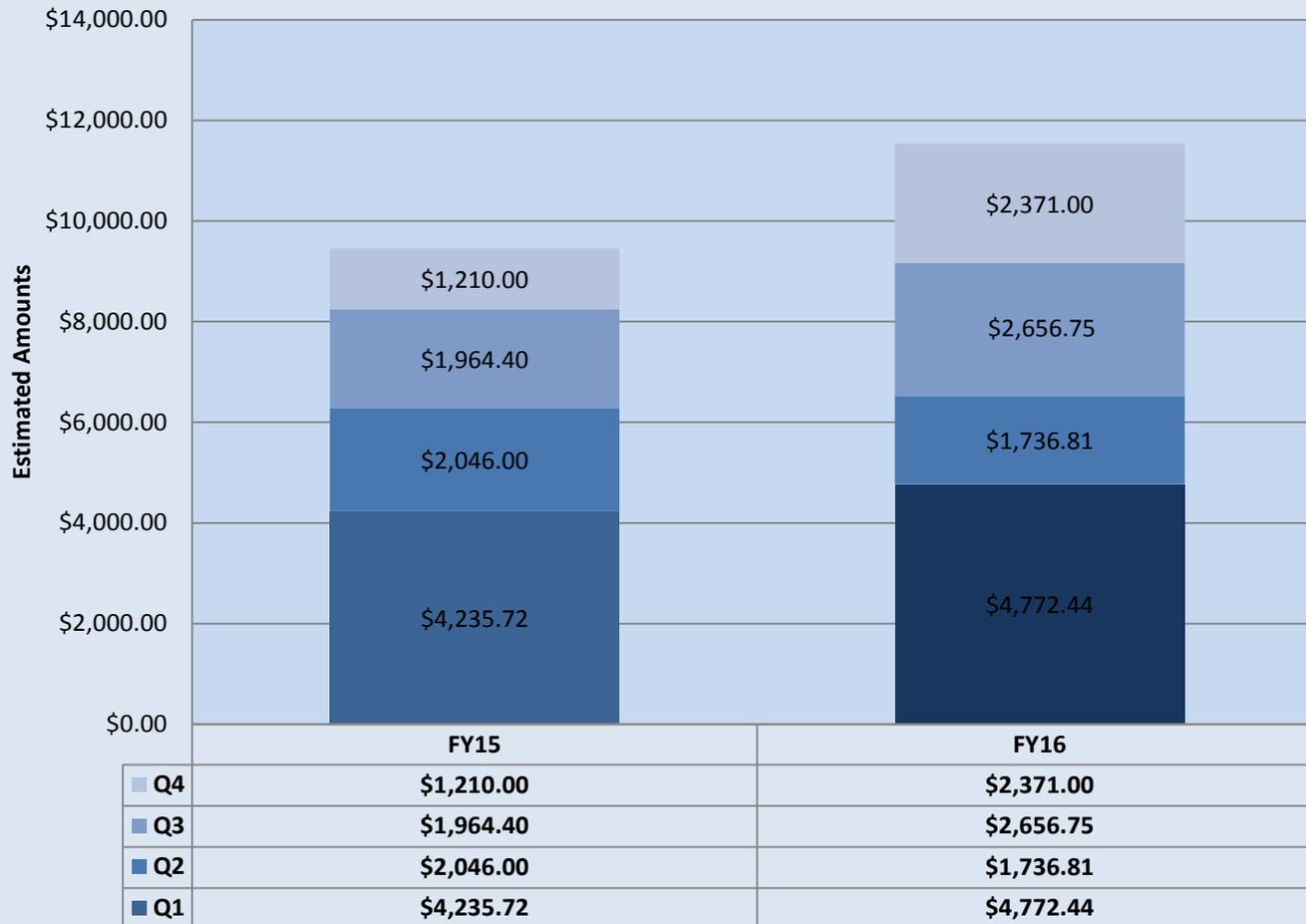
Total Inquiries
FY15 - 46
FY16 - 31

	Conference	Gift	JEA property	Secondary Employment	Misc.	Gift
FY16	0	4	0	1	8	1
FY15	2	1	1	4	8	0



FY16 Gift Registry

FY15/16 Gift Registry Estimates Comparison Per Quarter



Food Items: lunch or dinners during meetings or trainings, jar of mints, assorted candies and cookies

Promotional items: ball caps, t-shirts, pens

Misc. : golf, door prizes, televisions

Registration fees

Business Ethics Update and What's Next

- Automating the Nepotism form for employees on Sharepoint.
- Preparing for the FY17 Nepotism audit.
- Continue to partner with Audit Services to address Ethics Hotline cases that require policy and procedure changes.
- Ethics training will be administered in March 2017 with the goal of again having 100% compliance for all current employees with new employees completing within first 10 days of employment.

IV. A. 5.

Electric System and Water and Sewer System Reserve Fund Quarterly Report



Building Community

AGENDA ITEM SUMMARY

Nov 15, 2016

SUBJECT:	ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT
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Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of September 30, 2016. This report is provided for transparency into JEA’s reserve fund accounts and various cash balances. Projected balances incorporate the Capital Strategy Plan approved at the November 15, 2016 Board of Directors meeting.

Significance: High. JEA’s liquidity position is an important balance between operating security and flexibility, financial metrics, and carrying cost of cash.

Effect: JEA operational needs, bond resolution requirements, and credit ratings.

Cost or Benefit: JEA’s reserves are an important component of operating security and flexibility, a critical credit ratings factor.

Recommended Board action: No action required; provided for information only.

For additional information, contact: Joe Orfano, Treasurer, 665-4541

Submitted by: PEM/MHD/JEO/BHG

MISSION	VISION	VALUES
		
Energizing our community through high-value energy and water solutions.	JEA is a premier service provider, valued asset and vital partner in advancing our community.	<ul style="list-style-type: none"> • Safety • Service • Growth² • Accountability • Integrity

Commitments to Action

- 1** Earn Customer Loyalty
- 2** Deliver Business Excellence
- 3** Develop an Unbeatable Team



INTER-OFFICE MEMORANDUM

November 15, 2016

SUBJECT: **ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE
FUND QUARTERLY REPORT**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:

At the May 7, 2012 Finance and Audit Committee meeting, JEA staff presented schedules reflecting historical and projected activity in JEA's Electric System and Water and Sewer System unrestricted and restricted fund balances. Many of these reserves are required under the respective System's bond resolutions or under Board approved policies such as Pricing Policy or Debt Management Policy. JEA staff also stated that these schedules would be provided to the JEA Board on a quarterly basis beginning in August 2012.

DISCUSSION:

Attached are the reserve fund schedules referenced above for the period ending September 30, 2016.

RECOMMENDATION:

No action required; provided for information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/BHG

Electric System and Water & Sewer System Reserve and Fund Balances (1)

For the Fiscal Quarter Ending September 30, 2016
(In Thousands of Dollars)

	<u>Fiscal Year</u> <u>FY 2013</u>	<u>Fiscal Year</u> <u>FY 2014</u>	<u>Fiscal Year</u> <u>FY 2015</u>	<u>Fiscal Year</u> <u>FY 2016</u>	<u>Fiscal Year</u> <u>FY 2017</u>	<u>Detail</u> <u>Page #</u>
Electric System						
Unrestricted						
Operations/Revenue Fund	\$ 46,588	\$ 43,178	\$ 46,624	\$ 56,665	\$ 41,717	
Debt Management Strategy Reserve	-	-	-	-	-	3
Self Insurance Reserve Fund						
• Property	10,000	10,000	10,000	10,000	10,000	4
• Employee health insurance	15,914	10,749	10,937	11,179	11,179	5
Rate Stabilization						
• Fuel	108,289	105,457	150,742	180,115	134,828	6
• DSM/conservation	3,891	3,570	2,886	3,515	3,119	7
• Environmental	10,023	16,639	23,430	29,975	36,075	8
• Debt Management	42,126	42,126	42,126	42,126	29,884	9
• Non-Fuel Purchased Power	-	12,000	38,000	34,400	25,168	10
Environmental	18,662	18,662	18,662	18,556	18,556	11
Customer Deposits	44,882	42,688	42,389	41,084	41,084	12
Total Unrestricted	300,375	305,069	385,796	427,615	351,610	
Unrestricted Days of Cash on Hand	129	123	182	213	163	
Restricted						
Debt Service Funds (Sinking Funds)	101,305	120,458	134,927	136,232	167,573	13
Debt Service Reserve Funds	64,841	64,841	64,595	60,582	60,582	14
Renewal and Replacement Funds/OCO (2)	140,486	146,910	145,711	192,179	166,201	15
Construction Funds	5,184	42	-	-	-	16
Total Restricted	311,816	332,251	345,233	388,993	394,356	
Total Electric System	\$ 612,191	\$ 637,320	\$ 731,029	\$ 816,608	\$ 745,966	
Water and Sewer System						
Unrestricted						
Operations/Revenue Fund	\$ 5,886	\$ 9,227	\$ 22,588	\$ 42,948	\$ 37,881	
Debt Management Strategy Reserve	304	304	-	-	-	17
Rate Stabilization						
• Debt Management	20,290	20,291	20,290	20,290	14,209	18
• Environmental				1,699	-	19
Customer Deposit	13,860	12,787	13,255	13,910	13,910	20
Total Unrestricted	40,340	42,609	56,133	78,847	66,000	
Unrestricted Days of Cash on Hand	110	118	149	186	155	
Restricted						
Debt Service Funds (Sinking Funds)	80,317	75,019	67,720	65,410	82,277	21
Debt Service Reserve Funds	119,915	116,829	108,849	108,086	108,086	22
Renewal and Replacement Funds						
• R&R/OCO (3)	78,689	59,295	37,337	76,020	61,457	23
• Capacity Fees/State Revolving Loans	60,360	76,887	90,912	103,411	68,222	24
• Environmental	(9,857)	5,299	19,245	2,659	2,659	25
Construction Funds	2,305	326	664	152	-	26
Total Restricted	331,729	333,655	324,727	355,738	322,701	
Total Water & Sewer System	\$ 372,069	\$ 376,264	\$ 380,860	\$ 434,585	\$ 388,701	

(1) This report does not include Scherer, SJRPP, DES or funds held on behalf of the City of Jacksonville.

(2) Balance includes \$47,000 of Electric System Renewal and Replacement Reserve for MADS calculation.

(3) Balance includes \$20,000 of Water & Sewer System Renewal and Replacement Reserve for MADS calculation.

Funds Established Per the Bond Resolutions

Fund/Account Description	Electric System	Water and Sewer System
Revenue Fund	Net Revenues (i.e. Revenues minus Cost of Operation and Maintenance), pledged to bondholders, balance available for any lawful purpose after other required payments under the bond resolution have been made.	Pledged to bondholders; balance available for any lawful purpose after other required payments under the bond resolution have been made, however, revenues representing impact fees may only be used to finance costs of expanding the system or on the debt service on bonds issued for such expansion purposes.
Rate Stabilization Fund	Not pledged to bondholders; available for any lawful purpose.	Pledged to bondholders; able to transfer to any other fund or account established under the resolution or use to redeem Bonds.
Subordinated Rate Stabilization Fund	Pledged to bondholders; available for any lawful purpose.	Pledged to bondholders; available for any lawful purpose.
Debt Service Account	Pledged to bondholders; used to pay debt service on bonds.	Pledged to bondholders; used to pay debt service on bonds.
Debt Service Reserve Account	Pledged to bondholders; used to pay debt service on bonds in the event revenues were insufficient to make such payments.	Pledged to bondholders; used to pay debt service on bonds in the event revenues were insufficient to make such payments.
Renewal and Replacement Fund	Not pledged to bondholders but required amounts deposited into this Fund pursuant to the bond resolution are limited as to what they can be spent on (e.g. capital expenditures and, bond redemptions) .	Pledged to bondholders; but required amounts deposited into this Fund pursuant to the bond resolution are limited as to what they can be spent on (e.g. capital expenditures and, bond redemptions).
Construction Fund	Pledged to bondholders; applied to the payment of costs of the system.	Pledged to bondholders; applied to the payment of costs of the system.
Subordinated Construction Fund	Pledged to bondholders; applied to the payment of costs of the system	Pledged to bondholders; applied to the payment of costs of the system
Construction Fund - Construction Reserve Account	Pledged to bondholders; applied to fund downgraded reserve fund sureties.	Pledged to bondholders; applied to fund downgraded debt service reserve fund sureties.
General Reserve Fund	Not pledged to bondholders; available for any lawful purpose.	n/a

Regardless of whether the Funds/Accounts are designated as pledged, in the event that monies in the Debt Service Account are insufficient to pay debt service on the bonds, pursuant to the respective bond resolutions, amounts in the various Funds/Accounts are required to be transferred to the respective Debt Service Accounts and used to pay debt service.

Electric System Debt Management Reserve

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

	Actual as of 09/30/2016		Full Year			Projection		
	Current	Year -to-Date	2016	2016	Prior Year	2017	2018	2019
	Quarter		Forecast	Budget	Actual			
<i>(In Thousands)</i>								
Opening Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -
Additions:								
Contributions				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 12,257	\$ 12,257	\$ 12,257	\$ -	\$ -	\$ -	\$ 12,257	\$ 7,354	\$ 12,257
Additions:									
Contributions	-	-	-	-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Withdrawals	-	-	12,257	-	-	-	-	4,086	12,257
Sub-total	\$ -	\$ -	\$ 12,257	\$ -	\$ -	-	-	-	-
Ending balance	\$ 12,257	\$ 12,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,903	\$ 12,257

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- A portion of this reserve was used to pay on interest rate swap terminations in connection with a refunding of variable rate debt in February 2013, and the remainder was used in Sept 2013 for a defeasance.

Electric System Self Insurance - Property

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Budget Appropriation

Metric: Budgeted Deposit = \$10 million

Definitions and Goals: JEA's self-insurance fund is for catastrophic damage to JEA's electric lines (transmission and distribution) caused by the perils of hurricanes, tornadoes, and ice storms. This fund was established in October, 1992, as an alternative to JEA's procurement of commercial property insurance.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 10,000	\$ 10,000	\$ 10,000	N/A	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Additions:								
Reserve Contribution				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Reserve Withdrawal				N/A				
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 10,000	\$ 10,000	\$ 10,000	N/A	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 3,500	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 3,500	\$ 10,000	\$ 8,700	\$ 10,000
Additions:									
Reserve Contribution	6,500					6,500	6,500	6,500	6,500
Sub-total	\$ 6,500	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Reserve Withdrawal						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000

Electric System Self Insurance - Employee Health Insurance

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Florida Statute for self insured government plans

Metric: An actuary calculates amount annually

Definitions and Goals: This reserve fund is a requirement under Florida Statute 112.08 that requires self insured government plans to have enough money in a reserve fund to cover the Incurred But Not Reimbursed (IBNR) claims and a 60 day surplus of claims. The IBNR claims are claims that would still need to be paid if the company went back to a fully insured plan or dropped coverage all together. An actuary calculates this amount annually.

<i>(In Thousands)</i>	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	<u>2017</u>	<u>2018</u>	<u>2019</u>
Opening Balance	\$ 12,076	\$ 10,937	\$ 10,937	N/A	\$ 10,749	\$ 11,179	\$ 11,179	\$ 11,179
Additions:								
Employee Contributions	1,376	5,460	5,460	N/A	5,447	6,097	6,585	7,112
Retiree & Other Contributions	1,466	5,694	5,694		5,141	7,750	8,370	9,040
Employer Contributions	4,935	24,231	24,231		22,220	22,824	24,650	26,622
Sub-total	\$ 7,777	\$ 35,385	\$ 35,385	\$ -	\$ 32,808	\$ 36,671	\$ 39,605	\$ 42,773
Deductions:								
Payments for Claims	8,127	32,946	32,946	N/A	30,408	34,298	37,042	40,005
Actuary & Other Payments	547	2,197	2,197		2,212	2,373	2,563	2,768
Sub-total	\$ 8,674	\$ 35,143	\$ 35,143	\$ -	\$ 32,620	\$ 36,671	\$ 39,605	\$ 42,773
Ending Balance	\$ 11,179	\$ 11,179	\$ 11,179	N/A	\$ 10,937	\$ 11,179	\$ 11,179	\$ 11,179

<i>(In Thousands)</i>	Historical					Statistical			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	Low	Median	Mean	High
Opening Balance	\$ 8,227	\$ 12,505	\$ 15,440	\$ 15,914	\$ 10,749	\$ 8,227	\$ 12,505	\$ 12,567	\$ 15,914
Additions:									
Employee Contributions	5,926	6,147	5,893	4,573	5,447	4,573	5,893	5,597	6,147
Retiree & Other Contributions	4,725	6,910	5,701	5,188	5,141	4,725	5,188	5,533	6,910
Employer Contributions	20,484	21,155	20,629	14,252	22,220	14,252	20,629	19,748	22,220
Sub-total	\$ 31,135	\$ 34,212	\$ 32,223	\$ 24,013	\$ 32,808				
Deductions:									
Payments for Claims	24,699	29,220	29,354	27,157	30,408	24,699	29,220	28,168	30,408
Actuary & Other Payments	2,158	2,057	2,395	2,021	2,212	2,021	2,158	2,169	2,395
Sub-total	\$ 26,857	\$ 31,277	\$ 31,749	\$ 29,178	\$ 32,620				
Ending balance	\$ 12,505	\$ 15,440	\$ 15,914	\$ 10,749	\$ 10,937	\$ 10,749	\$ 12,505	\$ 13,109	\$ 15,914

Observations:

- Self Insurance for Employee Health Insurance began in July 2009.
 - Projections are using the 8% rate of increase based on information obtained from the Actuarial Memorandum and Report.
- Calendar year data is presented above in fiscal year format.

Electric System Rate Stabilization - Fuel Management

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Targeted 15% of total annual projected energy costs

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Established pursuant to the section VII and Section IX of the Pricing Policy, the Fuel Reserve target is 15% of the greater of (a) the maximum 12-month historical fuel cost or (b) the projected 12-month fuel cost. Withdrawals from the Rate Stabilization Fund for fuel stabilization are limited to the following purposes: (a) to reduce the variable fuel rate charge to the customers for a determined period of time; (b) to reduce the excess of the actual fuel and purchased power expense for the fiscal year over the variable fuel rate revenues; (c) to be rebated back to the customers as a credit against the electric bill; and/or (d) to reimburse the costs associated with any energy risk management activities.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 168,826	\$ 150,742	\$ 150,742	N/A	\$ 105,457	\$ 180,115	\$ 134,828	\$ 101,117
Additions:								
Contributions	11,289	85,979	85,979	25,255	95,224			
Sub-total	\$ 11,289	\$ 85,979	\$ 85,979	\$ 25,255	\$ 95,224	\$ -	\$ -	\$ -
Withdrawals								
Customer Fuel Rebate Credit		56,606	56,606	-	49,939	45,287	33,711	32,972
Sub-total	\$ -	\$ 56,606	\$ 56,606	\$ -	\$ 49,939	\$ 45,287	\$ 33,711	\$ 32,972
Ending Balance	\$ 180,115	\$ 180,115	\$ 180,115	N/A	\$ 150,742	\$ 134,828	\$ 101,117	\$ 68,145

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 55,935	\$ 24,990	\$ 92,362	\$ 108,289	\$ 105,457	\$ 24,990	\$ 92,362	\$ 77,407	\$ 108,289
Additions:									
Contributions	53,465	76,763	52,523	22,496	95,224	22,496	53,465	60,094	95,224
Sub-total	\$ 53,465	\$ 76,763	\$ 52,523	\$ 22,496	\$ 95,224	-	-	-	-
Deductions:									
Withdrawals	84,410	9,391				9,391	46,901	46,901	84,410
Customer Fuel Rebate Credit			36,596	25,328	49,939	25,328	36,596	37,288	49,939
Sub-total	\$ 84,410	\$ 9,391	\$ 36,596	\$ 25,328	\$ 49,939	-	-	-	-
Ending balance	\$ 24,990	\$ 92,362	\$ 108,289	\$ 105,457	\$ 150,742	\$ 24,990	\$ 105,457	\$ 96,368	\$ 150,742

Observations:

- Actual and historical numbers reflect fuel recovery contributions and withdrawals on a gross basis. Forecast and projected numbers reflected on a net basis. The fuel recovery charge ended 12/31/11.

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: \$0.50 per 1,000 kWh plus \$0.01 per kWh residential conservation charge for consumption greater than 2,750 KWh monthly

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Pursuant to section VII of the Pricing Policy, \$0.50 per 1,000 kWh plus \$0.01 per kWh residential conservation charge for consumption greater than 2,750 kWh monthly. These revenue sources are to fund demand side management and conservation programs.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 3,075	\$ 2,886	\$ 2,886	N/A	\$ 3,570	\$ 3,515	\$ 3,119	\$ 3,119
Additions:								
Contributions	2,461	7,232	7,232	6,942	7,059	6,679	6,679	6,679
Other								
Sub-total	\$ 2,461	\$ 7,232	\$ 7,232	\$ 6,942	\$ 7,059	\$ 6,679	\$ 6,679	\$ 6,679
Withdrawals	2,021	6,603	6,603	7,674	7,743	7,075	6,679	6,679
Sub-total	\$ 2,021	\$ 6,603	\$ 6,603	\$ 7,674	\$ 7,743	\$ 7,075	\$ 6,679	\$ 6,679
Ending Balance	\$ 3,515	\$ 3,515	\$ 3,515	N/A	\$ 2,886	\$ 3,119	\$ 3,119	\$ 3,119

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 10,813	\$ 10,703	\$ 6,912	\$ 3,891	\$ 3,570	\$ 3,570	\$ 6,912	\$ 7,178	\$ 10,813
Additions:									
Contributions	7,978	6,657	6,683	6,929	7,059	6,657	6,929	7,061	7,978
Transfer from Rev Fd						-	-	-	-
Sub-total	\$ 7,978	\$ 6,657	\$ 6,683	\$ 6,929	\$ 7,059				
Deductions:									
Withdrawals	8,088	10,448	9,704	7,250	7,743	7,250	8,088	8,647	10,448
Sub-total	\$ 8,088	\$ 10,448	\$ 9,704	\$ 7,250	\$ 7,743				
Ending balance	\$ 10,703	\$ 6,912	\$ 3,891	\$ 3,570	\$ 2,886	\$ 2,886	\$ 3,891	\$ 5,592	\$ 10,703

Observations:

- Rate Stabilization Fund for Demand Side Management began in April 2009.

Electric System Rate Stabilization - Environmental

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: \$0.62 per 1,000 kWh

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to this fund began in fiscal year 2010 for amounts representing the Electric System Environmental Charge (\$0.62 per 1000 kWh). Withdrawals from this reserve will represent payments for regulatory initiatives such as the premium cost of renewable energy generation which is considered available for JEA's capacity plans.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 28,387	\$ 23,430	\$ 23,430	N/A	\$ 16,639	\$ 29,975	\$ 36,075	\$ 40,955
Additions:								
Contributions	2,271	7,700	7,700	7,320	7,586	7,320	7,320	7,320
Sub-total	\$ 2,271	\$ 7,700	\$ 7,700	\$ 7,320	\$ 7,586	\$ 7,320	\$ 7,320	\$ 7,320
Withdrawals	683	1,155	1,155	2,442	795	1,220	2,440	3,660
Sub-total	\$ 683	\$ 1,155	\$ 1,155	\$ 2,442	\$ 795	\$ 1,220	\$ 2,440	\$ 3,660
Ending Balance	\$ 29,975	\$ 29,975	\$ 29,975	N/A	\$ 23,430	\$ 36,075	\$ 40,955	\$ 44,615

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 2,467	\$ 4,232	\$ 5,343	\$ 10,023	\$ 16,639	\$ 2,467	\$ 5,343	\$ 7,741	\$ 16,639
Additions:									
Contributions	6,583	2,436	5,650	7,395	7,586	2,436	6,583	5,930	7,586
Sub-total	\$ 6,583	\$ 2,436	\$ 5,650	\$ 7,395	\$ 7,586	-	-	-	-
Deductions:									
Withdrawals	4,818	1,325	970	779	795	779	970	1,737	4,818
Sub-total	\$ 4,818	\$ 1,325	\$ 970	\$ 779	\$ 795	-	-	-	-
Ending balance	\$ 4,232	\$ 5,343	\$ 10,023	\$ 16,639	\$ 23,430	\$ 4,232	\$ 10,023	\$ 11,933	\$ 23,430

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 42,126	\$ 42,126	\$ 42,126	N/A	\$ 42,126	\$ 42,126	\$ 29,884	\$ 29,884
Additions:								
Contributions				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals						12,242		
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,242	\$ -	\$ -
Ending Balance	\$ 42,126	\$ 42,126	\$ 42,126	N/A	\$ 42,126	\$ 29,884	\$ 29,884	\$ 29,884

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 19,213	\$ 35,930	\$ 41,611	\$ 42,126	\$ 42,126	\$ 19,213	\$ 41,611	\$ 36,201	\$ 42,126
Additions:									
Contributions	16,717	5,681	6,581			5,681	6,581	9,660	16,717
Sub-total	\$ 16,717	\$ 5,681	\$ 6,581	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals	-	-	6,066			-	-	2,022	6,066
Sub-total	\$ -	\$ -	\$ 6,066	\$ -	\$ -	-	-	-	-
Ending balance	\$ 35,930	\$ 41,611	\$ 42,126	\$ 42,126	\$ 42,126	\$ 35,930	\$ 42,126	\$ 40,784	\$ 42,126

Observations:

- Rate Stabilization Fund for Debt Management began in May 2009.

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to the Rate Stabilization Fund for Non-Fuel Purchased Power Stabilization during the fiscal year are made with the approval of the CEO or CFO, provided such deposits are not in excess of JEA's total operating budget for the current fiscal year. Withdrawals from the Rate Stabilization Fund for Non-Fuel Purchased Power are to reimburse the costs associated with any non-fuel purchased power activities. Withdrawals can be made as necessary during the fiscal year and requires the approval of the CEO or the CFO.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 35,943	\$ 38,000	\$ 38,000	N/A	\$ 12,000	\$ 34,400	\$ 25,168	\$ 13,423
Additions:								
Contributions				-	26,000			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 26,000	\$ -	\$ -	\$ -
Withdrawals	1,542	3,600	3,600	-	-	9,232	11,745	13,423
Sub-total	\$ 1,542	\$ 3,600	\$ 3,600	\$ -	\$ -	\$ 9,232	\$ 11,745	\$ 13,423
Ending Balance	\$ 34,401	\$ 34,400	\$ 34,400	N/A	\$ 38,000	\$ 25,168	\$ 13,423	\$ -

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ -	\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ -	\$ 2,400	\$ 12,000
Additions:									
Contributions				12,000	26,000	12,000	19,000	19,000	26,000
Sub-total	\$ -	\$ -	\$ -	\$ 12,000	\$ 26,000	-	-	-	-
Deductions:									
Withdrawals						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ -	\$ -	\$ -	\$ 12,000	\$ 38,000	\$ -	\$ -	\$ 10,000	\$ 38,000

Observations:

- The Non-Fuel Purchased Power Rate Stabilization Fund began in FY 2014.

Electric System Environmental Reserve

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Pricing Policy

Metric: Target equals the balance in the environmental liability account

Definitions and Goals: This reserve represents the initial amounts collected from the Electric System Environmental Charge and will be deposited until the balance in this reserve equals the balance in the environmental liability account. Withdrawals from this account will represent payments for these liabilities.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 18,556	\$ 18,662	\$ 18,662	N/A	\$ 18,662	\$ 18,556	\$ 18,556	\$ 18,556
Additions:								
Contributions			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals		106	106	N/A	-			
Sub-total	\$ -	\$ 106	\$ 106	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 18,556	\$ 18,556	\$ 18,556	N/A	\$ 18,662	\$ 18,556	\$ 18,556	\$ 18,556

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 16,946	\$ 20,899	\$ 18,359	\$ 18,662	\$ 18,662	\$ 16,946	\$ 18,662	\$ 18,706	\$ 20,899
Additions:									
Contributions	3,953		970			970	2,462	2,462	3,953
Sub-total	\$ 3,953	\$ -	\$ 970	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals		2,540	667			667	1,604	1,604	2,540
Sub-total	\$ -	\$ 2,540	\$ 667	\$ -	\$ -	-	-	-	-
Ending balance	\$ 20,899	\$ 18,359	\$ 18,662	\$ 18,662	\$ 18,662	\$ 18,359	\$ 18,662	\$ 19,049	\$ 20,899

Observations:

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

Definitions and Goals: Pursuant to internal procedure CR40400 MBC302 Credit and Collections, JEA accesses customers a deposit that may be used to offset any future unpaid amounts during the course of providing utility service to a customer.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 41,757	\$ 42,389	\$ 42,389	N/A	\$ 42,688	\$ 41,084	\$ 41,084	\$ 41,084
Additions:								
Net Customer Activity			-	N/A	-			
Loan Repayment to ES Revenue Fund					-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Customer Activity	674	1,305	1,305		299			
Loan to ES Revenue Fund				N/A	-			
Sub-total	\$ 674	\$ 1,305	\$ 1,305	\$ -	\$ 299	\$ -	\$ -	\$ -
Ending Balance	\$ 41,083	\$ 41,084	\$ 41,084	N/A	\$ 42,389	\$ 41,084	\$ 41,084	\$ 41,084

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 38,801	\$ 42,767	\$ 43,454	\$ 44,882	\$ 42,688	\$ 38,801	\$ 42,767	\$ 42,518	\$ 44,882
Additions:									
Net Customer Activity	5,011	905	1,430			905	1,430	2,449	5,011
Loan Repayment to ES Revenue Fund	16,000					16,000	16,000	16,000	16,000
Sub-total	\$ 21,011	\$ 905	\$ 1,430	\$ -	\$ -	-	-	-	-
Deductions:									
Net Customer Activity	1,045	218	2	2,194	299	2	299	752	2,194
Loan to ES Revenue Fund	16,000					16,000	16,000	16,000	16,000
Sub-total	\$ 17,045	\$ 218	\$ 2	\$ 2,194	\$ 299				
Ending balance	\$ 42,767	\$ 43,454	\$ 44,882	\$ 42,688	\$ 42,389	\$ 42,389	\$ 42,767	\$ 43,236	\$ 44,882

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits starting in Fiscal Year 2014.

Electric System Debt Service Sinking Fund

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 92,206	\$ 134,927	\$ 134,927	N/A	\$ 120,458	\$ 136,232	\$ 167,573	\$ 155,377
Additions:								
Revenue Fund Deposits	44,889	177,847	177,847		181,006	220,670	208,690	199,650
Bond funded interest					-			
Sub-total	\$ 44,889	\$ 177,847	\$ 177,847	\$ -	\$ 181,006	\$ 220,670	\$ 208,690	\$ 199,650
Principal and Int Payments	863	176,542	176,542	N/A	166,537	189,329	220,886	217,412
Sub-total	\$ 863	\$ 176,542	\$ 176,542	\$ -	\$ 166,537	\$ 189,329	\$ 220,886	\$ 217,412
Ending Balance	\$ 136,232	\$ 136,232	\$ 136,232	N/A	\$ 134,927	\$ 167,573	\$ 155,377	\$ 137,615

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 86,769	\$ 125,988	\$ 107,754	\$ 101,305	\$ 120,458	\$ 86,769	\$ 107,754	\$ 108,455	\$ 125,988
Additions:									
Revenue Fund Deposits	187,629	159,724	159,072	167,340	181,006	159,072	167,340	170,954	187,629
Bond funded interest	1,726					1,726	1,726	1,726	1,726
Sub-total	\$ 189,355	\$ 159,724	\$ 159,072	\$ 167,340	\$ 181,006	-	-	-	-
Deductions:									
Principal and Int Payments	150,136	177,958	165,521	148,187	166,537	148,187	165,521	161,668	177,958
Sub-total	\$ 150,136	\$ 177,958	\$ 165,521	\$ 148,187	\$ 166,537	-	-	-	-
Ending balance	\$ 125,988	\$ 107,754	\$ 101,305	\$ 120,458	\$ 134,927	\$ 101,305	\$ 120,458	\$ 118,086	\$ 134,927

Observations:

- September 30th ending balances are used to pay the October 1st interest and principal payments.
- This report does not include any Scherer debt service sinking funds.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on October 1st of the following fiscal year).

Electric System Debt Service Reserve Account

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Maximum interest payable on outstanding senior Electric System bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

(In Thousands)	Actual as of 09/30/2016		Full Year Budget Amounts			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 60,582	\$ 64,595	\$ 64,595	N/A	\$ 64,841	\$ 60,582	\$ 60,582	\$ 60,582
Additions:								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Release to Revenue Fund		4,013	4,013	N/A	246			
Sub-total	\$ -	\$ 4,013	\$ 4,013	\$ -	\$ 246	\$ -	\$ -	\$ -
Ending Balance	\$ 60,582	\$ 60,582	\$ 60,582	N/A	\$ 64,595	\$ 60,582	\$ 60,582	\$ 60,582

	Historical Actuals					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 72,226	\$ 72,226	\$ 72,226	\$ 64,841	\$ 64,841	\$ 64,841	\$ 72,226	\$ 69,272	\$ 72,226
Additions:									
Proceeds from Bonds			-	-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Defeasance			7,385		246	246	3,816	3,816	7,385
Sub-total	\$ -	\$ -	\$ 7,385	\$ -	\$ 246	-	-	-	-
Ending balance	\$ 72,226	\$ 72,226	\$ 64,841	\$ 64,841	\$ 64,595	64,595	64,841	67,746	72,226

Observations:

- This report does not include any Scherer debt service reserves.
- In FY 2007, the debt service reserve requirement was satisfied 100% by the use of debt service reserve surety policies. In accordance with the bond resolution, beginning in FY 2008, cash/investments replaced the downgraded sureties due to their downgrade by the rating agencies. Sureties of \$67.6 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.
- The debt service reserve account balance is currently in excess of the the debt service reserve requirement under the bond resolution by \$3.0 million. The excess will be used, if needed, to (1) fund an increase in the reserve requirement caused by a future issuance of new money bonds and/or variable to fixed refunding bonds, (2) help satisfy cash reserve targets instituted by the rating agencies, and/or (3) redeem bonds, in accordance with applicable tax laws.

Electric Renewal and Replacement (R&R) / Operating Capital Outlay (OCO)

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually 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 per JEA's Electric System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Electric System bond resolution and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit and may be allocated for use between capacity or non-capacity related expenditures based on the most beneficial economic and tax related financing structure incorporating the use of internal and bond funding.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 152,398	\$ 145,711	\$ 145,711	N/A	\$ 146,910	\$ 192,179	\$ 166,201	\$ 128,145
Additions:								
R&R/OCO Contribution	85,629	200,692	200,692		110,351	170,000	138,645	138,040
Loans betw Capital Fds				-	-			
Other	546	3,744	3,744	-	970	802	18,590	
Sub-total	\$ 86,175	\$ 204,436	\$ 204,436	\$ -	\$ 111,321	\$ 170,802	\$ 157,235	\$ 138,040
Deductions:								
Capital Expenditures	45,629	157,201	157,201		112,483	159,630	195,291	152,308
Transfers betw Capital Fds		2	2	-	37			
R&R/OCO Contribution								
Debt Defeasance						37,150		
Other	765	765	765					
Sub-total	\$ 46,394	\$ 157,968	\$ 157,968	\$ -	\$ 112,520	\$ 196,780	\$ 195,291	\$ 152,308
Ending Balance	\$ 192,179	\$ 192,179	\$ 192,179	N/A	\$ 145,711	\$ 166,201	\$ 128,145	\$ 113,877

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 48,626	\$ 73,727	\$ 105,235	\$ 140,486	\$ 146,910	\$ 48,626	\$ 105,235	\$ 102,997	\$ 146,910
Additions:									
R&R/OCO Contribution	156,406	142,822	124,630	85,639	110,351	85,639	124,630	123,970	156,406
Loans betw Capital Fds	-	-	-	-	-	-	-	-	-
Other	2,876	943	2,423	4,014	970	943	2,423	2,245	4,014
Sub-total	\$ 159,282	\$ 143,765	\$ 127,053	\$ 89,653	\$ 111,321				
Deductions:									
Capital Expenditures	115,181	112,257	91,802	82,889	112,483	82,889	112,257	102,922	115,181
Bond Buy Back	-	-	-	-	-	-	-	-	-
Transfer to Scherer	19,000								
Loans betw Capital Fds				340	37				
Other									
Sub-total	\$ 134,181	\$ 112,257	\$ 91,802	\$ 83,229	\$ 112,520				
Ending balance	\$ 73,727	\$ 105,235	\$ 140,486	\$ 146,910	\$ 145,711	\$ 73,727	\$ 140,486	\$ 122,414	\$ 146,910

Observations:

- Other includes the Oracle Financing and Sale of Property.
- Includes \$47 million for Maximum Annual Debt Service calculation.

Electric Construction / Bond Fund

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Target = Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Electric System. The senior construction fund is limited to the costs of additions, extension and improvements relating to non-generation capital expenditures. The subordinated construction fund is used for capital projects relating to all categories of capital expenditures but primarily targeted to fund generation capital expenditures.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ -	\$ 4	\$ 4	N/A	\$ 42	\$ -	\$ -	\$ -
Additions:								
Bond Proceeds					-			
Line of Credit					-			
Transfers b/w Capital Fds	-				-			
Other		2	2		37			
Sub-total	\$ -	\$ 2	\$ 2	\$ -	\$ 37	\$ -	\$ -	\$ -
Deductions:								
Capital Expenditures		6	6	4	75	-	-	-
Bond Funded Interest					-			
Transfers b/w Capital Fds					-			
Other					-			
Sub-total	\$ -	\$ 6	\$ 6	\$ 4	\$ 75	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	N/A	\$ 4	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 36,981	\$ 63,915	\$ 40,034	\$ 5,184	\$ 42	\$ -	\$ 21,083	\$ 24,359	\$ 63,915
Additions:									
Bond Proceeds	91,545		1,550			1,550	46,548	46,548	91,545
Line of Credit						-	-	-	-
Transfers b/w Capital Fds				3,091		3,091	3,091	3,091	3,091
Other	562		34	340	37	34	189	243	562
Sub-total	\$ 92,107	\$ -	\$ 1,584	\$ 3,431	\$ 37				
Deductions:									
Capital Expenditures	63,371	23,385	35,253	4,821	75	75	23,385	25,381	63,371
Bond Funded Interest	1,802					1,802	1,802	1,802	1,802
Line of Credit									
Transfers b/w Capital Fds			35	3,091		35	1,563	1,563	3,091
Other		496	1,146	661		496	661	768	1,146
Sub-total	\$ 65,173	\$ 23,881	\$ 36,434	\$ 8,573	\$ 75				
Ending balance	\$ 63,915	\$ 40,034	\$ 5,184	\$ 42	\$ 4	\$ 4	\$ 5,184	\$ 21,836	\$ 63,915

Observations:

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2017 - 2019 projection period.

Water and Sewer Debt Management Reserve

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt.

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ -	\$ -	\$ -	N/A	\$ 304	\$ -	\$ -	\$ -
Additions:								
Contributions					-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Withdrawals					304			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 304	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 6,458	\$ 6,458	\$ 6,458	\$ 304	\$ 304	\$ 304	\$ 6,458	\$ 3,996	\$ 6,458
Additions:									
Contributions						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals			6,154		304	304	3,229	3,229	6,154
Sub-total	\$ -	\$ -	\$ 6,154	\$ -	\$ 304	-	-	-	-
Ending balance	\$ 6,458	\$ 6,458	\$ 304	\$ 304	\$ -	\$ -	\$ 304	\$ 2,705	\$ 6,458

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- \$6 million was used in Sept 2013 for a defeasance.

Water and Sewer Rate Stabilization Debt Management

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt.

Definitions and Goals: The Water & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
<i>(In Thousands)</i>								
Opening Balance	\$ 20,290	\$ 20,290	\$ 20,290	N/A	\$ 20,290	\$ 20,290	\$ 14,209	\$ 14,209
Additions:								
Contributions	-	-	-	N/A	-			
Financial Statement Rounding								
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Withdrawals						6,081		
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,081	\$ -	\$ -
Ending Balance	\$ 20,290	\$ 20,290	\$ 20,290	N/A	\$ 20,290	\$ 14,209	\$ 14,209	\$ 14,209

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 9,514	\$ 17,560	\$ 20,290	\$ 20,290	\$ 20,290	\$ 9,514	\$ 20,290	\$ 17,589	\$ 20,290
Additions:									
Contributions	8,046	2,730				-	-	-	-
Sub-total	\$ 8,046	\$ 2,730	\$ -	\$ -	\$ -	-	-	-	-
Deductions:									
Withdrawals						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ 17,560	\$ 20,290	\$ 20,290	\$ 20,290	\$ 20,290	\$ 17,560	\$ 20,290	\$ 19,744	\$ 20,290

Observations:

- Contributions began in June 2009.

Water & Sewer System Rate Stabilization - Environmental

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Definitions and Goals: The Water & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as debt management and regulatory requirements or initiatives.

<i>(In Thousands)</i>	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 4,505	\$ -	\$ -	N/A	\$ -	\$ 1,699	\$ -	\$ -
Additions:								
Contributions	6,759	23,635	23,635		-	11,837	11,916	12,000
Regulatory Receivable						4,909		
Sub-total	\$ 6,759	\$ 23,635	\$ 23,635	\$ -	\$ -	\$ 16,746	\$ 11,916	\$ 12,000
Deductions:								
Withdrawals	9,565	21,936	21,936		-	18,445	8,253	10,313
Regulatory Receivable							3,663	1,246
Sub-total	\$ 9,565	\$ 21,936	\$ 21,936	\$ -	\$ -	\$ 18,445	\$ 11,916	\$ 11,559
Ending Balance	\$ 1,699	\$ 1,699	\$ 1,699	N/A	\$ -	\$ -	\$ -	\$ 441

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions:									
Contributions						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -				
Deductions:									
Withdrawals						-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -				
Ending balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

Definitions and Goals: Pursuant to internal procedure CR40400 MBC302 Credit and Collections, JEA accesses customers a deposit that may be used to offset any future unpaid amounts during the course of providing utility service to a customer.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 13,785	\$ 13,255	\$ 13,255	N/A	\$ 12,787	\$ 13,910	\$ 13,910	\$ 13,910
Additions:								
Allocated from Electric Loan Repayment	125	655	655	N/A	468			
Sub-total	\$ 125	\$ 655	\$ 655	-	\$ 468	-	-	-
Deductions:								
Allocated from Electric Loan to W&S Operations			-	N/A	-			
Sub-total	-	-	-	-	-	-	-	-
Ending Balance	\$ 13,910	\$ 13,910	\$ 13,910	N/A	\$ 13,255	\$ 13,910	\$ 13,910	\$ 13,910

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 8,517	\$ 9,727	\$ 12,627	\$ 13,860	\$ 12,787	\$ 8,517	\$ 12,627	\$ 11,504	\$ 13,860
Additions:									
Allocated from Electric Loan Repayment	1,210	2,900	1,233		468	468	851	851	1,233
Sub-total	\$ 1,210	\$ 3,900	\$ 1,233	-	\$ 468	-	-	-	-
Deductions:									
Allocated from Electric Loan to W&S Operations		1,000		1,073		1,073	1,073	1,073	1,073
Sub-total	-	\$ 1,000	-	\$ 1,073	-	-	-	-	-
Ending balance	\$ 9,727	\$ 12,627	\$ 13,860	\$ 12,787	\$ 13,255	\$ 9,727	\$ 12,787	\$ 12,451	\$ 13,860

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits at some future date.

Water and Sewer Debt Service Sinking Fund

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 41,187	\$ 67,720	\$ 67,720	N/A	\$ 75,019	\$ 65,410	\$ 82,277	\$ 82,131
Additions:								
Revenue fund deposits	24,505	97,077	97,077		102,789	120,883	121,878	122,454
Sub-total	\$ 24,505	\$ 97,077	\$ 97,077	\$ -	\$ 102,789	\$ 120,883	\$ 121,878	\$ 122,454
Deductions:								
Principal and interest payments	282	99,387	99,387	N/A	110,088	104,016	122,024	120,638
Sub-total	\$ 282	\$ 99,387	\$ 99,387	\$ -	\$ 110,088	\$ 104,016	\$ 122,024	\$ 120,638
Ending Balance	\$ 65,410	\$ 65,410	\$ 65,410	N/A	\$ 67,720	\$ 82,277	\$ 82,131	\$ 83,947

(In Thousands)	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 71,496	\$ 80,936	\$ 81,675	\$ 80,317	\$ 75,019	\$ -	\$ 77,668	\$ 64,907	\$ 81,675
Additions:									
Revenue fund deposits	120,846	125,160	119,535	117,444	102,789	102,789	119,535	117,155	125,160
Bond funded interest						-	-	-	-
Sub-total	\$ 120,846	\$ 125,160	\$ 119,535	\$ 117,444	\$ 102,789	-	-	-	-
Deductions:									
Principal and interest payments	111,406	124,421	120,893	122,742	110,088	110,088	120,893	117,910	124,421
Sub-total	\$ 111,406	\$ 124,421	\$ 120,893	\$ 122,742	\$ 110,088	-	-	-	-
Ending balance	\$ 80,936	\$ 81,675	\$ 80,317	\$ 75,019	\$ 67,720	\$ 67,720	\$ 80,317	\$ 77,133	\$ 81,675

Observations:

- September 30th ending balances are used to pay Oct 1st interest and principal payments.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on Oct 1st of the following fiscal year).

Water and Sewer Debt Service Reserve Account

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: 125% of average annual debt service on outstanding senior fixed and variable rate bonds plus subordinated fixed rate bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
(In Thousands)								
Opening Balance	\$ 108,086	\$ 108,849	\$ 108,849	N/A	\$ 116,829	\$ 108,086	\$ 108,086	\$ 108,086
Additions:								
Construction reserve fund/bond issues			-	N/A	-			
Revenue fund			-	N/A	-			
Rounding			-					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Revenue fund		763	763		7,980			
Sub-total	\$ -	\$ 763	\$ 763	\$ -	\$ 7,980	\$ -	\$ -	\$ -
Ending Balance	\$ 108,086	\$ 108,086	\$ 108,086	N/A	\$ 108,849	\$ 108,086	\$ 108,086	\$ 108,086

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 91,239	\$ 102,214	\$ 119,131	\$ 119,915	\$ 116,829	\$ 91,239	\$ 116,829	\$ 109,866	\$ 119,915
Additions:									
Construction reserve fund/bond issues	10,975	10,917	784			784	10,917	7,559	10,975
Revenue fund	-	6,000	3,821			-	3,821	3,274	6,000
Sub-total	\$ 10,975	\$ 16,917	\$ 4,605	\$ -	\$ -	-	-	-	-
Deductions:									
Revenue fund			3,821	3,086	7,980	3,086	3,821	4,962	7,980
Sub-total	\$ -	\$ -	\$ 3,821	\$ 3,086	\$ 7,980	-	-	-	-
Ending balance	\$ 102,214	\$ 119,131	\$ 119,915	\$ 116,829	\$ 108,849	\$ 102,214	\$ 116,829	\$ 113,388	\$ 119,915

Observations:

- In 2008, debt service reserve sureties downgraded and JEA began replacing those downgraded sureties with cash/investments as required by the bond resolutions. Sureties of \$149.8 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.

Water and Sewer Renewal and Replacement (R&R) / Operating Capital Outlay (OCO)

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually 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 per JEA's Water and Sewer System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Water and Sewer System bond resolutions and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit. In accordance with the Pricing Policy, by 2013, the objective is to fund an amount equal to all non-capacity capital expenditures with current year internally generated funds.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 82,046	\$ 37,337	\$ 37,337	N/A	\$ 59,295	\$ 76,020	\$ 61,457	\$ 15,457
Additions:								
R&R/OCO Contribution	20,809	124,574	124,574	-	62,793	117,258	108,517	109,145
Loans betw Capital Fds	-	-	-	-	22	-	-	-
Other	3,159	30,889	30,889	-	653	8,600	8,600	8,600
Sub-total	\$ 23,968	\$ 155,463	\$ 155,463	\$ -	\$ 63,468	\$ 125,858	\$ 117,117	\$ 117,745
Deductions:								
Capital Expenditures	29,986	116,674	116,674	-	85,426	140,421	163,117	142,117
Transfer to Capacity Fund	8	106	106	-	-	-	-	-
Transfer to Construction Fund	-	-	-	-	-	-	-	-
R&R/OCO Contribution	-	-	-	-	-	-	-	-
Sub-total	\$ 29,994	\$ 116,780	\$ 116,780	\$ -	\$ 85,426	\$ 140,421	\$ 163,117	\$ 142,117
Ending Balance	\$ 76,020	\$ 76,020	\$ 76,020	N/A	\$ 37,337	\$ 61,457	\$ 15,457	\$ (8,915)

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 11,539	\$ 28,840	\$ 64,260	\$ 78,689	\$ 59,295	\$ 11,539	\$ 59,295	\$ 48,525	\$ 78,689
Additions:									
R&R/OCO Contribution	49,946	76,157	91,245	48,373	62,793	48,373	62,793	65,703	91,245
Loans betw Capital Fds	-	-	-	-	22	-	-	6	22
Other (incl septic tank)	1,067	5,771	1,539	1,614	653	653	1,539	2,129	5,771
Sub-total	\$ 51,013	\$ 81,928	\$ 92,784	\$ 49,987	\$ 63,468				
Deductions:									
Capital Expenditures	33,712	46,508	68,355	67,488	85,426	33,712	67,488	60,298	85,426
Loan Repayment	-	-	-	-	-	-	-	-	-
Transfer to Constr. Fund	-	-	10,000	1,893	-	-	947	2,973	10,000
Other (incl septic tank)	-	-	-	-	-	-	-	-	-
Sub-total	\$ 33,712	\$ 46,508	\$ 78,355	\$ 69,381	\$ 85,426				
Ending balance	\$ 28,840	\$ 64,260	\$ 78,689	\$ 59,295	\$ 37,337	\$ 28,840	\$ 59,295	\$ 53,684	\$ 78,689

Observations:

- Other includes the Septic Tank Phase-out project, Sale of Property, and the transfer of RSF - Environmental in FY 2016 - 2019
- Includes \$20 million for Maximum Annual Debt Service calculation.
- \$57 million is projected to be withdrawn from this capital balance in FY 2016-2017 to support the capital program with lower Net Revenues as planned with the June 2012 approved reduction in the October 1, 2012 rate increase.

Water and Sewer Capacity Fees / State Revolving Fund Loans

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Florida Statute and Rate Tariff

Metric: Tariff rate

Definitions and Goals: Capacity fees are charged to customers as a one- time fee for a new connection to the Water System and a one- time fee for a new connection to the Sewer System. Capacity charges may be used and applied for the purpose of paying costs of expansion of the Water and Sewer System or paying or providing for the payment of debt that was issued for the same purpose. 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. SRF loans are subordinated to all Water and Sewer System Revenue Bonds and Water and Sewer System Subordinated Revenue Bonds.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 103,187	\$ 90,912	\$ 90,912	N/A	\$ 76,887	\$ 103,411	\$ 68,222	\$ 46,052
Additions:								
Capacity Fees	5,709	21,995	21,995	-	19,579	18,740	19,190	19,382
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund	47	145	145	-	246	650	650	650
Other	7	7	7	-	-			
Sub-total	\$ 5,763	\$ 22,147	\$ 22,147	\$ -	\$ 19,825	\$ 19,390	\$ 19,840	\$ 20,032
Deductions:								
Capital Expenditures	5,539	9,648	9,648	-	5,805	54,579	42,010	26,986
Other				-	-			
Sub-total	\$ 5,539	\$ 9,648	\$ 9,648	\$ -	\$ 5,805	\$ 54,579	\$ 42,010	\$ 26,986
Ending Balance	\$ 103,411	\$ 103,411	\$ 103,411	N/A	\$ 90,907	\$ 68,222	\$ 46,052	\$ 39,098

(In Thousands)	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 21,463	\$ 41,025	\$ 45,454	\$ 60,360	\$ 76,887	\$ 21,463	\$ 45,454	\$ 49,038	\$ 76,887
Additions:									
Capacity Fees	10,311	10,820	17,394	18,298	19,579	10,311	17,394	15,280	19,579
State Revolving Fd Loan	14,667	3,798	-	-	-	-	1,899	4,616	14,667
Loan Repayments	-	-	-	-	246	-	-	49	246
Other	-	-	12	-	5	-	-	3	12
Sub-total	\$ 24,978	\$ 14,618	\$ 17,406	\$ 18,298	\$ 19,830				
Deductions:									
Capital Expenditures	5,268	7,096	2,270	1,758	5,805	1,758	5,268	4,439	7,096
Loans betw Capital Fds	-	-	-	-	-	-	-	-	-
Other	148	3,093	230	13	-	13	189	871	3,093
Sub-total	\$ 5,416	\$ 10,189	\$ 2,500	\$ 1,771	\$ 5,805				
Ending balance	\$ 41,025	\$ 45,454	\$ 60,360	\$ 76,887	\$ 90,912	\$ 41,025	\$ 60,360	\$ 62,928	\$ 90,912

Observations:

Water and Sewer Environmental

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Pricing Policy

Metric: Unit tariff rates times consumption

Definitions and Goals: The Environmental Charge will be applied to all water, sewer, irrigation and non bulk user reclaimed consumption. The environmental charge revenue will be collected from customers to partially offset current and future environmental and regulatory needs as specified in the Pricing Policy for specific environmental and regulatory programs.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 975	\$ -	\$ -	N/A	\$ 5,299	\$ 2,659	\$ 2,659	\$ 2,659
Additions:								
Environmental Contributions	9,080	15,539	15,539	-	22,056	17,255	7,388	9,958
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	\$ 9,080	\$ 15,539	\$ 15,539	\$ -	\$ 22,056	\$ 17,255	\$ 7,388	\$ 9,958
Deductions:								
Capital Expenditures	7,396	12,880	12,880	-	7,318	17,255	7,388	9,958
Septic Tank Phase Out				-	203			
Other	-			-	589			
Sub-total	\$ 7,396	\$ 12,880	\$ 12,880	\$ -	\$ 8,110	\$ 17,255	\$ 7,388	\$ 9,958
Ending Balance	\$ 2,659	\$ 2,659	\$ 2,659	N/A	\$ 19,245	\$ 2,659	\$ 2,659	\$ 2,659

(In Thousands)	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 5,920	\$ 9,795	\$ (8,158)	\$ (9,857)	\$ 5,299	\$ (9,857)	\$ 5,299	\$ 600	\$ 9,795
Additions:									
Environmental Contributions	14,577	21,747	21,193	21,018	22,056	14,577	21,193	20,118	22,056
Loans betw Capital Fds	-	-	-			-	-	-	-
Other						-	-	-	-
Sub-total	\$ 14,577	\$ 21,747	\$ 21,193	\$ 21,018	\$ 22,056				
Deductions:									
Capital Expenditures	10,702	39,700	22,892	5,862	7,318	5,862	10,702	17,295	39,700
Septic Tank Phase Out					203	203	203	203	203
Other					589	589	589	589	589
Sub-total	\$ 10,702	\$ 39,700	\$ 22,892	\$ 5,862	\$ 8,110				
Ending balance	\$ 9,795	\$ (8,158)	\$ (9,857)	\$ 5,299	\$ 19,245	\$ (9,857)	\$ 5,299	\$ 3,265	\$ 19,245

Observations:

Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending September 30, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Water and Sewer System.

(In Thousands)	Actual as of 09/30/2016		Full Year			Projection		
	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	\$ 681	\$ 664	\$ 664	N/A	\$ 326	\$ 152	\$ -	\$ -
Additions:								
Bond Proceeds			-	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund								
Other		17	17	-	344			
Sub-total	\$ -	\$ 17	\$ 17	\$ -	\$ 344	\$ -	\$ -	\$ -
Deductions:								
Capital Expenditures					6			
Bond Proceeds					-			
Other	529	529	529	-	-	152		
Sub-total	\$ 529	\$ 529	\$ 529	\$ -	\$ 6	\$ 152	\$ -	\$ -
Ending Balance	\$ 152	\$ 152	\$ 152	N/A	\$ 664	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	\$ 18,708	\$ 29,622	\$ 7,419	\$ 2,305	\$ 326	\$ 326	\$ 7,419	\$ 11,676	\$ 29,622
Additions:									
Bond Proceeds	45,662	-	486	-	-	-	243	11,537	45,662
Line of Credit	-	-	-	-	-	-	-	-	-
Loans/trnsf btw CapFds	-	-	10,000	1,893	-	-	947	2,973	10,000
Other	-	-	3	476	344	-	3	165	476
Sub-total	\$ 45,662	\$ -	\$ 10,489	\$ 2,369	\$ 344				
Deductions:									
Capital Expenditures	34,172	20,243	14,855	3,784	6	6	14,855	14,612	34,172
Bond Proceeds	-	-	411	48	-	-	24	115	411
Line of Credit	-	-	-	-	-	-	-	-	-
Loans/trnsf btw CapFds	-	-	337	516	-	-	169	213	516
Other	576	1,960	-	-	-	-	288	634	1,960
Sub-total	\$ 34,748	\$ 22,203	\$ 15,603	\$ 4,348	\$ 6				
Ending balance	\$ 29,622	\$ 7,419	\$ 2,305	\$ 326	\$ 664	\$ 326	\$ 2,305	\$ 8,067	\$ 29,622

Observations:

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2017-2019 projection.

IV. A. 6.
JEA Energy Market Risk Management Policy Report



Building Community

AGENDA ITEM SUMMARY

December 1, 2016

SUBJECT:	JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT
-----------------	--

Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
-----------------	--	--	---

Issue: The JEA Board approved the Energy Market Risk Management (EMRM) Policy in March 2014. The Policy was developed to codify the risk, governance, limits, and criteria associated with managing energy market exposure, and to comply with requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The reporting section of the Policy requires a quarterly report on JEA's financial and physical fuel and power transactions. This report includes physical transactions greater than one year and all financial transactions.

Significance: High. The Policy governs JEA's wholesale energy market risk management and allows JEA to execute certain physical and financial transactions. The attached report is provided to the Board Finance and Audit Committee and satisfies the requirements of the reporting section of the EMRM Policy.

Effect: Financial and physical transactions allow the JEA Fuels group to manage the risks inherent in the wholesale fuel and energy markets. The attached Finance and Audit Committee report summarizes JEA's current positions.

Cost or Benefit: The costs of financial transactions are reflected in comparison to market indices. The benefits include establishment of a stable fuel price for the future.

Recommended Board action: None required. The report is required by the EMRM Policy and is provided as information.

For additional information, contact: Steve McInall, 665-4309

Submitted by: PEM/ MJB/ SGM

MISSION


MISSION

Energizing our community through high-value energy and water solutions.

VISION


VISION

JEA is a premier service provider, valued asset and vital partner in advancing our community.

VALUES


VALUES

- Safety
- Service
- Growth²
- Accountability
- Integrity

Commitments to Action

- 1 Earn Customer Loyalty**
- 2 Deliver Business Excellence**
- 3 Develop an Unbeatable Team**

Energy Market Risk Management: Physical and Financial Positions as of 11/21/2016

II. A. 4.
12/1/2016
F&AC

Summary		
Projected FY17 Expense (Budget = \$412M)	\$451M	☺
Fuel Fund Ending Balance FY17	\$134M	☺
EMRM Compliance	Yes	☺
Counterparty Credit Limit Exceptions	No	☺
Any Issues of Concern	No	☺

IV. A. 6.
12/13/2016

Table 1: Physical Counterparties (Contracts One Year or Greater) as of 11/1/2016

Generating Unit	Fuel Type	Supplier/ Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
SJRPP	Coal	Coal Marketing Company	Index w/ Collar	\$ 23,210,603	4 months
SJRPP	Coal	Sunrise Coal	Fixed Price	\$ 3,028,604	2 months
SJRPP	Coal	Coal Marketing Company	Fixed Price	\$ 88,142,275	12 months
Scherer 4	Coal	Alpha- Eagle Butte	Fixed Price	\$ 11,108,171	2 months
Scherer 4	Coal	Coal Sales, LLC	Fixed Price	\$ 3,879,380	2 months
Scherer 4	Coal	Arch Coal Sales Company, Inc	Fixed Price	\$ 272,040	2 months
Scherer 4	Coal	Alpha- Eagle Butte	Fixed Price	\$61,816,800	14 months
Scherer 4	Coal	Coal Sales, LLC	Fixed Price	\$ 49,572,934	14 months
NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	\$ 300,167,458	4.6 years

Table 2: Financial Positions as of 11/1/2016

Year	Commodity	Physical Volume (mmBtu)	Hedged Volume (mmBtu)	Percent Hedged	Unhedged Cost (\$/mmBtu)	Hedge Type	Hedge Price	Mark-to-Market Value	Counter Party
FY17	Natural Gas	32,147,800	6,000,000	18.7%	\$3.04	Collar	\$2.93/\$4.50	\$1,161,750	Wells Fargo
FY18	Natural Gas	32,768,900	-	0.0%	\$3.02	-	-	-	-
FY19	Natural Gas	29,954,500	-	0.0%	\$2.93	-	-	-	-

Table 3: Fuel Procurement as of 11/21/2016

Fuel Type	Coal	Petcoke	Oil/Diesel	Purchased Power	Natural Gas	Renewables	Nuclear
FY17 Remaining							
Expected Spend (\$)	150.7M	24.9M	2.5M	17.3M	140.2M	9.8M	
% Procured	80%	62%	100%	0%	41%	100%	
% Hedged	80%	19%	100%	0%	14%	100%	
FY18							
Expected Spend (\$)	185.4M	66.5M	1.3M	24.3M	105.4M	12.8M	
% Procured	16%	8%	100%	0%	65%	100%	
% Hedged	16%	8%	100%	0%	0%	100%	
FY19							
Expected Spend (\$)	198.2M	67.2M	2.3M	24.2M	94.3M	11.9M	3.6M
% Procured	13%	8%	100%	0%	71%	100%	100%
% Hedged	13%	8%	100%	0%	0%	100%	100%

Supporting Notes:

- Fuel Fund balance reflects lowering the fuel rate to \$32.50, effective 12/2016.
- Renewable and nuclear power purchase agreements are not included in Table 1.
- Natural Gas Transportation is 100% fixed capacity and price.
- Solid fuel procurement – quarterly at Northside; longer term 2017/18 for SJRPP and Scherer.
- FY17 Energy Mix: 49% Gas, 45% Solid Fuel, 5% Purchase Power expected (based on MWH).
- In Table 3, the procured percent relates to inventory on hand or contracted with indexed pricing and the percent hedged is inventory on hand, contracted with fixed pricing or financial hedges.

IV. A. 7.

JEA Calendar Years 2017 and 2018 Fixed Rate Refunding Debt
Parameter Resolutions for Electric, Water and Sewer and St. Johns
River Power Park Systems



Building Community

AGENDA ITEM SUMMARY

November 15, 2016

SUBJECT: JEA CALENDAR YEARS 2017 AND 2018 FIXED RATE REFUNDING DEBT PARAMETER RESOLUTIONS FOR ELECTRIC, WATER AND SEWER AND ST. JOHNS RIVER POWER PARK SYSTEMS

Purpose: Information Only Action Required Advice/Direction

Issue: Staff is requesting Board approval of all bond legal documents (listed in Attachment A) relating to delegated fixed rate debt refunding parameters and authorizations for the Electric System, Water and Sewer System and St. Johns River Power Park System.

Significance: High. Potential refunding transactions currently being evaluated require Board authorization.

Effect: Using the bond issuance delegation process makes better use of the Board's time and provides greater flexibility in meeting the fluctuating demands of the financial market.

Cost or Benefit: Potential debt service savings from lower interest rates if refundings can be executed in a timely manner based on favorable market conditions.

Recommended Board action: JEA staff is recommending that the Board approve and adopt Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24 and 2016-25 and the related forms of Bond Purchase Agreement, Preliminary Official Statement, Escrow Deposit Agreement and Bond that will provide the Managing Director/CEO the authorization to price and execute Electric System, Subordinated Electric System, Water and Sewer System, Subordinated Water and Sewer System and St. Johns River Power Park System Issue Three, respectively, fixed rate refunding bonds within the stated parameters.

For additional information, contact: Joe Orfano, 665-4541

Submitted by: PEM/ MHD/ JEO/ rlh

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Energizing our community through high-value energy and water solutions.

VISION
JEA is a premier service provider, valued asset and vital partner in advancing our community.

VALUES
• Safety
• Service
• Growth²
• Accountability
• Integrity

Commitments to Action

- 1 Earn Customer Loyalty
- 2 Deliver Business Excellence
- 3 Develop an Unbeatable Team



INTER-OFFICE MEMORANDUM

November 15, 2016

SUBJECT: JEA CALENDAR YEARS 2017 AND 2018 FIXED RATE REFUNDING DEBT PARAMETER RESOLUTIONS FOR ELECTRIC, WATER AND SEWER AND ST. JOHNS RIVER POWER PARK SYSTEMS

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee
Kelly Flannigan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:

Since FY2010, JEA staff has utilized a debt financing approval process in which the Board delegated parameters, consistent with the current year budget, within which the Managing Director/CEO is authorized to price and execute future fixed rate bond issues. The process includes both fixed rate new money and refunding transactions. However, certain bond transactions, including but not limited to variable rate and synthetic fixed rate financings, continue to be brought to the Board on a deal-by-deal basis for approval. This provides staff with additional flexibility to move quickly and take advantage of market-related opportunities in the post financial crisis marketplace.

Staff, operating under subsequent Board approvals utilized this process for FY2011 and FY2012. For FY2013, the Managing Director/CEO utilized a variation of this delegation process whereby staff requested Board authorizations for fixed rate refunding transactions under delegated parameters on a deal-by-deal basis. In FY2014, and for CY2015 and 2016, the Board then returned to a delegation authorization process similar to that used in FY2010, 2011 and 2012, but limited the delegation authorizations to fixed rate refundings.

DISCUSSION:

To provide for efficiency in the Board's review time and provide staff with flexibility in taking advantage of market opportunities to lower debt service, staff is recommending the Board continue the delegation process most recently authorized in December 2014 for CY2015 and 2016. Under this process, the Board has authorized the Managing Director/CEO to price and execute future fixed rate bond refunding transactions (which may include full or partial terminations of interest rate swaps associated with the refunded variable rate bonds) within delegated parameters. The current action delegates such authorization for a period through the end of calendar year 2018 to refund existing variable rate and/or fixed rate bonds.

Board members will continue to have the opportunity to review and provide comments to staff, which is appropriate practice under federal securities laws, regarding all preliminary and final Official Statements prior to posting. These documents will be distributed to members electronically throughout the term of this delegated authorization, outside of regularly scheduled Board meetings, as specific bond issues are sold. The results of all bond issues sold will be reported back to the Board through quarterly reports to the Finance and Audit Committee.

These authorizations pertain only to refunding transactions. For the Electric, Water and Sewer and St. Johns River Power Park System (SJRPP) Issue Three refunding transactions, only the use of tax-exempt debt is authorized. All other types of bond transactions not specifically described in the attached resolutions, including but not limited to new money, taxable, or new synthetic fixed rate financings and variable-to-variable rate refundings, would continue to be brought to the Board on a deal-by-deal basis for approval.

Bond counsel has prepared Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24 and 2016-25 for the Electric System (Senior and Subordinated), Water and Sewer System (Senior and Subordinated) and SJRPP Issue Three, respectively, to authorize the Managing Director/CEO to price and execute certain refundings and pay the cost of issuance within the following amounts and issuance parameters:

	Fixed-to-Fixed Rate Refunding Authorization Level	Variable-to-Fixed Rate Refunding Authorization Level
Electric System – Senior	\$105 million	\$466 million
Electric System – Subordinated	\$200 million	\$133 million
Water and Sewer System – Senior	\$115 million	\$138 million
Water and Sewer System – Subordinated	\$55 million	\$110 million
St. Johns River Power Park – Issue Three	\$80 million	Not applicable

For St. Johns River Power Park Bonds only:

- Final maturity for the SJRPP refunding bonds no later than October 1, 2037 for bonds that are refunding SJRPP Issue Three refunded bonds (final maturity of existing bonds)

For Electric System (Senior and Subordinated), Water and Sewer System (Senior and Subordinated) and SJRPP Issue Three bonds:

- Weighted average life no greater than the weighted average life of the refunded bonds plus one year.
- For fixed-to-fixed refunding bonds, bonds maturing on the October 1 next following the delivery date must have net present value savings, on an October 1 occurring at least one year and less than three years after the delivery date at least 3% present value savings, on an October 1 occurring at least three years and less than nine years after the delivery date at least 4% present value savings, and at least 5% present value savings thereafter. In lieu of this, present value savings for fixed-to-fixed rate current refundings shall not be less than 5%, measured on an aggregate basis.
- Present value savings for any fixed-to-fixed rate advance refundings shall not be less than 7.5%, measured on an aggregate basis.
- For variable rate bonds being refunded by fixed bonds, true interest cost for the fixed rate bonds shall not exceed 5%.
- If subject to optional redemption, optional redemption price shall not exceed 101% of the principal amount and the optional redemption date shall not be less than four years nor more than ten years from the date of issuance.
- Semiannual interest payments commencing on either the April 1 or October 1 next following the delivery date, as determined by the Managing Director/CEO.

Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24 and 2016-25 authorize the sale of the bonds to JEA's Underwriters pursuant to negotiated sales. Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24

and 2016-25 also supersede and repeal unused authorizations previously approved in Resolutions No. 2014-07, 2014-08, 2014-09, 2014-10 and 2014-12, respectively.

Staff will select senior underwriters from the group of investment banking firms under contract with JEA for the purpose of underwriting negotiated sales of JEA's debt. The resolutions state that the bonds must be sold no later than December 31, 2018, as determined by the signing date of the bond purchase agreement.

The resolutions also approve the forms of and authorize the execution of various legal documents that have been prepared by counsel in connection with the issuance of any fixed rate refunding bonds issued authorized under these resolutions including:

- Bond Purchase Agreement
- Preliminary Official Statement
- Escrow Deposit Agreement
- Bond Form

Staff will report back to the Finance and Audit Committee the results of any transaction(s) pursuant to authorizations at the next regularly scheduled meeting following the closing date of the refunding bonds.

RECOMMENDATION:

JEA staff is recommending that the Board approve and adopt Resolutions No. 2016-21, 2016-22, 2016-23, 2016-24 and 2016-25 and the related forms of Bond Purchase Agreement, Preliminary Official Statement, Escrow Deposit Agreement and Bond that will provide the Managing Director/CEO the authorization to price and execute Electric System, Subordinated Electric System, Water and Sewer System, Subordinated Water and Sewer System and St. Johns River Power Park System Issue Three, respectively, fixed rate refunding transactions within the stated parameters.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/rjh

DELEGATION RESOLUTIONS

- **Electric System: Series Three 2017/8X Supplemental Resolution** (Resolution No. 2016-21)
Exhibit A – Form of Bond Purchase Agreement
Exhibit B – Form of Preliminary Official Statement
Exhibit C – Form of Escrow Deposit Agreement
- **Electric System: Fifty-Fifth Supplemental Subordinated Resolution** (Resolution No. 2016-22)
Exhibit A – Form of Escrow Deposit Agreement
- **Water and Sewer System: Forty-Third Supplemental Resolution** (Resolution No. 2016-23)
Exhibit A – Form of Bond Purchase Agreement
Exhibit B – Form of Preliminary Official Statement
Exhibit C – Form of Escrow Deposit Agreement
- **Water and Sewer System: Eighteenth Supplemental Subordinated Resolution** (Resolution No. 2016-24)
Exhibit A – Form of Escrow Deposit Agreement
- **St. Johns River Power Park System: Issue Three, Series X Supplemental Resolution** (Resolution No. 2016-25)
Exhibit A – Form of Bonds
Exhibit B – Form of Bond Purchase Agreement
Exhibit C – Form of Preliminary Official Statement
Exhibit D – Form of Escrow Deposit Agreement

IV. A. 8.
Ernst & Young FY2016 External Audit Report



Building Community

AGENDA ITEM SUMMARY

November 15, 2016

SUBJECT:	ERNST & YOUNG FY2016 EXTERNAL AUDIT REPORT
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Purpose:	<input checked="" type="checkbox"/> Information Only	<input type="checkbox"/> Action Required	<input type="checkbox"/> Advice/Direction
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Issue: Ernst & Young, LLP (E&Y) presented their audit plan for FY2016 at the Finance and Audit Committee (FAC) meeting on August 8, 2016. At that meeting, they outlined the scope of their services, identified the E&Y team that will perform the audit and presented the key considerations that will affect the FY2016 audit. On a yearly basis, the independent auditors meet with the FAC to review the results of the annual audit.

Significance: Auditing standards require the auditors to communicate certain matters to the Governing Board that may assist the Board in overseeing management’s financial reporting process. John DiSanto, Coordinating Partner from E&Y, has been invited to attend the December 1, 2016 Finance and Audit Committee meeting to discuss the FY2016 audited results.

Effect: Meeting with auditors to discuss the audit results will assist the Board in overseeing management’s financial reporting process.

Cost or Benefit: See effect above for benefits.

Recommended Board action: No action by the Committee is required. This item is submitted for information, only.

For additional information, contact: Janice Nelson

Submitted by: PEM/ MHD/ JRN

MISSION

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VALUES

- Safety
- Service
- Growth?
- Accountability
- Integrity

Commitments to Action

- 1 Earn Customer Loyalty**
- 2 Deliver Business Excellence**
- 3 Develop an Unbeatable Team**



INTER-OFFICE MEMORANDUM

November 15, 2016

SUBJECT: Ernst & Young FY2016 External Audit Report

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:

Auditing standards require the auditors to communicate certain matters to the Governing Board that may assist the Board in overseeing management's financial reporting process. Ernst & Young, LLP (E&Y) presented their audit plan for fiscal year 2016 at the Finance and Audit Committee (FAC) meeting on August 8, 2016. At that meeting, they outlined the scope of their services, identified the E&Y team that will perform the audit and presented the key considerations that will affect the FY2016 audit. Representatives from E&Y have been invited to attend the December 1, 2016 Finance and Audit Committee meeting to discuss FY2016 audited results.

DISCUSSION:

Attached is a draft copy of JEA's Audited Financial Statements. In addition, attached is a copy of the Audit Report on the Allocation of Net Pension Liability of the City of Jacksonville General Employees Retirement Plan (GERP) performed by Carr, Riggs & Ingram (CRI). This report summarizes the results of the audit and also contains communications required by auditing professional standards. E&Y relies on the audit performed by CRI to support JEA's allocations (deferred inflows of resources, deferred outflows of resources, pension expense and net pension liability) of GERP that is included in JEA's financial statements.

RECOMMENDATION:

No action by the Committee is required. This item is submitted for information, only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JRN

JEA

2016 audit results

December 1, 2016



Ernst & Young LLP
Suite 1701
One Independent Drive
Jacksonville, FL 32202

Tel: +1 904 358 2000
Fax: +1 904 358 4598
ey.com

The Audit and Finance Committee
JEA

December 1, 2016

Dear Members of the Audit and Finance Committee

We are pleased to present the results of our audit of the financial statements of JEA. This report also includes the status of our audit, which we anticipate will be completed on or prior to December 5, 2016. Open and candid dialogue with you, as the Audit and Finance Committee, is a critical step in the audit process, and in the overall corporate governance process and we appreciate this opportunity to share the insights from our audit with you.

Our audit was designed to express an opinion on the 2016 basic financial statements as of September 30, 2016. We continue to receive the full support and assistance from JEA's personnel in conducting our audit.

At EY, we are committed to delivering the highest quality audit services, and we continually evaluate the quality of our professionals' work in order to meet or exceed your expectations. We encourage you to participate in our Assessment of Service Quality (ASQ) process to provide your input on our performance. The ASQ process is a critical tool that enables us to monitor and improve the quality of our audit services to JEA.

This report is intended solely for the information and use of the JEA Board, Audit and Finance Committee and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to meeting with you to discuss the contents of this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,

A handwritten signature in black ink that reads 'John DiSanto'. The signature is written in a cursive style.

John DiSanto
Executive Director

Table of contents



03	Executive summary
04	EY critical insights
05	2016 audit results
06	Areas of audit emphasis
08	Corrected and uncorrected misstatements
10	Inquiries relating to matters relevant to the audit
11	Summary of other services provided by EY
12	Required communications with those charged with governance



Executive summary

Status

- ▶ The 2016 audit is progressing as planned. After completing our remaining procedures, we expect to issue an unmodified opinion on the financial statements.

Scope

- ▶ Our audit scope is consistent with the plan communicated in August of 2016. We continually reassess the need for changes to our planned audit approach throughout the audit.

Results

- ▶ JEA's analysis for significant accounting matters is appropriate.*
- ▶ Reasonable judgments and consistency have been used by management to account for significant accounting estimates.*
- ▶ 4 uncorrected misstatements were identified.*
- ▶ Entity level controls and other internal controls over financial reporting, that were subject to testing, appear to be designed and operating effectively.
- ▶ Outstanding cooperation and communication occurred between JEA and EY.

Topics to be discussed at the meeting with the Audit and Finance Committee:

EY critical insights

- ▶ Big Data and analytics in the audit process (page 4)

Significant 2016 considerations*

- ▶ Revenue recognition
- ▶ Allowance for doubtful accounts
- ▶ Regulatory accounts
- ▶ Legal reserves
- ▶ Derivative instruments and hedging activities
- ▶ Pollution remediation obligations
- ▶ OPEB liabilities
- ▶ Pension plan accounting and reporting
- ▶ Investments
- ▶ Capital assets
- ▶ Asset impairment

Corrected and uncorrected misstatements (page 8)

Inquiries relating to matters relevant to the audit (page 10)

Summary of other services provided by EY (page 11)

Open items

- ▶ We are substantially complete with our audit procedures. However, we are at various stages of completing the review of our audit work papers and obtaining outstanding requests from management.
- ▶ Obtaining the executed letter of representations from management
- ▶ Fraud inquiries with those charged with governance and management (to be conducted at this meeting)
- ▶ Review of final financial statements
- ▶ Performance of subsequent event procedures through our opinion date
- ▶ Obtaining legal letter from legal counsel
- ▶ Audited SJRPP Plan financials and KBLD Report on Elements AU-C 805

* These matters are addressed on the following pages within our presentation.



EY critical insights

Big data and analytics in the audit process

Topic summary

In today's business environment characterized by constant disruption, slow growth and uncertainty, boards face more challenges than ever in creating a risk-aware corporate culture and establishing sound risk governance and controls. In just the last few years, the terms "big data" and "analytics" have become hot topics in company boardrooms around the world.

For many, embracing big data and analytics is crucial to keeping their organization nimble, competitive and profitable. Board members need to understand the complexities and have a grasp of the issues surrounding these technology trends. Equally important, they should be prepared to ask the right questions of the executives in charge of big data and analytics initiatives.

Impact of analytics on the audit

- ▶ To keep pace in today's increasingly complicated governance and risk management landscape, progressive external audit firms and internal audit functions are beginning to use technology to revolutionize the way that audits are conducted.
- ▶ Both internal and external auditors are combining big data and analytics, and greater access to detailed industry information, to help them better understand the business, identify risks and issues, and deliver enhanced quality and coverage while providing more business value.
- ▶ Properly developed, analytics can help internal auditors act as a strategic advisor to the board and audit committees. Analyzing data to produce actionable information is a key challenge and opportunity for companies. Properly utilizing this information will be a differentiator for forward-leaning companies.

Keys to a successful integration of analytics

- ▶ Commitment from management to support the planned data capture and analysis strategy
- ▶ Confirmation that the right people from finance and IT are available to provide approval and access rights for data extraction
- ▶ Support in creating an efficient, repeatable data capture process as quickly as possible to allow for the use of analytics throughout the audit
- ▶ Topics to consider as a board or to discuss in more detail with management might include:
 - Decide what you want to achieve with big data and analytics
 - Determine what is relevant
 - Focus on what will drive value
- ▶ To drive better decisions, boards must first ask the right business questions and then seek answers in the data. Not only can the integration of big data and analytics into the audit help mitigate compliance and reputational risks, but it can also lead to better financial reporting and insights to ultimately drive better decisions and actions within an organization to create strategic value.

Questions for the board to consider

Resources: What resources and technologies does management have in place to capitalize on big data and analytics? Does management have programs in place to develop the right talent and technical competencies to appropriately leverage big data and analytics?

Strategy: How is the external auditor leveraging analytics in the audit today, and what are the plans for doing so in the future?

Data capture: Data capture is often a key barrier in the big data and analytics process. How can the company's internal IT function work with the external auditor to streamline the data capture process?

Relevant materials are available from the EY Center for Board Matters (www.ey.com/boardmatters)

Big data and analytics in the audit process: mitigating risk and unlocking value

Big risks, big data – and big decisions for the board



2016 audit results

Areas of audit emphasis

Our audit procedures emphasized testing those processes, accounts, contracts or transactions where we believe there is the greatest risk of material misstatement to the financial statements, whether due to error or fraud. We considered the effects of current market risk factors on JEA, and also place emphasis on those areas requiring subjective determinations by management. Our audit procedures at JEA included additional focus on the following areas (which are consistent with what was communicated to you at our meeting in August 2016).

▸ Revenue recognition

▸ Allowance for doubtful accounts

▸ Regulatory accounts

▸ Legal reserves

▸ Derivative instruments and hedging activities

▸ Pollution remediation obligations

▸ Other postretirement benefits liabilities

▸ Pension plan accounting and reporting

▸ Investments

▸ Capital assets

▸ Asset impairments

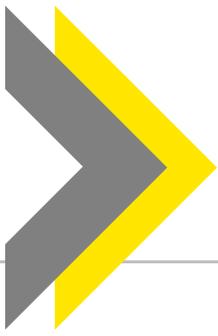


Areas of audit emphasis

Our audit procedures emphasize testing those processes, accounts, contracts or transactions where we believed there was the greatest potential for risk of material misstatement to the financial statements, whether due to error or fraud, including disclosure items. We considered the effects of current market risk factors on JEA, and also placed emphasis on those areas

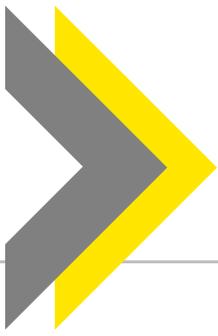
requiring subjective determinations by management. Our audit procedures at JEA included additional focus on the following areas (which are consistent with what was communicated to you at our meeting in August 2016):

Key issue/risk area	Summary of procedures and findings
Revenue recognition	<ul style="list-style-type: none"> ▶ We performed various analytics and detailed tests over revenues. Additionally, we tested controls related to the revenue process. Through our procedures there were no issues identified.
Allowance for doubtful accounts	<ul style="list-style-type: none"> ▶ We tested the assumptions of the unbilled revenue calculation for reasonableness. We also performed procedures over billed accounts receivable, and assessed the adequacy of the allowance for uncollectible accounts. Through our procedures we identified a \$1,628,077 understatement of unbilled revenue (see corrected and uncorrected misstatements section below).
Regulatory accounts	<ul style="list-style-type: none"> ▶ We tested significant activity during the year, including recalculating the recognized revenue/expense related to regulatory assets and liabilities. Through our procedures there were no issues identified.
Legal reserves	<ul style="list-style-type: none"> ▶ We obtained an in-house legal letter update from the City Council. Per our review of the obtained legal letter there were no significant legal matters requiring accrual or disclosure considerations not already included as part of the financial statements and related footnote disclosures.
Derivative instruments and hedging activities	<ul style="list-style-type: none"> ▶ For the interest rate swaps, we independently corroborated the fair value of swaps with the assistance of our EY valuation professionals. We independently tested the hedge effectiveness in accordance with GASB 53. Through our procedures we identified a judgmental \$990,109 overstatement of the derivative liability (see corrected and uncorrected misstatements section below).
Pollution remediation and obligations	<ul style="list-style-type: none"> ▶ We obtained the schedule of all known and recorded pollution remediation obligations at JEA. Per review of the schedule we compared the obligations to prior year's accounting records to obtain a better understanding of any significant movement in the account. We also inquired of management regarding any changes or development during the twelve months ended September 30, 2016. In order to gain comfort over the completeness of the recorded obligation, we engaged our Climate, Change and Sustainability Services group, to compare the recorded sites to public environmental databases such as the Environmental Protection Agency's (EPA). Through our procedures there were no issues identified.
OPEB liabilities	<ul style="list-style-type: none"> ▶ We obtained and tested the actuarial valuations including assessing the reasonableness of the significant assumptions (i.e., discount rate, rate of return, etc.). We ensured all applicable disclosures were made in the notes to the financial statements and that such disclosures agreed to the actuary report in compliance with GASB 45. Through our procedures there were no issues identified.



Areas of audit emphasis

Key issue/risk area	Summary of procedures and findings
Pension plan accounting and reporting	▶ We obtained and tested the actuarial valuations including assessing the reasonableness of the significant assumptions (i.e., discount rate, rate of return, etc.). We ensured all applicable disclosures were made in the notes to the financial statements and that such disclosures agreed to the actuary report in compliance with GASB 68.
Investments	▶ We tested the fair values as of the statement of net position date, and confirmed investment accounts. We also performed compliance procedures as required by the provisions of Chapter 10.550, Rules of the Auditor General. Through our procedures there were no issues identified.
Capital assets	▶ We tested the capital asset rollforward, which included specific procedures over CWIP, additions to capital assets and depreciation expense. Through our procedures there were no issues identified.
Asset impairment	▶ Management did not identify any indicators of asset impairment. Through our procedures there were no issues identified.



Corrected and uncorrected misstatements

During the course of our audit, we accumulate differences between the amount, classification, presentation and disclosure of a financial statement item recorded or reported by the Company and the amount, classification or presentation and disclosure that we believe is required to be recorded or reported under US GAAP.

Corrected misstatements

We have not identified any significant misstatements through the date of this report that have been corrected by the Company.



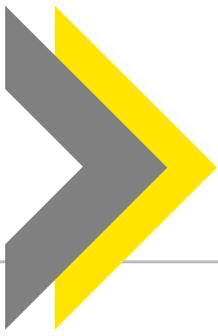
Corrected and uncorrected misstatements

Uncorrected misstatements

Following is a summary of those misstatements we have identified through the date of this report that have not been corrected by JEA. These uncorrected misstatements, individually and in the aggregate, are not material to JEA's financial statements.

Subsequently identified in the current period that affect prior year financial statements include the following: We have considered the effect of these uncorrected misstatements on the prior year's financial statements and these misstatements did not cause us to change our conclusion on those financial statements.

Uncorrected misstatements		
Accounts	Amount	Description
<ul style="list-style-type: none"> Accounts and accrued expense payable (increase) and fuel inventory (increase). 	\$2,457,061	<ul style="list-style-type: none"> JEA did not record coal shipped prior to September 30, 2016 along with a related payable. As the coal transfers ownership at the time of shipment this should have been included as part of JEA's accounting records as of September 30, 2016. This entry has no impact on the Statement of Revenue, Expenses and Change in Net Position.
<ul style="list-style-type: none"> Unbilled customer accounts receivable (increase) and water and sewer operating revenue (increase). 	\$1,628,077	<ul style="list-style-type: none"> We determined that a judgmental difference exists within Water and Sewer Unbilled Revenue as of September 30, 2016. Water and Sewer Unbilled Revenue is calculated using an annual estimated % available for sale. Since this percentage is only updated annually, we believe that it was not an accurate enough approximation of current % available for sale.
<ul style="list-style-type: none"> Fair value of debt management strategy instruments (decrease) and accumulated decrease in fair value of hedging derivatives (decrease). 	\$990,109	<ul style="list-style-type: none"> We determined that a judgmental difference exists in the fair value of the derivative instruments as of September 30, 2016. EY internal experts independently valued the derivative instruments and when compared to values determined by management, one derivative instrument had a judgmental difference that exceeded our posting threshold.
<ul style="list-style-type: none"> Accounts and accrued expense payable (decrease) and operating expense (decrease). 	\$40,117	<ul style="list-style-type: none"> JEA over accrued a DES invoice for services to be provided in fiscal year 2017, thus resulting in an over accrual of AP and recorded operating expense.



Inquiries relating to matters relevant to the audit

We made inquiries of you in our meeting with you in August 2016 related to fraud and other matters, that helped inform our audit strategy and the execution of our audit procedures. As a part of our upcoming meeting, we will update our inquiries of you to understand any other matters of which you believe we should be aware, including, but not limited to the following:

- ▶ Your views about the risks of material misstatements due to fraud, including the risks of management override of controls
- ▶ Your knowledge of any actual, alleged or suspected fraud
- ▶ Your awareness of tips or complaints regarding JEA's financial reporting (including those received through those charged with governance's own "whistleblower" program, if any) and its response to such tips and complaints
- ▶ How you exercise oversight over JEA's assessment of fraud risks and the establishment of controls to address these risks
- ▶ Your awareness of other matters, you believe, are relevant to the audit including, but not limited to, violations or possible violations of laws or regulations



Summary of other services provided by EY

The following represents a summary of services provided to JEA, including the current status or results of the services provided.

Services	Description of services	Status/results of services provided
Advisory services		
Advisory services related to emergency and disaster consulting in connection with Hurricane Matthew.	EY has been retained by Jacksonville Electric Authority (JEA) to provide disaster grant consulting services as a result of Hurricane Matthew causing extensive damage across JEA's system. EY's Insurance and Federal Claims services team provides significant experience working on other FEMA and commercial insurance recoveries, including for other public utilities. EY's team includes former FEMA, DHS OIG, and HUD officials who assist in delivering the engagement. EY's tasks include working with JEA on the organization, gathering and tracking of all Hurricane Matthew related supporting documentation.	The project is in the preliminary stages and is currently ongoing.

Supplements



Required communications
with those charged
with governance



Summary of required communications

Provided below is a summary of required communications between the audit team and those charged with governance.

Services and deliverables	Communicate when event occurs	Communicate on a timely basis, at least annually
Overview of the planned scope and timing of the audit		X
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern		X
Our views about the qualitative aspects of the entity's significant accounting practices, including:		
▸ Accounting policies		X
▸ Additional views		X
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial		X
Material corrected misstatements, related to accounts and disclosures		X
Significant deficiencies and material weaknesses in internal control	X	X
Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements		X
Fraud and non-compliance with laws and regulations (illegal acts)	X	
Independence matters		X
Representations we are requesting from management		X
Changes to the terms of the audit with no reasonable justification for the change	X	
Significant findings and issues arising during the audit relating to related parties	X	
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	X	
Significant difficulties encountered during the audit	X	
Disagreements with management	X	
Management's consultations with other accountants	X	
Findings regarding external confirmations	X	
AICPA ethics ruling regarding third-party service providers		X
Other findings or issues regarding the oversight of the financial reporting process	X	



Required communications

Area	Comments
Overview of the planned scope and timing of the audit	
We provide those charged with governance with an overview of our overall audit scope, including the timing of the audit and our plans to use the work of internal auditors.	Our audit scope is consistent with the plan communicated during the August 10, 2016 meeting.
Auditor's responsibility under generally accepted auditing standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern	
<p>The financial statements and supplementary information are the responsibility of management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants, to obtain reasonable assurance about whether the financial statements are free of material misstatement.</p> <p>An audit of financial statements includes 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 the entity's internal control over financial reporting. Accordingly, we will express no such opinion.</p> <p>An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.</p> <p>We also communicate to you matters required by other legal or regulatory requirements.</p>	<p>Our responsibilities are included in our audit engagement agreement. A copy of such agreement is available upon request.</p> <p>Upon completion of our remaining audit procedures, we currently expect to issue an unmodified opinion on JEA's financial statements for the year ended September 30, 2016.</p>



Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: accounting policies	
<p>As part of our discussion about the qualitative aspects of the entity's significant accounting practices, we discuss our views about the entity's application of accounting policies including instances we believe a significant accounting policy, although acceptable under US GAAP, is not appropriate for the particular circumstances of the entity.</p> <p>Our discussion may also include the following:</p> <ul style="list-style-type: none">▶ The initial selection of new, or changes in, significant accounting principles and policies, including the application of new accounting pronouncements.▶ The effect of the timing and method of adopting a change in accounting policy on current and future earnings of the entity (or expected new accounting pronouncements).▶ The appropriateness of the accounting policies to the particular circumstances of the entity.▶ Where acceptable alternative accounting policies exist, the identification of financial statement items that are affected by the implemented significant policies as well as information on accounting policies used by similar entities.▶ The effect of a significant accounting policy in a controversial or emerging area (or those unique to an industry), particularly when there is a lack of authoritative guidance or consensus.	<p>Except as described below, management has not selected or changed any significant accounting policies or changed the application of those policies in the current year.</p> <p>We are not aware of any significant accounting policies used by JEA in controversial or emerging areas or for which there is a lack of authoritative guidance.</p> <p>During the year, the Company adopted the following standards:</p> <ul style="list-style-type: none">▶ GASB Statement No. 72, <i>Fair Value Measurement and Application</i>



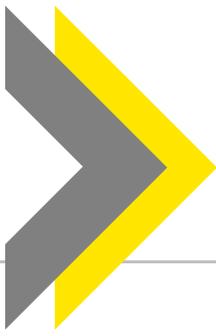
Required communications

Area	Comments
Our views about the qualitative aspects of the entity's significant accounting practices: additional views	
<p>(1) Management's process used to develop particularly sensitive accounting estimates, our conclusions regarding the reasonableness of such estimates and the basis for those conclusions.</p> <p>Our discussion may also include the following:</p> <ul style="list-style-type: none">▸ Risks of material misstatement▸ Indicators of possible management bias▸ Disclosure of estimation uncertainty in the financial statements <p>(2) Financial statement disclosures and related matters which may include the following:</p> <ul style="list-style-type: none">▸ The issues involved and related judgments made, in formulating sensitive financial statement disclosures▸ The overall neutrality, consistency and clarity of financial statement disclosures▸ The potential effect of significant risks and exposures and uncertainties on the financial statements▸ The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized▸ The factors affecting asset and liability carrying value▸ The selective correction of misstatements <p>(3) Significant unusual transactions (i.e., those outside the normal course of business for the entity or those that appear unusual due to timing, size, or nature) and the policies or practices management has used to account for those transactions.</p>	<p>Refer to previous section.</p>



Required communications

Area	Comments
Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial	
<p>We discuss with those charged with governance uncorrected misstatements, related to accounts and disclosures, and the effect that they may have on our opinion in the auditor's report. We also discuss the effect of uncorrected misstatements related to prior periods on the significant classes of transactions, account balances or disclosures, and the financial statements as a whole.</p> <p>In addition, we discuss with those charged with governance the implications of a failure to correct known and likely misstatements, if any, considering qualitative as well as quantitative considerations, including the possible implications in relation to future financial statements.</p>	Refer to "Uncorrected and corrected misstatements."
Material corrected misstatements, related to accounts and disclosures	
<p>We discuss with those charged with governance material, corrected misstatements, related to accounts and disclosures, that were brought to the attention of management as a result of our audit procedures. In addition, we may discuss other corrected immaterial misstatements, such as frequently recurring immaterial misstatements that may indicate a particular bias in the preparation of the financial statements.</p>	Refer to "Uncorrected and corrected misstatements."
Significant deficiencies and material weaknesses in internal control	
<p>We communicate all significant deficiencies and material weaknesses in internal control that were identified during the course of our audit, including those that have been remediated during the audit.</p>	None identified.



Required communications

Area	Comments
<p>Our responsibility, any procedures performed and the results relating to other information in documents containing audited financial statements</p> <p>Our auditor's report on the financial statements relates only to the financial statements and the accompanying notes. If the entity includes other information in documents containing audited financial statements, we review such other information and consider whether such information, or the manner of its presentation, is materially inconsistent with the audited financial statements. If we conclude that a material inconsistency exists, we determine whether the financial statements, our auditor's report, or both require revision. In addition, we notify you if we conclude that there is a material misstatement of fact in the other information.</p>	<p>We have reviewed JEA's Required Supplementary Information and found the information presented to be consistent with the information in the audited financial statements.</p>
<p>Fraud and non-compliance with laws and regulations (illegal acts)</p> <p>We communicate with those charged with governance fraud and non-compliance with laws and regulations (illegal acts) involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements.</p> <p>If desired by those charged with governance or we determine it is appropriate, we communicate to those charged with governance regarding fraud involving employees other than management that does not result in a material misstatement.</p> <p>We also communicate other matters of non-compliance with laws and regulations (illegal acts) that come to our attention during the audit, unless they are clearly inconsequential.</p>	<p>We are not aware of any matters that require communication.</p>
<p>Independence matters</p> <p>Although the auditor's report affirms our independence, in certain situations, we discuss with those charged with governance circumstances of relationships (e.g., financial interests, business or family relationships, or non-audit services provided or expected to be provided) that in our professional judgment may reasonably be thought to bear on independence and that we gave significant consideration to in reaching the conclusion that independence has not been impaired. All breaches of independence requirements that relate to the audit must be communicated to those charged with governance.</p>	<p>We are not aware of any matters that in our professional judgment would impair our independence.</p>



Required communications

Area	Comments
Representations we are requesting from management	
We discuss with those charged with governance representations we are requesting from management.	We have obtained from management a letter of representations related to the audit.
Changes to the terms of the audit with no reasonable justification for the change	
We discuss with those charged with governance any changes to the terms of the audit engagement where there is no reasonable justification for the change and we are not permitted by management to continue the original audit.	None
Significant findings and issues arising during the audit relating to related parties	
<p>We discuss with those charged with governance any significant findings and issues arising during the audit relating to the entity's related parties. Such matters may include the following:</p> <ul style="list-style-type: none"> ▶ Non-disclosure (whether intentional or not) by management of related parties or significant related party transactions ▶ The identification of significant related party transactions that have not been appropriately authorized and approved ▶ Disagreement with management regarding the accounting for, and disclosure of, significant related party transactions in accordance with US GAAP ▶ Non-compliance with applicable law or regulations prohibiting or restricting specific types of related party transactions ▶ Difficulties in identifying the party that ultimately controls the entity 	None
Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management	
<p>We discuss with those charged with governance any significant matters that were discussed with, or the subject of correspondence with, management, including:</p> <ul style="list-style-type: none"> ▶ Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatements. ▶ Discussions or correspondence in connection with our initial or recurring retention as the auditor, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, the scope of the audit, financial statement disclosures and the wording of the auditor's report. We communicate those major professional issues we discussed with management, prior to our being hired as the auditors, during the entity's two most recently completed fiscal years and any subsequent interim period. 	None



Required communications

Area	Comments
Significant difficulties encountered during the audit	
<p>We inform those charged with governance of any significant difficulties encountered in dealing with management related to the performance of the audit which may include such matters as:</p> <ul style="list-style-type: none">▶ Significant delays in management providing required information▶ An unnecessarily brief time within which to complete the audit▶ The unavailability of expected information▶ Restrictions imposed on us by management▶ Management's unwillingness to provide information about its plans for dealing with the adverse effects of the conditions or events that lead us to believe there is substantial doubt about the entity's ability to continue as a going concern	None
Disagreements with management	
<p>We discuss with those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the entity's financial statements or our auditor's report. For purposes of this discussion, disagreements do not include differences of opinion based on incomplete facts or preliminary information that are later resolved.</p>	None
Management's consultations with other accountants	
<p>When we are aware that management has consulted with other accountants about accounting or auditing matters, we discuss with those charged with governance our views about significant matters that were the subject of such consultation.</p>	None of which we are aware.
Findings regarding external confirmations	
<p>We discuss with those charged with governance any instances where management has not permitted us to send confirmation requests, or where we cannot obtain relevant and reliable audit evidence from alternative procedures.</p>	None



Required communications

Area	Comments
<p>AICPA ethics ruling regarding third-party service providers</p> <p>AICPA Ethics Ruling No. 112 under Rule 102, <i>Integrity and Objectivity</i>, requires that we inform you whenever we use a third-party service provider in providing professional services to the entity. The Rule has broadly defined “third-party service provider” to include an individual who is not employed by our US firm. Accordingly, third-party service providers might include, but not be limited to, the following examples: non US personnel who work for EY affiliate firms (e.g., Ernst & Young United Kingdom), non US personnel working in the US on a foreign secondment and non US personnel working at EY shared service centers.</p>	<p>From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Company or its affiliates directly, although EY alone will remain responsible to you for the Audit Services, and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.</p>
<p>Other findings or issues regarding the oversight of the financial reporting process</p> <p>We communicate other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process.</p>	<p>There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.</p>

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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About EY's Assurance Services

Our assurance services help our clients meet their reporting requirements by providing an objective and independent examination of the financial statements that are provided to investors and other stakeholders. Throughout the audit process, our teams provide timely and constructive challenge to management on accounting and reporting matters and a robust and clear perspective to audit committees charged with oversight.

The quality of our audit starts with our 60,000 assurance professionals, who have the breadth of experience and ongoing professional development that comes from auditing many of the world's leading companies.

For every client, we assemble the right multidisciplinary team with the sector knowledge and subject-matter expertise to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

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1611-2124205

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION,
AND BOND COMPLIANCE INFORMATION

JEA

Years Ended September 30, 2016 and 2015
With Report of Independent Certified Public Accountants

JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Years Ended September 30, 2016 and 2015

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PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Report of Independent Certified Public Accountants

The Board of Directors
JEA
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of JEA, a component unit of the City of Jacksonville, as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise JEA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of JEA as of September 30, 2016 and 2015, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB Statement No. 72, Fair Value Measurement and Application

As discussed in Note 15 to the financial statements, JEA changed its accounting and financial reporting for fair value measurements as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, effective October 1, 2015. Our opinion is not modified with respect to this matter.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, the schedules of changes in net pension liability and related ratios, schedules of funding progress, and schedules of employer contributions to the pension plans, 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 which 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary combining statements of net position, statements of revenues, expenses and changes in net position and cash flows, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements of net position, statements of revenues, expenses and changes in net position and cash flows, as listed in the table of contents 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated December xx, 2016 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* in considering JEA's internal control over financial reporting and compliance.

December 1, 2016

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 statements of net position, 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, 2016 and 2015. The statements of net position present JEA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Revenue and expense 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 and 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 2016 and 2015 fiscal years:

Management's Discussion and Analysis (continued)

Condensed Statements of Net Position

	2016	2015*	2014*
	<i>(In millions)</i>		
Assets and deferred outflows of resources			
Current assets	\$ 915	\$ 870	\$ 818
Other noncurrent assets	1,554	1,480	1,120
Net capital assets	5,875	5,959	6,220
Deferred outflows of resources	462	391	323
Total assets and deferred outflows of resources	<u>\$ 8,806</u>	<u>\$ 8,700</u>	<u>\$ 8,481</u>
Liabilities and deferred inflows of resources			
Current liabilities	\$ 169	\$ 228	\$ 189
Current liabilities payable from restricted assets	389	398	463
Net pension liability	493	409	396
Other noncurrent liabilities	46	48	44
Long-term debt	4,791	4,968	5,313
Deferred inflows of resources	541	482	232
Net position			
Net investment in capital assets	1,441	1,305	977
Restricted	593	530	607
Unrestricted	343	332	260
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,806</u>	<u>\$ 8,700</u>	<u>\$ 8,481</u>

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

	2016	2015*	2014*
	<i>(In millions)</i>		
Operating revenues	\$ 1,782	\$ 1,749	\$ 1,862
Operating expenses	(1,319)	(1,319)	(1,447)
Operating income	463	430	415
Nonoperating expenses, net	(146)	(167)	(189)
Contributions	(107)	(92)	(70)
Special Item	-	152	-
Change in net position	210	323	156
Net position - beginning of the year	2,167	1,844	2,040
Effect of change in accounting	-	-	(352)
Net position - end of the year	<u>\$ 2,377</u>	<u>\$ 2,167</u>	<u>\$ 1,844</u>

* Fiscal year 2014 is restated to reflect a prior period adjustment to the net position as a result of recording the net pension liability, in conjunction with implementing GASB Statement No. 68 in 2015. Fiscal year 2015 reflects a prior period adjustment in Special Item in conjunction with implementing GASB Statement No. 62 in 2015.

Management's Discussion and Analysis (continued)

Financial Analysis of JEA for fiscal years 2016 and 2015

Operating Revenues

2016 Compared to 2015

Total Electric Enterprise operating revenues decreased approximately \$6 million, or 0.4 percent, compared to fiscal year 2015. Operating revenues decreased \$4 million and other revenues decreased \$2 million. The decrease in operating revenues was mainly due to lower fuel revenues as a result of a reduction in the fuel rate that was approved by the Board at its January 2016 meeting to be effective on February 1. This decrease was offset by a \$45 million decrease in transfers to stabilization funds (see note 2, Regulatory Deferrals for additional information). The decrease was also offset by a 1.4 percent increase in sales. Territorial MWh sales were up 127,043 megawatt hours (MWh), or 1.0 percent, compared to the fiscal year 2015. Off-system sales increased 85,670 MWh while SJRPP sales to Florida Power and Light decreased by 5,924 MWh, bringing the total increase in MWh sales to 206,789 MWh, or 1.4 percent. Total other operating revenues decreased \$2 million largely related to prior year additional pole attachment revenues recorded as a result of an attachment audit, which did not repeat in the current year.

Total W&S operating revenues increased approximately \$38 million, or 9.8 percent, compared to fiscal year 2015. The increase was due to higher sales and consumption. The increase was also impacted by a \$21 million decrease in transfers to the environmental stabilization fund (see note 2, Regulatory Deferrals for additional information). Water revenues increased approximately \$7 million, or 4.3 percent, due to a 5.2 percent increase in consumption and a 2.4 percent increase in customer accounts. Water consumption increased 1,799,635 kgals to 36,357,919 kgals. Sewer revenues increased approximately \$7 million, or 3.1 percent, primarily related to a 3.6 percent increase in sales and a 2.7 percent increase in sewer accounts. Sewer sales increased 895,517 kgals to 25,817,658 kgals. Reuse revenues increased approximately \$3 million, or 39.2 percent, primarily related to a 48.2 percent increase in sales and a 27.3 percent increase in reuse accounts. Reuse sales increased 860,316 kgals to 2,644,046 kgals.

DES operating revenues remained flat when compared to fiscal year 2015 at \$9 million.

2015 Compared to 2014

Total Electric Enterprise Fund operating revenues for the fiscal year 2015 decreased \$109 million (7.4%) compared to fiscal year 2014. Operating revenues decreased \$106 million (7.9%), and other operating revenues decreased \$3 million (8.7%). The decrease in operating revenues was due to a decrease in fuel revenues of \$59 million and a decrease in base revenues of \$16 million, as discussed below; and a decrease in revenues from Florida Power and Light (FPL) in conjunction with the SJRPP coal generating plant of \$31 million.

Fuel revenues for the fiscal year 2015 were \$59 million lower than fuel revenues in fiscal year 2014 attributable to a \$45 million transfer to the fuel stabilization fund due to fuel costs being lower than expected (see note 2, Regulatory Deferrals for additional information) and fuel credits approved by the JEA Board of Directors (Board). In March 2015, the Board approved a fuel charge credit of \$50 million to customers, compared to a \$25 million fuel credit approved by the Board in fiscal year 2014. This resulted in a net decrease of approximately \$25 million when comparing revenues year over year. The decrease in fuel revenues was offset by a \$10 million increase in revenues due to an increase in sales, as discussed below. Base revenues for fiscal year 2015 were lower by \$16 million when compared to fiscal year 2014 due to \$32 million being transferred to stabilization funds, which include \$26 million for nonfuel purchase power stabilization; \$7 million for environmental stabilization; offset by \$8 million transferred from the customer

Management's Discussion and Analysis (continued)

benefits stabilization (see note 2, Regulatory Deferrals for additional information). The decrease in base revenues due to the transfers to the stabilization funds was offset by a \$16 million increase due to increases in sales, as discussed below.

There was a \$27 million increase in Electric System operating revenues due to the increase in usage, attributable to weather. Territorial MWh sales increased 2.2% and total sales increased 1.7% when off-system sales are included. Total sales for the year increased from 12,308,331 MWh to 12,517,575 MWh. The number of customers increased 2.0% when compared to fiscal year 2014.

The \$3 million decrease in other operating revenues was primarily due to reduced transmission revenues of \$6 million (32.4%). The decrease was partially offset by an increase in pole attachment revenues of \$3 million.

Total Water and Sewer Fund operating revenues decreased \$4 million (0.9%). The driver for the decrease in operating revenues was related to a transfer to environmental stabilization fund in fiscal year 2015 of \$22 million, as discussed below. This was offset by an increase in water and sewer sales of approximately \$18 million, as discussed below.

The Board approved the use of an environmental charge in the Water and Sewer System. JEA maintains a stabilization fund for environmental charge revenues, which segregates the cash collected from the general funds. It is included as a separate component on the customer's bill and is applied to all sales. The environmental charge is set to recover the costs of approved projects. During fiscal year 2015, JEA transferred \$22 million to the rate stabilization fund, which reduced operating revenues (see note 2, Regulatory Deferrals, for additional information).

Water and Sewer operating revenues increased approximately \$18 million as a result of an increase in sales, primarily attributable to increased residential usage. Total water consumption, measured in thousands of gallons (kgals), increased 6.4% or 2,089,948 kgals from 32,468,336 kgals to 34,558,284 kgals. Sewer sales volume increased 5.9% when compared to the prior year. The increase was 1,395,165 kgals from 23,526,976 kgals to 24,922,141 kgals. Water customers increased 2.1%, sewer customers increased 2.5%, and reclaimed customers increased 30.9% when compared to the prior year.

Total DES revenues remained flat at \$9 million for fiscal year 2015 compared to fiscal year 2014.

Operating Expenses

2016 Compared to 2015

Total Electric Enterprise operating expenses decreased approximately \$29 million, or 2.7 percent, compared to fiscal year 2015. Fuel and purchased power expense decreased approximately \$31 million compared to fiscal year 2015. The decrease was attributable to a \$44 million decrease in cost, which was partially offset by a \$13 million increase in MWh generated and purchased. The decrease in cost was due to lower solid fuels and natural gas prices. As commodity prices have fluctuated over these periods, the mix between generation and purchased power has shifted as JEA has taken advantage of the most economical source of power. Total MWh generated and purchased increased 1.8 percent to 15,110,535 MWh compared to fiscal year 2015. JEA's power supply mix is detailed below.

Management's Discussion and Analysis (continued)

	FY 2016	FY 2015
Coal	42%	50%
Natural gas	32	32
Petroleum coke	15	10
Other purchases	11	8
Total	100%	100%

Electric Enterprise operating expenses, other than fuel and purchased power, increased approximately \$2 million compared to fiscal year 2015. Other operating and maintenance expense increased \$2 million. The main drivers of this increase were higher Scherer renewal and replacement contributions and a decrease in maintenance expense at generating plants. Depreciation expense increased \$5 million due to a higher depreciable base. Gross receipts and franchise taxes decreased \$2 million due to lower revenues, as discussed above. Recognition of deferred revenues increased \$3 million related to a regulatory asset adjustment as a result of timing differences between principal payments and depreciation expense at SJRPP and Scherer.

W&S operating expenses increased \$28 million, or 10.3 percent, compared to fiscal year 2015. The primary drivers of the increase were a \$13 million increase in amortization of net deferred costs (see note 2 Regulatory Deferrals for additional information), an \$11 million increase in depreciation expense related to amortization of the water environmental projects regulatory asset and a higher depreciable base, \$2 million related to a prior year workers' compensation premium refund, and \$2 million in other one-time expenses.

DES operating expenses remained flat when compared to fiscal year 2015 at \$7 million.

2015 Compared to 2014

Total Electric Enterprise Fund operating expenses for fiscal year 2015 decreased \$134 million or 11.2% compared to fiscal year 2014. Fuel and purchased power expense decreased \$68 million, as discussed below. Other operating and maintenance expenses increased \$3 million as a result of higher outage expenses related to Northside generating station as compared to fiscal year 2014. Additional increases in expenses related to a termination payment made for a maintenance contract related to combustion turbine units at Brandy Branch generating station, and an increase in salary and benefit expenses. The increase was offset by a decrease in Scherer operating and maintenance expenses and a decrease in SJRPP expenses for capital spending. There was a decrease in depreciation expense of \$9 million mainly due to certain assets becoming fully depreciated in fiscal year 2014. Recognition of deferred costs decreased \$60 million, related to regulatory asset adjustments resulting from timing differences between principal payments and depreciation expense at SJRPP.

Total fuel and purchased power expense decreased \$68 million compared to the prior year. The decrease is due to a 24.4% decrease in the cost per MWh offset, in part, by a 1.9% increase in MWh produced and purchased. Fuel expense decreased \$72 million and purchased power expense increased \$4 million. The decrease was due to lower solid fuels and natural gas prices. 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. JEA's power supply mix is detailed below.

Management's Discussion and Analysis (continued)

	FY 2015	FY 2014
Coal	50%	57%
Natural gas	32	27
Petroleum coke	10	10
Other purchases	8	6
Total	100%	100%

Total operating expenses for the Water and Sewer Fund increased \$6 million, an increase of 2.4%. The increase in operating expenses was mainly due to increased salary and benefit expenses partially offset by a \$2 million workers' compensation refund in fiscal year 2015.

The operating expenses for DES remained flat at \$7 million for fiscal year 2015 compared to fiscal year 2014.

Nonoperating Revenues and Expenses

2016 Compared to 2015

There was a decrease of approximately \$20 million, or 12.1 percent, in total nonoperating expenses, net compared to fiscal year 2015. This decrease was driven by a \$14 million decrease in interest expense due to lower debt balances, a \$5 million increase in earnings from The Energy Authority, a \$4 million increase in allowance for funds used during construction, a \$1 million increase in investment income, and a \$3 million decrease in other non-operating income, primarily timber revenue.

2015 Compared to 2014

There was a net increase of \$22 million (11.6%) in total net nonoperating expenses in fiscal year 2015. The primary reason for the change was a \$26 million decrease in interest expense due to lower debt balances as a result of increased debt repayments and debt refunding savings. Other revenues increased \$5 million due to new revenue sources, primarily timber sales. Investment income decreased \$8 million due primarily to unfavorable fair market value adjustments in investments of \$9 million. The Energy Authority (TEA), a municipal power marketing joint venture in which JEA is a member, earnings decreased \$2 million due to decreased purchases by JEA and lower margins on purchases and sales of energy.

Special Item

Effective for fiscal year 2015, the Board adopted and JEA implemented a pricing policy that established cost-based rates for both the Electric and Water and Sewer Systems. The rate policy as adopted includes various surcharges and stabilization funds that meet the requirements for deferral under GASB 62. Regulatory assets and liabilities (or deferred inflows) have been established for these items. The initial accounting for several of these items includes deferring amounts that were included in revenue and expense in prior periods prior to the application of regulatory accounting. These prior period amounts are presented as a special item on the statement of revenues, expenses, and changes in net position. The total amount of regulatory deferral recorded during 2015 was \$152 million. See note 3, Special Item, for additional information.

Management's Discussion and Analysis (continued)

Capital Assets and Debt Administration for Fiscal Years 2016 and 2015

Capital Assets

As of September 30, 2016, JEA had approximately \$5,874 million in capital assets, net of accumulated depreciation. This included \$3,270 million in electric plant, \$2,568 million in water and sewer plant, and \$36 million in chilled water plant. During fiscal year 2016, capital additions were \$307 million, which included \$165 million in electric plant, \$140 million in water and sewer plant, and \$2 million in chilled water plant. As of September 30, 2015, JEA had approximately \$5,959 million in capital assets, net of accumulated depreciation. This included \$3,360 million in electric plant, \$2,562 million in water and sewer plant, and \$37 million in chilled water plant. During fiscal year 2015, capital additions were \$234 million, which included \$129 million in electric plant, \$104 million in water and sewer plant, and \$1 million in chilled water plant. More detailed information about JEA's capital asset activity is presented in note 6 to the financial statements.

With the adoption of the depreciation rate-making policy, accounting for contributions changed effective October 1, 2014. The depreciation of contributed assets will not be included in rates charged to customers, because it has already been recovered with the contribution. In accordance with GASB 62, the contributed assets will be expensed. During fiscal year 2016, \$2 million of contributed capital related to the Electric System and \$30 million related to the Water and Sewer System was recorded as a reduction of plant cost through contributions. During fiscal year 2015, \$33 million of contributed capital related to the Water and Sewer System was recorded as a reduction to plant. In addition, on August 18, 2015, the Board approved recovery through an environmental charge. The cost of certain projects that had costs incurred prior to the fiscal year 2015 net of monies already collected through the environmental rate resulted in a \$101 million reduction to plant. See note 2, Regulatory Deferral, for additional information.

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 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 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 2017 are as follows:

Projected Capital Expenditures (Millions)	
Electric Enterprise Fund (Electric System, SJRPP and Scherer)	\$ 186
Water and Sewer Fund	205
DES	3
	<u>\$ 394</u>

SJRPP and Scherer are subject to joint ownership agreements. JEA's share of the estimated capital expenditures relating to these plants is \$20 million and is included in the Electric Enterprise Fund amounts above.

Management's Discussion and Analysis (continued)

Debt Administration

Debt outstanding at September 30, 2016 was \$4,652 million, a decrease of approximately \$185 million from fiscal year 2015.

Debt outstanding at September 30, 2015 was \$4,836 million, a decrease of approximately \$433 million from fiscal year 2014.

JEA's debt ratings on its long-term debt as of September 2016 and 2015 were as follows:

	2016					2015				
	Electric System	SJRPP	Scherer	Water and Sewer System	District Energy System	Electric System	SJRPP	Scherer	Water and Sewer System	District Energy System
Senior debt:										
Fitch	AA	AA	AA	AA	AA	AA	AA	AA	AA	AA
Standard & Poor's	AA-	AA-	AA-	AAA	AA+	AA-	AA-	AA-	AA	AA-
Moody's Investors Service	Aa2	Aa2	Aa2	Aa2	Aa3	Aa2	Aa2	Aa2	Aa2	Aa3
Subordinated debt:										
Fitch	AA	-	-	AA	-	AA	-	-	AA	-
Standard & Poor's	A+	-	-	AA+	-	A+	-	-	AA	-
Moody's Investors Service	Aa3	-	-	Aa2	-	Aa3	-	-	Aa2	-

Setting of Rates

The setting of rates is the responsibility of the Board. Base rate changes are implemented after a public rate hearing and Board approval. Fuel rate changes are implemented solely with Board approval.

In January 2016, the Board approved a Fuel Charge reduction from \$43.60/MWh to \$36.75/MWh, a decrease of \$6.85/MWh, effective February 1, 2016.

JEA has an ongoing plan to review, update and, where possible, expand its rate options to provide customers more rate choices for their utility services. As part of this initiative, the Board approved, at its April 2016 meeting, the JEA SolarSmart Rider, which gives customers the option to purchase energy produced at JEA solar facilities at a premium energy rate. JEA also modified two streetlight rates and introduced three additional LED street lighting options.

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 Controller, JEA, 21 West Church Street, Jacksonville, Florida, 32202.

AUDITED FINANCIAL STATEMENTS

JEA

Statements of Net Position
(In Thousands)

	September	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 418,517	\$ 419,595
Investments	143,077	78,794
Accounts and interest receivable, net of allowance (\$3,641 for 2016 and \$4,342 for 2015)	235,847	241,390
Inventories:		
Fuel	49,852	64,683
Materials and supplies	67,951	64,892
Total current assets	<u>915,244</u>	<u>869,354</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	178,406	216,479
Investments	884,612	772,571
Accounts and interest receivable	3,341	6,185
Total restricted assets	<u>1,066,359</u>	<u>995,235</u>
Costs to be recovered from future revenues	463,610	459,359
Investment in The Energy Authority	6,166	7,491
Other assets	17,581	17,966
Total noncurrent assets	<u>1,553,716</u>	<u>1,480,051</u>
Capital assets:		
Land and easements	190,660	164,023
Plant in service	10,792,942	10,601,856
Less accumulated depreciation	(5,427,480)	(5,079,243)
Plant in service, net	<u>5,556,122</u>	<u>5,686,636</u>
Construction work in progress	318,803	272,716
Net capital assets	<u>5,874,925</u>	<u>5,959,352</u>
Total assets	<u>8,343,885</u>	<u>8,308,757</u>
Deferred outflows of resources		
Unamortized deferred losses on refundings	141,780	154,449
Accumulated decrease in fair value of hedging derivatives	182,928	152,503
Unrealized pension contributions and losses	137,010	83,970
Total deferred outflows of resources	<u>461,718</u>	<u>390,922</u>
Total assets and deferred outflows of resources	<u>\$ 8,805,603</u>	<u>\$ 8,699,679</u>

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Statements of Net Position (continued)
(In Thousands)

	September	
	2016	2015
Liabilities		
Current liabilities:		
Accounts and accrued expenses payable	\$ 113,225	\$ 171,652
Customer deposits	55,125	55,798
Total current liabilities	<u>168,350</u>	<u>227,450</u>
Current liabilities payable from restricted assets:		
Debt due within one year	181,525	187,500
Renewal and replacement reserve	80,809	84,472
Interest payable	86,978	89,394
Construction contracts and accounts payable	39,730	36,645
Total current liabilities payable from restricted assets	<u>389,042</u>	<u>398,011</u>
Noncurrent liabilities:		
Net pension liability	493,346	408,629
Other liabilities	46,331	48,389
Total other noncurrent liabilities	<u>539,677</u>	<u>457,018</u>
Long-term debt:		
Bonds payable and commercial paper payable, less current portion	4,470,195	4,648,720
Unamortized premium, net	138,673	170,630
Fair value of debt management strategy instruments	181,793	148,749
Total long-term debt	<u>4,790,661</u>	<u>4,968,099</u>
Total liabilities	<u>5,887,730</u>	<u>6,050,578</u>
Deferred inflows of resources		
Revenues to be used for future costs	528,262	452,397
Unrealized pension gains	12,683	29,795
Total deferred inflows of resources	<u>540,945</u>	<u>482,192</u>
Net position		
Net investment in capital assets	1,440,910	1,305,339
Restricted	592,987	530,011
Unrestricted	343,031	331,559
Total net position	<u>2,376,928</u>	<u>2,166,909</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,805,603</u>	<u>\$ 8,699,679</u>

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands)

	September	
	2016	2015
Operating revenues		
Electric	\$ 1,321,713	\$ 1,324,883
Water and sewer	417,404	379,789
District energy system	8,731	8,778
Other	34,298	35,930
Total operating revenues	<u>1,782,146</u>	<u>1,749,380</u>
Operating expenses		
Operations:		
Fuel	422,413	469,982
Purchased power	63,461	47,257
Other	276,088	267,475
Maintenance	104,522	106,691
Depreciation	382,432	366,486
State utility and franchise taxes	71,244	72,510
Recognition of deferred costs and revenues, net	(1,527)	(11,168)
Total operating expenses	<u>1,318,633</u>	<u>1,319,233</u>
Operating income	<u>463,513</u>	<u>430,147</u>
Nonoperating expenses, net		
Interest on debt	(184,457)	(198,199)
Investment income	14,225	12,904
Other nonoperating income, net	8,765	11,833
Allowance for funds used during construction	9,407	5,723
Loss on sale of asset	-	(199)
Earnings from The Energy Authority	6,136	1,461
Other interest, net	(403)	(68)
Total nonoperating expenses, net	<u>(146,327)</u>	<u>(166,545)</u>
Income before contributions and special item	<u>317,186</u>	<u>263,602</u>
Contributions (to) from		
General Fund, City of Jacksonville, Florida	(129,187)	(111,688)
Developers and other	53,652	52,709
Reduction of plant cost through contributions	(31,632)	(33,105)
Total contributions	<u>(107,167)</u>	<u>(92,084)</u>
Special item	-	151,490
Change in net position	<u>210,019</u>	<u>323,008</u>
Net position, beginning of year	<u>2,166,909</u>	<u>1,843,901</u>
Net position, end of year	<u>\$ 2,376,928</u>	<u>\$ 2,166,909</u>

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Statements of Cash Flows
(In Thousands)

	September	
	2016	2015
Operating activities		
Receipts from customers	\$ 1,840,713	\$ 1,807,475
Payments to suppliers	(748,429)	(734,988)
Payments to employees	(236,790)	(232,052)
Other receipts	38,341	38,984
Net cash provided by operating activities	893,835	879,419
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	(128,979)	(111,491)
Build America Bonds subsidies	7,252	7,256
Payment from the City of Jacksonville, Florida	38	-
Net cash used in noncapital and related financing activities	(121,689)	(104,235)
Capital and related financing activities		
Defeasance of debt	-	(378,782)
Acquisition and construction of capital assets	(298,045)	(204,708)
Repayment of debt principal	(187,500)	(257,869)
Interest paid on debt	(197,668)	(212,410)
Developer and other contributions	22,020	19,604
Proceeds from issuance of debt, net	3,000	198,805
Proceeds from disposal of assets	1,146	427
Other financing activities	(17)	12,855
Net cash used in capital and related financing activities	(657,064)	(822,078)
Investing activities		
Purchase of investments	(2,304,666)	(1,811,962)
Proceeds from sale and maturity of investments	2,128,966	1,890,938
Investment income	14,005	12,329
Distributions from The Energy Authority	7,462	2,041
Net cash provided by (used in) investing activities	(154,233)	93,346
Net change in cash and cash equivalents	(39,151)	46,452
Cash and cash equivalents at beginning of year	636,074	589,622
Cash and cash equivalents at end of year	\$ 596,923	\$ 636,074
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 463,513	\$ 430,147
Adjustments:		
Depreciation and amortization	385,610	367,959
Recognition of deferred costs and revenues, net	(1,527)	(11,168)
Gain on sale of noncore assets	1,499	4,586
Changes in noncash assets and noncash liabilities:		
Accounts receivable	4,818	(11,845)
Accounts receivable, restricted	2,543	(1,600)
Inventories	11,773	7,314
Other assets	(2,792)	372
Accounts and accrued expenses payable	(62,532)	(15,857)
Current liabilities payable from restricted assets	(799)	(1,171)
Other noncurrent liabilities and deferred inflows	91,729	110,682
Net cash provided by operating activities	\$ 893,835	\$ 879,419
Noncash activity		
Contribution of capital assets from developers	\$ 31,632	\$ 33,105
Unrealized gains on fair value of investments	\$ 624	\$ 354

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Notes to Financial Statements
(Dollars in Thousands)

Years Ended September 30, 2016 and 2015

1. Summary of Significant Accounting Policies and Practices

(a) Reporting Entity

JEA 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 (Georgia Power) 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 Scherer and SJRPP. Separate accounting records are currently maintained for each system. The following information relates to JEA's ownership interests in respective plants as of September 30, 2016 and 2015:

	2016	2015
Bulk Power Supply System:		
Inventories	\$ 6,383	\$ 6,596
Costs to be recovered from future revenues	12,444	14,041
Net capital assets	155,044	160,754
Debt due within one year	6,045	4,950
Long-term debt	105,938	112,364
Revenues to be used for future costs	45,316	49,195
SJRPP:		
Inventories	34,375	48,405
Other current assets	67,957	73,235
Net capital assets	522,298	573,473
Restricted assets	293,489	295,548
Costs to be recovered from future revenues	7,542	7,174
Long-term debt	467,060	518,286
Other liabilities	184,610	195,384

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

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

The Electric Enterprise Fund, Water and Sewer Fund, and the DES are governed by the JEA Board of Directors (Board). The Board is responsible for setting rates based on operating and maintenance expenses and depreciation 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(s).

(b) Basis of Accounting

JEA is presenting financial statements combined for the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System. JEA uses the accrual basis of accounting for its operations and 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 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 (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, 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 investment 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.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

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

(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, estimated allowances for bad debts, and amounts transferred to stabilization funds. Discounts and allowances totaled \$34,759 in fiscal year 2016 and \$39,550 in fiscal year 2015. JEA transferred net amount of \$34,645 in fiscal year 2016 and \$99,566 in fiscal year 2015 to stabilization funds. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 9.7% of its electric revenue from electricity sold to FPL in fiscal year 2016 and 9.6% in fiscal year 2015. Operating revenues include amounts estimated for unbilled services provided during the reporting period of \$60,845 in 2016 and \$67,397 in 2015.

In January 2016, the Board approved a fuel charge reduction from \$43.60/MWh to \$36.75/MWh, effective February 2016. This new fuel charge will continue to recover fuel and energy costs while reducing the projected fuel reserve closer to policy target. In March 2015, the Board approved a \$50 million Fuel Charge Credit for residential customers. JEA customers received the credit in April 2015. In July 2015, the Board approved another Fuel Charge Credit for residential customers of \$60 million. JEA customers received the credit in October 2015.

(d) Capital Assets

Utility plant represents four classes of capital assets – real property, tangible property, tangible personal property equal to or greater than \$1,000 each, 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 except for maintenance and replacements of minor items, which are charged to operating expenses. The costs of capital projects may include direct labor and benefits of JEA employees working on capital projects and an allocation of overhead from certain JEA departments. The cost of depreciable plant retired is removed from the capital asset accounts and such cost plus removal expense (net of 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 SJRPP or Scherer.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

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

(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 debt of each system is listed in the table below.

Average AFUDC Rate (%)	2016	2015
Electric Enterprise Fund	4.2%	4.1%
Water and Sewer Fund	4.2%	4.1%
District Energy System	3.5%	3.4%

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 \$184,860 for fiscal year 2016 and \$198,267 for fiscal year 2015. Interest expense of \$9,407 less investment income on bond proceeds of \$0 was capitalized during fiscal year 2016. Interest expense of \$5,723 less investment income on bond proceeds of \$0 was capitalized during fiscal year 2015.

(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 3.6% for fiscal year 2016 and 3.5% for fiscal year 2015. The average depreciable life in years of the depreciable capital assets for each system is listed in the table below.

Average Depreciable Life (Years)	2016	2015
Electric Enterprise Fund	23.8	24.5
Water and Sewer Fund	27.9	28.3
District Energy System	24.2	24.2

(g) Amortization

Amortization of 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.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

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

(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 deferred outflows of resources on the accompanying statements of net position. 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 are presented at fair value or cost, which is further explained in note 15, Fair Value Measurements. Realized and unrealized gains and losses for all investments are included in investment income on the statements of revenues, expenses, and changes in net position. The investment in The Energy Authority (TEA) is recorded on the equity method (see note 7, Investment in The Energy Authority for additional information).

(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 statements of net position as deferred outflows and inflows of resources. For ineffective hedging instruments or investment derivatives, the changes in fair value are recorded on the statements of revenues, expenses, and changes in net position as an adjustment to investment income.

JEA

Notes to Financial Statements (continued) (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 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 2016 and 2015, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See the Debt Management Strategy section in note 8, Long-Term Debt 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. The materials and supplies inventories were reported net of an estimated allowance for obsolescence of \$226 for fiscal year 2015. During fiscal year 2016, this allowance was exhausted and obsolete inventory items are now expensed when identified.

(m) Energy Market Risk Management Program

The energy market risk management program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. Given reduced volatility in natural gas prices and limited need for oil during fiscal years 2016 and 2015, JEA's use of financial instruments to protect against the risk of adverse fuel and purchased power price movements was limited. In January 2015, JEA established natural gas collars through fiscal year 2017 for 20% to 25% of its expected annual natural gas requirements. There was no additional activity in the program during fiscal year 2016.

At September 30, 2016 and 2015, the energy market risk management program had no open NYMEX natural gas futures contracts and had margin deposits of \$12 in 2016 and 2015. These deposits are included in other noncurrent assets on the accompanying statements of net position.

JEA executes 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 statements of net position as either a deferred charge or a deferred credit until such time that the transactions end. Deferred charges of \$1,134 were included in deferred outflows of resources on the statements of net position at September 30, 2016 and \$3,754 at 2015. 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 year ending September 30, 2016, there was a realized loss included in fuel expense of \$3,842 and \$0 in 2015.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

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

(n) Capital Contributions

Capital contributions 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. Assets received are recorded as contributions from developers and others at acquisition cost. Corresponding expenses of \$31,632 and \$33,105 were recorded in fiscal years 2016 and 2015 to recognize the costs of the assets since it will not be included in revenue requirements charged to customers in the future.

(o) Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, the information about the fiduciary net position of the City of Jacksonville General Employees' Retirement Plan (GERP) and St. Johns River Power Park System Employees' Retirement Plan (SJRPP Plan) and additions to/deductions from the GERP and SJRPP Plan fiduciary net position have been determined on the same basis as they are reported by the GERP and SJRPP Plan.

Basis of Accounting – The pension trust financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contribution benefit payments and refunds are recognized when due and payable in accordance with the terms of the plans. The Florida Constitution and the Florida Division of Retirement requires plan contributions be made annually in amounts determined by an actuarial valuation stated as a percent of covered payroll or in dollars. The Florida Division of Retirement reviews and approves the GERP actuarial report to ensure compliance with actuarial standards.

Method Used to Value Investments – Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments in GERP is based on independent appraisals or estimates of fair value as provided by third-party fund managers. Investments that do not have an established market are reported at estimated fair value as provided by third-party fund managers. Investments are managed by third-party money managers while cash and securities are generally held by the independent custodians.

(p) 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 sell back 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

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

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

paid for their unused leave balances. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences* (GASB 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 No. 16.

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

The compensated absence liability as of September 30, 2016 was \$29,675. Of this amount, \$4,534 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of \$25,141 was included in other liabilities on the accompanying statements of net position. During fiscal year 2016, annual leave earned totaled \$20,731 and annual leave taken totaled \$18,870. The compensated absence liability as of September 30, 2015, was \$27,819. Of this amount, \$6,152 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of \$21,667 was included in other liabilities on the accompanying statements of net position. During fiscal year 2015, annual leave earned totaled \$15,555 and annual leave taken totaled \$14,940.

(q) Pollution Remediation Obligations

JEA applies GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*, and has recognized liabilities in the amount of \$18,556 at September 30, 2016 and \$18,662 at September 30, 2015, under the heading of other noncurrent liabilities on the accompanying statements of net position. The change was due to the completion of JEA's remediation obligation at the Tri-State Recycling site and is included in other operating expenses in the accompanying statements of revenues, expenses, and changes in net position in September 30, 2016. There were no changes to the pollution remediation obligation in 2015. See note 16, Commitments and Contingent Liabilities for additional information.

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

Cost-based Regulation — JEA records certain assets and liabilities (or deferred inflows) that result from the effects of the rate-making process that would not be recorded under GAAP 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 statements of net position amounts to reflect market conditions.

JEA

Notes to Financial Statements (continued) (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.

Historically, Scherer and SJRPP have met the requirements of GASB Regulated Operations and applied regulatory accounting as appropriate to their operations. This includes recognizing regulatory assets and liabilities for all items where the timing of receiving revenues from their customers is different than the timing of the recognition of the related cost. This also includes recognizing the net cost to be recovered related to the difference between including debt service in setting rates instead of depreciation.

On October 15, 2013, the Board adopted and implemented a rate policy for Electric and Water and Sewer systems effective for the fiscal year ending September 30, 2015. The policy was incorporated for the first time in the 2015 budget. The 2013 policy adopted a rate-setting methodology based on debt service. With the adoption of the revised rate policy, the requirements of GASB 62, *Regulated Operations*, were met for the Electric and Water and Sewer systems, with the Board approving application on March 17, 2015. In connection with this change, the Board also approved modifying the rate policy basis of rate-making from debt service to depreciation expense recovery model.

(s) *Setting of Rates*

The setting of rates is the responsibility of the Board. Base rate changes are implemented after a public rate hearing and Board approval. Fuel rate changes are implemented solely with Board approval.

In January 2016, the Board approved a Fuel Charge reduction from \$43.60/MWh to \$36.75/MWh, a decrease of \$6.85/MWh, effective February 1, 2016.

JEA has an ongoing plan to review, update, and where possible, expand its rate options to provide customers more rate choices for their utility services. As part of this initiative, the Board approved, at its April 2016 meeting, the JEA SolarSmart Rider, which gives customers the option to purchase energy produced at JEA solar facilities at a premium energy rate. JEA also modified two streetlight rates and introduced three additional LED street lighting options.

(t) *Pervasiveness of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets 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.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

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

(u) Newly Adopted Standards for Fiscal Year 2016

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurement. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. JEA has added note 15, Fair Value Measurements, as a result of this standard.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions – an amendment for GASB Statement No. 27* (GASB 68), as well as for the assets accumulated for purposes of providing those pensions. There was no impact to JEA's financial statements from implementation of this standard.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, provides guidance for recognized categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Implementation of this standard did not have a significant impact on JEA's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses how certain investment pool transactions are reported in response to anticipated changes in a U.S. Securities and Exchange Commission (SEC) rule that was previously included in GASB literature by reference. Implementation of this standard did not have a significant impact on JEA's financial statements.

GASB Statement No. 82, *Pension Issues-An Amendment of GASB Statement 67, 68 and 73*, addresses issues regarding the presentation of payroll-related measures in required supplementary information; the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and the classification of payments made by employers to satisfy employee contribution requirements. Covered payroll as defined in this standard is included in the required supplementary pension schedules.

(v) Recently Issued Accounting Pronouncements Not Yet Effective

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution other postemployment benefits (OPEB) plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended*, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for fiscal years beginning after June 15, 2016. The impact to JEA's financial reporting has not been determined.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

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

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* establishes new accounting and financial reporting requirements for OPEB Plans. This Statement is effective for fiscal years beginning after June 15, 2017. The impact to JEA's financial reporting has not been determined.

In August 2015, GASB issued Statement 77, *Tax Abatement Disclosures*. This statement provides financial disclosure requirements for governments that enter into tax abatement agreements. This statement is effective for fiscal years beginning after December 15, 2015. Because JEA is not a tax-levying government, it is not a party to tax abatement agreements. As such, the implementation of this standard is not expected to have an impact on JEA's financial statements.

In August 2015, GASB Statement 78, *Pensions through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement clarifies requirements for the application of GASB 68 for certain governments whose employees receive benefits through multiple-employer plans. This statement is effective for fiscal years beginning after December 15, 2015. The implementation of this standard is not expected to have an impact on JEA's financial statements.

In January 2016, GASB issued Statement 80, *Blending Requirements for Certain Component Units – an amendment of GASB 14*. This Statement amends the blending requirements for the financial statement presentation of certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB 39, *Determining Whether Certain Organizations Are Component Units*. This standard is effective for fiscal years beginning after June 15, 2016. The impact on JEA's financial statements has not been determined.

In March 2016, GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources related to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. In addition, this statement requires a government recognize assets representing its beneficial interest in irrevocable split-interest agreements that are administered by a third party, if the government controls the beneficial interests. This statement is effective for financial statements for periods beginning after December 15, 2016. The implementation of this standard is not expected to have an impact on JEA's financial statements.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

2. Regulatory Deferrals

Based on regulatory action taken by the Board and in accordance with the Regulated Operations section within GASB Statement 62, JEA has recorded the following regulatory assets and liabilities that will be included in the rate-making process and recognized as expenses and revenues, respectively, in future periods. These amounts are shown under other noncurrent assets or deferred inflows of resources on the accompanying statements of net position.

Regulatory Assets

The following is a summary of JEA's regulatory assets at September 30:

Regulatory Asset	2016	2015
Unfunded pension costs	\$ 369,019	\$ 353,921
Water environmental projects	76,961	85,512
SJRPP & Scherer net cost to be recovered	16,094	18,333
Debt issue cost	1,536	1,593
Total regulatory assets	<u>\$ 463,610</u>	<u>\$ 459,359</u>

Unfunded Pension Costs – Accrued pension represents a regulatory asset related to unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation attributable to JEA's portion of the GERP and the SJRPP Plan. The regulatory asset is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for pension. The Board approved the recovery of the unfunded amounts in future revenue requirements with the adoption of GASB 68 in fiscal year 2015. In addition, the Board approved the deferral of the difference between the annual contributions (funding) and pension expense. With the application of regulatory accounting, \$353,921 was recognized as a regulatory asset as of September 30, 2015.

Water Environmental Projects – In August 2015, the Board approved the recovery of previously approved environmental capital projects that had not been collected through the environmental surcharge over a ten-year period beginning October 1, 2015. The amount approved for recovery and transferred out of capital assets was \$101,277 of which \$76,961 remained unrecovered as of September 2016 and \$85,512 (net of \$15,765 regulatory liability) remained unrecovered as of September 2015. This deferral is being amortized over ten years.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

2. Regulatory Deferrals (continued)

SJRPP and Scherer net cost to be recovered – SJRPP deferred debt-related costs of \$3,650 at September 30, 2016 and \$4,292 at September 30, 2015 are the result of differences between expenses in determining rates and those used in financial reporting. SJRPP has a contract with the JEA Electric System and FPL to recover these costs from future revenues 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. The Bulk Power Supply System deferred debt-related costs were \$12,444 at September 30, 2016 and \$14,041 at September 30, 2015. 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. The Bulk Power Supply System will recover these costs from future revenues that will coincide with the retirement of long-term debt.

Debt issue costs – With the application of regulatory accounting in fiscal year 2015, the Board approved deferral of the issue costs on all new debt issues with the amounts being amortized over the life of the bonds as it is included in revenue requirements. These costs are incurred in connection with the issuance of debt obligations and are mainly underwriter fees and legal costs. A regulatory asset of \$1,536 was recognized in fiscal year 2016 and \$1,593 was recognized in fiscal year 2015.

Regulatory Credits

The following is a summary of JEA’s Regulatory liabilities at September 30:

Regulatory Liabilities	2016	2015
Revenues to be used in future SJRPP & Scherer	\$ 204,964	\$ 220,589
Fuel stabilization	180,115	94,138
Debt management stabilization	62,416	62,416
Nonfuel purchase power	34,400	38,000
Environmental electric	29,975	23,431
Self-insurance medical reserve	11,178	10,937
Customer benefit stabilization	3,515	2,886
Environmental water	1,699	-
Total regulatory liabilities	\$ 528,262	\$ 452,397

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

2. Regulatory Deferrals (continued)

Revenues to be used in future SJRPP & Scherer – SJRPP deferred debt-related revenues of \$159,648 at September 30, 2016 and \$171,395 at September 30, 2015 are the result of differences between revenues in determining rates and those used in financial reporting. SJRPP has a contract with the JEA Electric System and FPL to recover future revenues that will coincide with the 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 revenues on the accompanying statements of revenues, expenses, and changes in net position. Bulk Power Supply System early debt principal in excess of straight line depreciation of \$45,316 at September 30, 2016 and \$49,194 at September 30, 2015 is included in deferred inflows of resources on the accompanying statements of net position.

Fuel stabilization – This account represents the difference between the fuel costs incurred and fuel charge revenues collected from customers, inclusive of accrued utility revenue and fuel costs. During fiscal year 2016, a net of \$85,977 was collected in excess of fuel costs incurred and was recognized as a regulatory liability. During fiscal year 2015, a net of \$95,222 was collected in excess of fuel cost incurred offset by \$106,541 refunded to customers. With the application of regulatory accounting in 2015, \$105,457 of revenues included in the stabilization fund in years prior to 2015 were recognized as a regulatory liability.

Debt management stabilization – The Board has authorized the use of a debt management stabilization fund. Amounts are included in the fund based on differences between budgeted and actual debt cost up to an established maximum reserve fund. The reserve is available to support JEA during times of financial market crisis. Withdrawals from the debt management stabilization fund for debt management strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses. The reserve can also be used to reduce short-term variable interest expense in excess of the amounts included in the budget. Finally, the Board evaluates during the budget approval process and periodically throughout the year the amounts in the reserve that will be included in JEA's annual revenue requirements. As a result, \$62,416 collected in the past for the debt management stabilization fund was recorded as a regulatory liability at September 30, 2016 and 2015. During fiscal year 2016 and 2015, no additional amounts were deposited or withdrawn from the stabilization fund.

Nonfuel purchase power – JEA entered into a power purchase agreement related to the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia (Plant Vogtle). This agreement is discussed in further detail in Note 10, Fuel Purchase and Purchased Power Commitments. Related to that agreement, the JEA Board approved a nonfuel purchase power stabilization fund to balance the timing of the payments for Plant Vogtle's debt service with the anticipated in service date. It may be used for other purposes with the Board's approval. The amounts included in the fund are to be used for Plant Vogtle or refunded to customers if not needed. During fiscal year 2015, the Board approved recovery of \$26,000 to be included in the fund. Revenues collected from customers in years prior to 2015 of \$12,000 were recognized as a regulatory liability.

Notes to Financial Statements (continued)
(Dollars in Thousands)

2. Regulatory Deferrals (continued)

Environmental electric – The Board has authorized an environmental surcharge that is applied to all electric customer kilowatt hour sales. The costs included in the surcharge include all costs of environmental remediation and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve. Any amounts over-collected will be refunded to customers. Revenues collected in years prior to 2015 of \$16,639 were recognized as a regulatory liability.

Self-insurance medical reserve – The Board has established, from operating revenues, an internally designated “Health Self-Insurance Fund” to cover reserve requirements for its self-insurance health program. Reserve requirements will be reviewed and approved by the Board annually. The Board, as part of the budget process, will approve amounts to be collected in rates that include both the current anticipated cost less amounts approved to be contributed by employees as well as amounts to maintain an adequate reserve for future costs.

Customer benefit stabilization – The pricing policy adopted by the Board includes a demand side management surcharge. The costs approved for recovery through the surcharge included programs for the electrification, direct load control, demand side management, residential low income efficiency programs, and customer utility optimization education programs. With the application of regulatory accounting in 2015 by JEA, \$3,570 of revenues collected from customers in prior years was recognized as a regulatory liability.

Environmental water – The Board has authorized an environmental surcharge that is applied to all water customer kilogallon sales. The costs included in the surcharge include operating and capital costs of environmentally driven or regulatory required projects approved by the Board to be included in the surcharge. Any amounts under or over-collected are recorded as a regulatory asset or liability. During fiscal year 2016, \$23,489 was collected through the surcharge with \$403 of operations and maintenance, \$12,836 of capital projects, and \$8,551 of recovery of previously approved environmental capital projects costs being incurred with the remaining \$1,699 was recognized as a regulatory liability. During fiscal year 2015, \$22,172 was collected through the surcharge offset by \$116 of operations and maintenance expense and \$6,292 of capital projects. The net amount of \$15,764 approved for recovery was transferred to the capital fund.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

3. Special Item

Effective for fiscal year 2015, the Board adopted and JEA implemented a pricing policy that established cost-based rates for both the Electric and Water and Sewer Systems. The rate policy as adopted includes various surcharges and stabilization funds that meet the requirements for deferral under GASB 62. Regulatory assets and liabilities have been established for these items. The initial accounting for several of these items includes deferring amounts that were included in revenue and expense in prior periods. These prior period amounts are included in the Special Item on the 2015 statement of revenues, expenses, and changes in net position. The following summarizes the amounts included within the Special Item:

Unfunded pension cost	\$ 351,572
Fuel stabilization	(105,457)
Debt management stabilization	(62,416)
Environmental electric	(16,639)
Nonfuel purchase power	(12,000)
Customer benefit stabilization	(3,570)
Total	<u>\$ 151,490</u>

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

4. Restricted Assets

Restricted assets were held in the following funds at September 30, 2016 and 2015:

	2016	2015
Electric System:		
Renewal and Replacement Fund	\$ 193,947	\$ 148,458
Sinking Fund	144,634	142,303
Debt Service Reserve Fund	65,433	69,446
Adjustment to fair value of investments	2,943	3,235
Construction Fund	-	4
Other Funds	-	158
Total Electric System	406,957	363,604
SJRPP System:		
Debt Service Reserve Fund	138,807	137,695
Renewal and Replacement Fund	80,809	84,472
Sinking Fund	47,258	62,608
Revenue Fund	27,560	11,958
Construction Fund	7,377	77
Adjustment to fair value of investments	(1,518)	(1,262)
Total SJRPP System	293,489	295,548
Water and Sewer System:		
Renewal and Replacement Fund	179,513	149,130
Debt Service Reserve Fund	108,086	108,849
Sinking Fund	65,410	67,720
Adjustment to fair value of investments	5,093	3,959
Environmental Fund	2,659	-
Revenue Fund	767	777
Construction Fund	152	664
Other Funds	-	70
Total Water and Sewer System	361,680	331,169
DES:		
Sinking Fund	2,324	2,315
Renewal and Replacement Fund	1,909	2,599
Total DES	4,233	4,914
Total restricted assets	\$ 1,066,359	\$ 995,235

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

4. 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 1st SJRPP Bond Resolution. An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the 2nd SJRPP Bond Resolution. However, no such deposit is required under the 2nd SJRPP Bond Resolution as long as the 1st SJRPP Bond Resolution has not been discharged.
Bulk Power Supply System:	An amount equal to 12.5% of aggregate debt service, as defined.
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.

5. 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 or cost, which is further explained in note 15, Fair Value Measurements.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

5. Cash and Investments (continued)

At September 30, 2016 and 2015, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	2016	2015
Securities:		
U.S. Treasury and government agency securities	\$ 582,215	\$ 531,752
State and local government securities	299,770	285,590
Commercial paper	252,454	161,169
Money market mutual funds	138,533	108,056
Total securities, at fair value	\$ 1,272,972	\$ 1,086,567

These securities are held in the following accounts:

	2016	2015
Current assets:		
Cash and cash equivalents	\$ 418,517	\$ 419,595
Investments	143,077	78,794
Restricted assets:		
Cash and cash equivalents	178,406	216,479
Investments	884,612	772,571
Total cash and investments	1,624,612	1,487,439
Plus: interest due on securities	2,272	2,683
Less: cash on deposit	(353,912)	(403,555)
Total securities, at fair value	\$ 1,272,972	\$ 1,086,567

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2016, 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. Puttable securities are presented as investments with a maturity of less than one year.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

5. Cash and Investments (continued)

The maturity distribution of the investments held at September 30, 2016 is listed below.

Type of Investments	Less Than One Year	One to Five Years	Five to Ten Years	Ten to Twenty Years	Total
U.S. Treasury and government agency securities	\$ 227,129	\$ 306,120	\$ 48,966	\$ -	\$ 582,215
State and local government securities	136,969	79,369	17,359	66,073	299,770
Commercial paper	252,454	-	-	-	252,454
Money market mutual funds	138,533	-	-	-	138,533
Total securities, at fair value	\$ 755,085	\$ 385,489	\$ 66,325	\$ 66,073	\$ 1,272,972

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. JEA’s investment policy limits investments in commercial paper to the highest whole rating category issued by at least two nationally recognized rating agencies, the issuer must be a Fortune 500 company, a Fortune Global 500 company with significant operations in the U.S., or the governments of Canada or Canadian provinces, and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2016, 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% of the total cash and investment portfolio regardless of statement of net position classification as cash equivalent or investment. As of September 30, 2016, JEA had 19.8% of its investments in commercial paper.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

5. 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, 2016, investments in any one issuer representing 5% or more of JEA's investments included \$359,108 (28.2%) invested in issues of the Federal Home Loan Bank and \$207,791 (16.3%) invested in issues of the Federal Farm Credit Bank. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 35% of total cash and investments regardless of statement of net position 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 cash and investment portfolio (regardless of statement of net position classification as cash equivalent or investment) that may be held in various security types. As of September 30, 2016, investments in all security types were within the allowable policy limits.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

6. Capital Assets

Capital asset activity for the year ended September 30, 2016 is as follows:

	Balance September 30, 2015	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2016
Electric Enterprise Fund:					
Generation assets	\$ 3,684,390	\$ -	\$ (14,669)	\$ 9,836	\$ 3,679,557
Transmission assets	531,804	-	(557)	16,458	547,705
Distribution assets	1,762,050	-	(3,831)	64,725	1,822,944
Other assets	443,625	-	(3,188)	(3,929)	436,508
Total capital assets	6,421,869	-	(22,245)	82,090	6,486,714
Less: accumulated depreciation and amortization	(3,310,375)	(237,603)	22,245	-	(3,525,733)
Land and easements	101,837	-	-	26,058	127,895
Construction work-in-process	146,519	165,493	-	(130,765)	181,247
Net capital assets	3,359,850	(72,110)	-	(17,617)	3,270,123
Water and Sewer Fund:					
Pumping assets	480,749	-	(566)	21,319	501,502
Treatment assets	574,070	-	(589)	32,736	606,217
Transmission and distribution assets	1,133,118	-	(27)	28,497	1,161,588
Collection assets	1,432,529	-	(109)	36,332	1,468,752
Reclaimed water assets	130,796	-	-	761	131,557
General and other assets	376,134	-	(2,676)	9,506	382,964
Total capital assets	4,127,396	-	(3,967)	129,151	4,252,580
Less: accumulated depreciation	(1,749,344)	(138,656)	3,967	4,101	(1,879,932)
Land and easements	59,135	-	-	579	59,714
Construction work-in-process	125,271	140,340	-	(129,730)	135,881
Net capital assets	2,562,458	1,684	-	4,101	2,568,243
District Energy System:					
Chilled water plant assets	52,591	-	-	1,057	53,648
Total capital assets	52,591	-	-	1,057	53,648
Less: accumulated depreciation	(19,524)	(2,291)	-	-	(21,815)
Land and easements	3,051	-	-	-	3,051
Construction work-in process	926	1,806	-	(1,057)	1,675
Net capital assets	37,044	(485)	-	-	36,559
Total	\$ 5,959,352	\$ (70,911)	\$ -	\$ (13,516)	\$ 5,874,925

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

6. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2015 is as follows:

	Balance September 30, 2014	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2015
Electric Enterprise Fund:					
Generation assets	\$ 3,706,482	\$ -	\$ (19,154)	\$ (2,938)	\$ 3,684,390
Transmission assets	536,558	-	149	(4,903)	531,804
Distribution assets	1,714,682	-	(2,418)	49,786	1,762,050
Other assets	449,227	-	(10,886)	5,284	443,625
Total capital assets	6,406,949	-	(32,309)	47,229	6,421,869
Less: accumulated depreciation and amortization	(3,102,267)	(231,543)	23,435	-	(3,310,375)
Land and easements	80,281	-	(437)	21,993	101,837
Construction work-in-process	98,289	128,775	-	(80,545)	146,519
Net capital assets	3,483,252	(102,768)	(9,311)	(11,323)	3,359,850
Water and Sewer Fund:					
Pumping assets	476,440	5,462	(3,367)	2,214	480,749
Treatment assets	560,231	-	(291)	14,130	574,070
Transmission and distribution assets	1,108,125	9,631	(59)	15,421	1,133,118
Collection assets	1,404,870	13,461	(17)	14,215	1,432,529
Reclaimed water assets	124,014	4,394	(35)	2,423	130,796
General and other assets	359,297	138	(4,113)	20,812	376,134
Total capital assets	4,032,977	33,086	(7,882)	69,215	4,127,396
Less: accumulated depreciation	(1,487,912)	(132,278)	7,857	(137,011)	(1,749,344)
Land and easements	53,481	18	25	5,611	59,135
Construction work-in-process	99,409	103,850	-	(77,988)	125,271
Net capital assets	2,697,955	4,676	-	(140,173)	2,562,458
District Energy System:					
Chilled water plant assets	51,916	-	-	675	52,591
Total capital assets	51,916	-	-	675	52,591
Less: accumulated depreciation	(17,238)	(2,286)	-	-	(19,524)
Land and easements	3,051	-	-	-	3,051
Construction work-in process	684	917	-	(675)	926
Net capital assets	38,413	(1,369)	-	-	37,044
Total	\$ 6,219,620	\$ (99,461)	\$ (9,311)	\$ (151,496)	\$ 5,959,352

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

7. 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 eight members and JEA's ownership interest in TEA is 16.7%. TEA provides wholesale power marketing and resource management services to members (including JEA) and nonmembers and allocates transaction savings and operating expenses pursuant to a settlement agreement. TEA also assists members (including JEA) and nonmembers with natural gas procurement and related gas hedging activities. JEA's earnings from TEA were \$6,136 in fiscal year 2016 and \$1,461 in fiscal year 2015 for all power marketing activities. JEA's distributions from TEA were \$7,462 in fiscal year 2016 and \$2,041 in fiscal year 2015. The investment in TEA of \$6,166 at September 30, 2016 and \$7,491 at September 30, 2015 and is included in noncurrent assets on the accompanying statements of net position.

The following is a summary of the unaudited financial information of TEA for the nine months ended September 30, 2016 and 2015. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2016	2015
Condensed statements of net position:		
Current assets	\$ 128,527	\$ 142,339
Noncurrent assets	12,282	12,997
Total assets	<u>\$ 140,809</u>	<u>\$ 155,336</u>
Current liabilities	\$ 102,615	\$ 109,098
Noncurrent liabilities	346	184
Members' capital	37,848	46,054
Total liabilities and members' capital	<u>\$ 140,809</u>	<u>\$ 155,336</u>
Condensed statements of operations:		
Operating revenues	\$ 1,039,075	\$ 1,249,164
Operating expenses	1,008,613	1,207,623
Operating income	<u>\$ 30,462</u>	<u>\$ 41,541</u>
Net income	<u>\$ 30,472</u>	<u>\$ 41,554</u>

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

7. Investment in The Energy Authority (continued)

As of September 30, 2016, 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 \$19,900, 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 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.

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. Such termination would be as a result of JEA's withdrawal from membership in TEA or such termination could cause JEA's membership in TEA to be terminated.

JEA

Notes to Financial Statements (continued) *(Dollars in Thousands)*

8. 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.

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.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. Long-Term Debt (continued)

Below is the schedule of outstanding indebtedness for the fiscal years 2016 and 2015.

Long-Term Debt	Interest Rates ⁽¹⁾	Payment Dates	September 30	
			2016	2015
Electric System Senior Revenue Bonds:				
Series Three 2004A	5.00%	2039	\$ 5	\$ 5
Series Three 2005B	4.75%	2033	100	100
Series Three 2005D	n/a	n/a	-	1,335
Series Three 2008A ⁽²⁾	Variable	2027-2036	51,680	51,680
Series Three 2008B-1 ⁽³⁾	Variable	2016-2040	60,745	61,095
Series Three 2008B-2 ⁽²⁾	Variable	2025-2040	41,900	41,900
Series Three 2008B-3 ⁽²⁾	Variable	2024-2036	37,000	37,000
Series Three 2008B-4 ⁽³⁾	Variable	2016-2036	50,185	50,535
Series Three 2008C-1 ⁽²⁾	Variable	2024-2034	44,145	44,145
Series Three 2008C-2 ⁽²⁾	Variable	2024-2034	43,900	43,900
Series Three 2008C-3 ⁽²⁾	Variable	2030-2038	25,000	25,000
Series Three 2008D-1 ⁽³⁾	Variable	2016-2036	113,840	116,165
Series Three 2008E	n/a	n/a	-	14,560
Series Three 2009C	5.00%	2016-2017	15,730	15,730
Series Three 2009D ⁽⁶⁾	6.06%	2033-2044	45,955	45,955
Series Three 2010A	4.00%	2016-2020	24,960	29,715
Series Three 2010B	n/a	n/a	-	450
Series Three 2010C	4.000-4.500%	2021-2031	11,420	11,420
Series Three 2010D	4.000-5.000%	2016-2038	92,100	97,970
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	60,750
Series Three 2012B	2.000-5.000%	2016-2039	133,390	133,990
Series Three 2013A	2.500-5.000%	2016-2026	111,130	119,080
Series Three 2013B	1.875-5.000%	2021-2038	7,600	7,600
Series Three 2013C	3.000-5.000%	2016-2030	30,940	33,170
Series Three 2014A	2.600-5.000%	2016-2034	47,565	49,420
Series Three 2015A	2.500-5.000%	2016-2041	81,810	83,325
Series Three 2015B	2.000-5.000%	2016-2031	42,355	42,355
Total Electric System Senior Revenue Bonds			1,208,460	1,252,605

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates ⁽¹⁾	Payment Dates	September 30	
			2016	2015
Electric System Subordinated				
Revenue Bonds:				
2000 Series A ⁽²⁾	Variable	2021-2035	\$ 30,965	\$ 30,965
2000 Series F-1 ⁽²⁾	Variable	2026-2030	37,200	37,200
2000 Series F-2 ⁽²⁾	Variable	2026-2030	24,800	24,800
2005 Series C	n/a	n/a	-	875
2008 Series D ⁽²⁾	Variable	2024-2038	39,455	39,455
2009 Series A	5.63%	2029-2032	21,140	21,140
2009 Series D	5.00%	2017-2018	23,925	23,925
2009 Series E	4.00%	2016-2018	4,065	4,835
2009 Series F ⁽⁶⁾	4.125-6.406%	2016-2034	65,600	66,600
2009 Series G	4.000-5.000%	2016-2021	22,975	27,675
2010 Series A	3.000-5.000%	2016-2017	4,960	10,830
2010 Series B	3.000-5.000%	2016-2024	35,380	36,210
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	4.00%	2016	4,505	7,570
2012 Series A	3.000-5.000%	2016-2033	110,780	112,645
2012 Series B	2.250-5.000%	2016-2037	105,800	108,020
2013 Series A	2.500-5.000%	2017-2030	59,330	59,330
2013 Series B	2.500-5.000%	2016-2026	41,215	50,875
2013 Series C	1.375-5.000%	2016-2038	88,605	88,625
2013 Series D	2.625-5.250%	2016-2035	145,055	155,670
2014 Series A	3.000-5.000%	2016-2039	223,770	231,950
Total Electric System Subordinated Revenue Bonds			1,151,025	1,200,695

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

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Notes to Financial Statements (continued)
(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates ⁽¹⁾	Payment Dates	September 30	
			2016	2015
Bulk Power Supply System Revenue Bonds:				
Series 2010A ⁽⁶⁾	3.900-5.920%	2016-2030	\$ 42,785	\$ 45,640
Series 2014A	2.000-5.000%	2016-2038	69,185	71,280
Total Bulk Power System Revenue Bonds			111,970	116,920
SJRPP System Revenue Bonds:				
Issue Two, Series Seventeen	4.70%	2019	100	100
Issue Two, Series Eighteen	4.50%	2018	50	50
Issue Two, Series Nineteen	4.60%	2017	100	100
Issue Two, Series Twenty	4.50%	2021	100	100
Issue Two, Series Twenty-One	5.00%	2021	5	5
Issue Two, Series Twenty-Two	4.00%	2019	5	5
Issue Two, Series Twenty-Three	3.000-5.000%	2017-2021	64,910	92,830
Issue Two, Series Twenty-Four	4.00%	2017-2021	29,625	42,550
Issue Two, Series Twenty-Five	3.000-5.000%	2016-2021	42,195	42,195
Issue Two, Series Twenty-Six	2.000-5.000%	2019-2021	65,970	65,970
Issue Two, Series Twenty-Seven	1.888-2.505%	2019-2021	7,025	7,155
Issue Three, Series One ⁽⁵⁾	4.50%	2037	100	100
Issue Three, Series Two ⁽⁵⁾	5.00%	2034-2037	29,370	29,370
Issue Three, Series Four ⁽⁵⁾⁽⁶⁾	3.875-5.450%	2016-2028	25,720	25,720
Issue Three, Series Five ⁽⁵⁾	n/a	n/a	-	1,595
Issue Three, Series Six ⁽⁵⁾	2.375-5.000%	2019-2037	91,330	98,485
Issue Three, Series Seven ⁽⁵⁾	2.000-5.000%	2019-2033	79,500	79,720
Issue Three, Series Eight ⁽⁵⁾	2.000-5.000%	2019-2039	57,895	58,895
Total SJRPP System Revenue Bonds			494,000	544,945

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates ⁽¹⁾	Payment Dates	September 30	
			2016	2015
Water and Sewer System Senior Revenue Bonds:				
2006 Series B ⁽⁴⁾	Variable	2016-2022	\$ 38,730	\$ 38,730
2008 Series A-2 ⁽²⁾	Variable	2028-2042	51,820	51,820
2008 Series B ⁽²⁾	Variable	2023-2041	85,290	85,290
2009 Series B	3.750-5.000%	2017-2019	25,565	25,565
2010 Series A ⁽⁶⁾	6.210-6.310%	2026-2044	83,115	83,115
2010 Series B	4.300-5.700%	2016-2025	17,300	19,030
2010 Series C	4.000-5.000%	2016-2020	10,650	16,145
2010 Series D	4.000-5.000%	2017-2039	101,850	105,040
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	3.00%	2016	785	1,525
2012 Series A	3.000-5.000%	2017-2041	317,935	317,935
2012 Series B	2.000-5.000%	2016-2041	131,765	133,425
2013 Series A	4.000-5.000%	2016-2027	91,085	92,385
2013 Series B	1.286-1.882%	2016-2017	16,730	23,205
2014 Series A	2.000-5.000%	2016-2040	289,565	300,200
Total Water and Sewer System Senior Revenue Bonds			1,368,695	1,399,920

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates ⁽¹⁾	Payment Dates	September 30	
			2016	2015
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2008 Series A-1 ⁽²⁾	Variable	2016-2038	\$ 53,500	\$ 53,950
Subordinated 2008 Series A-2 ⁽²⁾	Variable	2030-2038	25,600	25,600
Subordinated 2008 Series B-1 ⁽²⁾	Variable	2030-2036	30,885	30,885
Subordinated 2010 Series A	3.000-5.000%	2016-2022	14,065	14,950
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	20,320
Subordinated 2012 Series B	3.250-5.000%	2030-2043	41,640	41,640
Subordinated 2013 Series A	2.125-5.000%	2016-2029	76,040	79,660
Total Water and Sewer System Subordinated Revenue Bonds			274,820	279,775
Water and Sewer System Other Subordinated Debt:				
Revolving Credit Agreement ⁽⁷⁾	Variable	2018	3,000	-
Total Water and Sewer System Other Subordinated Debt			3,000	-
District Energy System:				
2013 Series A	1.017-4.538%	2016-2034	39,750	41,360
Total District Energy System			39,750	41,360
Total Debt Principal Outstanding			4,651,720	4,836,220
Less: Debt Due Within One Year			(181,525)	(187,500)
Total Long-Term Debt			\$ 4,470,195	\$ 4,648,720

⁽¹⁾ Interest rates apply only to bonds outstanding at September 30, 2016. 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 1 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, 2016 and 2015.

⁽²⁾ Variable rate demand obligations - interest rates ranged from 0.52% to 0.88% at September 30, 2016.

⁽³⁾ Variable rate direct purchased bonds indexed to SIFMA - interest rates were 1.24% at September 30, 2016.

⁽⁴⁾ Variable rate bonds indexed to the Consumer Price Index (CPI bonds) - interest rates ranged from 2.23% to 2.37% at September 30, 2016.

⁽⁵⁾ SJRPP System Issue Three 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 were 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 Department of the Treasury for an amount up to 35% of the related interest.

⁽⁷⁾ Revolving Credit Agreement - interest rates were 1.58% at September 30, 2016.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-term debt activity (excluding short-term bank borrowings) for the year ended September 30, 2016 was as follows:

System	Bonds Payable September 30, 2015	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2016	Current Portion of Bonds Payable September 30, 2016
Electric	\$ 2,453,300	\$ -	\$ -	\$ (93,815)	\$ 2,359,485	\$ 96,195
Bulk Power Supply	116,920	-	-	(4,950)	111,970	6,045
SJRPP	544,945	-	-	(50,945)	494,000	43,785
Water and Sewer	1,679,695	-	-	(36,180)	1,643,515	33,875
DES	41,360	-	-	(1,610)	39,750	1,625
Total	\$ 4,836,220	\$ -	\$ -	\$ (187,500)	\$ 4,648,720	\$ 181,525

Long-term debt activity (excluding short-term bank borrowings) for the year ended September 30, 2015 was as follows:

System	Bonds Payable September 30, 2014	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2015	Current Portion of Bonds Payable September 30, 2015
Electric	\$ 2,598,720	\$ 125,680	\$ (194,665)	\$ (76,435)	\$ 2,453,300	\$ 93,815
Bulk Power Supply	119,100	-	-	(2,180)	116,920	4,950
SJRPP	711,195	73,125	(107,290)	(132,085)	544,945	50,945
Water and Sewer	1,797,385	-	(73,365)	(44,325)	1,679,695	36,180
DES	42,965	-	-	(1,605)	41,360	1,610
Total	\$ 5,269,365	\$ 198,805	\$ (375,320)	\$ (256,630)	\$ 4,836,220	\$ 187,500

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. Long-Term Debt (continued)

The debt service to maturity on the outstanding debt (excluding short-term bank borrowings) as of September 30, 2016 is summarized as follows:

Fiscal Year Ending September 30	Electric System		Bulk Power Supply System		SJRPP	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 96,195	\$ 40,037	\$ 6,045	\$ 2,357	\$ 43,785	\$ 10,657
2017	89,955	76,561	5,205	4,474	41,330	19,141
2018	93,685	72,882	5,710	4,233	40,715	17,252
2019	95,215	68,635	6,150	3,959	52,940	15,292
2020	89,945	64,350	6,975	3,716	54,245	12,894
2021-2025	472,290	267,351	30,875	15,036	88,095	43,734
2026-2030	532,075	187,776	26,025	9,247	86,175	27,652
2031-2035	528,550	115,561	13,830	4,036	56,725	13,463
2036-2040	335,835	34,196	11,155	973	29,990	2,651
2041-2045	25,740	3,037	-	-	-	-
Total	\$ 2,359,485	\$ 930,386	\$ 111,970	\$ 48,031	\$ 494,000	\$ 162,736

Fiscal Year Ending September 30	Water and Sewer System		District Energy System		Total Debt Service ⁽¹⁾⁽²⁾⁽³⁾
	Principal	Interest	Principal	Interest	
2016	\$ 33,875	\$ 31,535	\$ 1,625	\$ 699	\$ 266,810
2017	51,020	61,358	1,640	1,382	352,066
2018	51,720	59,429	1,660	1,359	348,645
2019	54,705	57,314	1,690	1,330	357,230
2020	57,410	55,228	1,725	1,296	347,784
2021-2025	303,605	242,251	9,380	5,729	1,478,346
2026-2030	293,665	179,663	11,200	3,908	1,357,386
2031-2035	329,695	119,188	10,830	1,256	1,193,134
2036-2040	373,130	55,730	-	-	843,660
2041-2045	94,690	6,136	-	-	129,603
Total	\$ 1,643,515	\$ 867,832	\$ 39,750	\$ 16,959	\$ 6,674,664

⁽¹⁾ Includes debt service accrued from October 1 through September 30 of the corresponding fiscal year, except for fiscal year 2016 which excludes payments made during the fiscal year.

⁽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, 2016.

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

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. 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	Water and Sewer System	District Energy System
Earliest fiscal year for redemption	2017	2019	2017	2017	2023
Redemption price	100%	100%	100%	100%	100%

JEA did not issue debt during fiscal year 2016. The JEA Board has authorized the issuance of additional refunding bonds within certain parameters for the Electric System, SJRPP, and Water and Sewer System. The following table summarizes the maximum amounts that could be issued:

System	Authorization		Expiration
	Senior	Subordinated	
Electric	\$ 592,320	\$ 241,000	December 31, 2016
SJRPP Issue Two	6,875	-	December 31, 2016
SJRPP Issue Three	82,000	-	December 31, 2016
Water and Sewer	314,000	164,000	December 31, 2016

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Notes to Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt (continued)

Variable Rate Debt – Liquidity Support

For the Electric System and the Water and Sewer System variable rate debt obligations (VRDOs) appearing in the schedule of outstanding indebtedness, 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 obligations. 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. At September 30, 2016, 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 making equal semiannual installments over an approximate five year period. The current commitment fees range from approximately 0.3 percent to 0.5 percent with stated termination dates ranging from May 10, 2017 to July 29, 2018, unless otherwise extended.

JEA entered into an irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of the principal and interest on the Water and Sewer System 2008 Series A-2 VRDOs. The letter of credit agreement constitutes both a credit facility and a liquidity facility. As of September 30, 2016, there were no draws outstanding under the letter of credit agreement. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over an approximate five-year period. The current commitment fee is approximately 0.5 percent with a stated expiration date of December 2, 2018, unless otherwise extended.

JEA has entered into continuing covenant agreements for the Variable Rate Electric System Revenue Bonds, Series Three 2008B-1, Series Three 2008B-4, 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 the continuing covenant agreements is September 17, 2018, unless otherwise extended. The interest rate is variable and is set monthly based upon the SIFMA plus 40 basis points.

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Notes to Financial Statements (continued) (Dollars in Thousands)

8. Long-Term Debt (continued)

Short-Term Bank Borrowings

As of September 30, 2016, JEA has a revolving credit agreement with a commercial bank for an unsecured amount of \$300,000. This agreement became effective on December 17, 2015 when JEA terminated the prior two revolving credit agreements with a total available amount of \$300,000 with two commercial banks. The revolving credit agreement may 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 or capital expenditures.

During fiscal year 2016, the revolving credit agreement was drawn upon by the Water and Sewer System in the amount of \$3,000 and remains outstanding as of September 30, 2016, with \$297,000 available to be drawn. There was no activity under the prior two revolving credit agreements for fiscal year 2015.

The revolving credit agreement is scheduled to expire on December 17, 2018.

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 in the accompanying statements of net position; 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 in the accompanying statements of net position as either a deferred outflow or inflow of resources.

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.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. 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, 2016 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	\$ 84,800	3.70%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	117,825	82,575	4.40%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	86,375	3.70%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	40,875	39,175	3.70%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	62,980	3.90%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.80%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	38,730	38,730	3.9-4.1%	Oct 2006	Oct 2016-2022	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.90%	Mar 2007	Oct 2041	SIFMA
		<u>\$ 771,520</u>	<u>\$ 531,605</u>				

The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2015 are as follows:

System	Hedged zBonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	\$ 174,000	\$ 84,800	3.70%	Sep 2003	Sep 2033	68% of one month LIBOR
Electric	Series Three 2008B	117,825	82,575	4.40%	Aug 2008	Oct 2039	SIFMA
Electric	Series Three 2008B	116,425	86,725	3.70%	Sep 2008	Oct 2035	68% of one month LIBOR
Electric	2008 Series D	40,875	39,175	3.70%	Mar 2009	Oct 2037	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	62,980	3.90%	May 2008	Oct 2031	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.80%	Jan 2008	Oct 2036	SIFMA
Water and Sewer	2006 Series B	38,730	38,730	3.9-4.1%	Oct 2006	Oct 2016-2022	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.90%	Mar 2007	Oct 2041	SIFMA
		<u>\$ 771,520</u>	<u>\$ 531,955</u>				

The following table includes fiscal year 2016 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

System	Changes in Fair Value		Fair Value at September 30, 2016	
	Classification	Amount	Classification	Amount ⁽¹⁾
Electric	Deferred outflows	\$ 25,408	Fair value of debt management strategy instruments	\$ (145,808)
Water and Sewer	Deferred outflows	7,637	Fair value of debt management strategy instruments	(35,986)
Total		<u>\$ 33,045</u>		<u>\$ (181,794)</u>
				<u>\$ 531,605</u>

⁽¹⁾ Fair value amounts were calculated using market rates as of September 30, 2016 and standard cash flow present valuing techniques.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. Long-Term Debt (continued)

The following table includes fiscal year 2015 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

System	Changes in Fair Value		Fair Value at September 30, 2015		Notional
	Classification	Amount	Classification	Amount(1)	
Electric	Deferred outflows	\$ 32,378	Fair value of debt management strategy instruments	\$ (120,400)	\$ 407,935
Water and Sewer	Deferred outflows	10,756	Fair value of debt management strategy instruments	(28,349)	124,020
Total		<u>\$ 43,134</u>		<u>\$ (148,749)</u>	<u>\$ 531,955</u>

⁽¹⁾ Fair value amounts were calculated using market rates as of September 30, 2015 and standard cash flow present valuing techniques.

For fiscal years ended September 30, 2016 and 2015, 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:

	2016	2015
68% of LIBOR Index:		
Notional amount outstanding	\$ 210,350	\$ 210,700
Variable rate received (weighted average)	0.30%	0.10%
Fixed rate paid (weighted average)	3.70%	3.70%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	\$ 282,525	\$ 282,525
Variable rate received (weighted average)	0.30%	0.10%
Fixed rate paid (weighted average)	4.00%	4.00%
CPI Index:		
Notional amount outstanding	\$ 38,730	\$ 38,730
Variable rate received (weighted average)	1.70%	1.90%
Fixed rate paid (weighted average)	4.00%	4.00%
Net debt management swap loss	\$ (18,732)	\$ (19,581)

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. 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, 2016:

Electric System⁽¹⁾					
Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total	
2016	\$ 375	\$ 307	\$ 1,142	\$	1,824
2017	400	3,665	12,957		17,022
2018	400	3,661	12,945		17,006
2019	425	3,658	12,934		17,017
2020	3,200	3,654	12,921		19,775
2021-2025	45,095	17,695	62,683		125,473
2026-2030	160,355	13,535	48,018		221,908
2031-2035	117,495	6,220	22,191		145,906
2036-2040	79,840	1,371	5,182		86,393
Total	\$ 407,585	\$ 53,766	\$ 190,973	\$	652,324

Water and Sewer System⁽¹⁾					
Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total	
2016	\$ 4,105	\$ 505	\$ 551	\$	5,161
2017	4,255	1,403	3,304		8,962
2018	5,520	1,304	3,233		10,057
2019	5,740	1,176	3,141		10,057
2020	9,195	1,042	3,046		13,283
2021-2025	22,895	3,247	13,484		39,626
2026-2030	6,045	2,402	10,968		19,415
2031-2035	13,280	2,189	10,001		25,470
2036-2040	41,900	1,373	6,268		49,541
2041-2045	11,085	78	354		11,517
Total	\$ 124,020	\$ 14,719	\$ 54,350	\$	193,089

⁽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, 2016. 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, 2016.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. 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, 2016 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, 2016.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2016 are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	BBB+/A3/A	\$ 184,285
Goldman Sachs Mitsui Marine Derivative Products	AA-/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa3/AA-	125,550
Merrill Lynch Derivative Products AG	BBB+/Baa1/A	85,290
Total		\$ 531,605

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, 2016, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 0.97%, while the SIFMA swap index rate is 0.84% and 68% of LIBOR is 0.36%.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

8. Long-Term Debt (continued)

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 the Debt Administration section of Management’s Discussion and Analysis) and, to date, has not encountered any barriers to the credit markets.

9. 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:

Fiscal Year	Revenues	Expenses
2016	\$ 38,379	\$ 5,985
2015	37,743	5,152

City Contribution

The calculation of the City contribution is based on a formula negotiated with the City. Fiscal year 2016 is the final year of an eight-year agreement. The JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount equal to 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 JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount equal to 2.1 mills per cubic foot of potable water and sewer service provided, excluding reclaimed water service. These calculations are subject to a minimum average increase of \$2,500 per year through 2016 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.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

9. Transactions with City of Jacksonville (continued)

On March 22, 2016, the City of Jacksonville and JEA entered into a five-year agreement which established the contribution formula for the fiscal years 2017 through 2021 and required an additional one-time contribution of \$15,000 during fiscal year 2016. Beginning with fiscal year 2017, the JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount equal to 7.468 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. Beginning with fiscal year 2017, the JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount equal to 389.2 mills per thousand gallons of potable water and sewer service provided, excluding reclaimed water service. These calculations are subject to a minimum increase of 1% per year through 2021, using 2016 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is no maximum annual assessment.

The contribution from the JEA Electric Enterprise Fund for fiscal years 2016 and 2015 amounted to \$103,720 and \$90,109. The contribution from the JEA Water and Sewer Fund for fiscal years 2016 and 2015 amounted to \$25,467 and \$21,579.

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 systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2016, JEA recorded \$28,524 and \$10,401 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses. For the year ended September 30, 2015, JEA recorded \$29,342 and \$10,070 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

9. 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, 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 \$1,200. 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. Workers' compensation premium expense in 2016 amounted to \$1,571. The workers' compensation premium credit balance in 2015 amounted to \$952, which included a refund of prior year credits in the amount of \$2,377. JEA is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to \$2,132 and \$1,816 for the years ended September 30, 2016 and 2015. As part of JEA's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs.

The following table shows the estimated workers' compensation and general liability loss accruals for the City and JEA's portion for the fiscal years ended September 30, 2016 and 2015. The amounts are recorded at present value using a 4% discount rate for the fiscal year ended September 30, 2016 and a 4% discount rate for the fiscal year ended September 30, 2015.

	Workers' Compensation		General Liability	
	City of Jacksonville	JEA Portion	City of Jacksonville	JEA Portion
Beginning balance	\$ 89,343	\$ 3,366	\$ 18,118	\$ 1,967
Change in provision	22,165	1,107	5,881	1,241
Payments	(20,635)	(1,448)	(6,867)	(971)
Ending balance	\$ 90,873	\$ 3,025	\$ 17,132	\$ 2,237

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments

JEA has made purchase commitments for the majority of the coal requirements for SJRPP and Scherer Unit 4 through calendar year 2017 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 to Scherer Unit 4. Georgia Power, acting for itself and as agent for JEA and the other Scherer co-owners, has entered into an agreement with Burlington Northern Santa Fe Railway Company (BNSF) that extends the rail contract through calendar year 2028. Georgia Power has also entered into an agreement with the Norfolk Southern Railway Company (NS) that extends through December 31, 2019.

JEA has commitments to purchase natural gas delivered to Jacksonville under a long-term contract with Shell Energy North America L.P. (Shell Energy) 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 Shell Energy, 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 additional option from Peoples Gas System for a seasonal release of firm gas transportation capacity on Southern Natural Gas Company, LLC and FGT. JEA has also made a commitment for firm gas transportation capacity with Southern Natural Gas Company, LLC that is expected to be available on December 1, 2016.

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% 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 September 30	Coal and Pet Coke		Natural Gas		Residual		Total
	Fuel	Transport	Fuel	Transport	Oil	Transmission	
2017	\$ 41,221	\$ 13,384	\$ 3,340	\$ 2,227	\$ 13,426	\$ 5,695	\$ 79,293
2018	13,085	3,273	3,340	2,228	-	5,848	27,774
2019	-	-	3,340	2,227	-	6,004	11,571
2020	-	-	3,349	2,233	-	6,165	11,747
2021	-	-	1,382	921	-	6,330	8,633
2022-2041	-	-	-	-	-	169,043	169,043

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

Vogtle Units Purchase Power Agreement

The JEA Board established a target of up to 30% 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 the Municipal Electric Authority of Georgia (MEAG Power) for 206 megawatt (MW) of capacity and related energy from MEAG Power's interest in two additional nuclear generating units (the Additional Vogtle Units) under construction at Plant Vogtle. The 206 MW is projected to represent approximately 13% of JEA's total energy requirements in the year 2021.

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 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% 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 currently estimates that total in-service cost for its entire ownership interest in the Additional Vogtle Units, including construction costs, financing costs and contingencies, initial fuel load costs, and switchyard and transmission costs, will be approximately \$4,700,000, of which approximately \$2,002,000 is 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 \$1,248,435 of its Plant Vogtle Units 3 and 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 States Department of the Treasury for 35% of the related interest.

On June 24, 2015, in order to obtain a loan guarantee from the United States Department of Energy (DOE) for further funding of the Plant Vogtle Units 3 and 4, MEAG Power divided its undivided ownership interest in Plant Vogtle Units 3 and 4 into three separate undivided interests. MEAG Power transferred approximately 41.175% of its ownership interest, representing 206 MW of nominally rated generating capacity (which is the portion of MEAG Power's ownership interest attributable to Project J), to MEAG Power SPVJ, LLC, a limited liability company organized and existing under the laws of the State of Georgia (the Project J Entity), of which MEAG Power is the sole member.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

The Project J Entity then entered into a loan guarantee agreement with DOE under which the Project J Entity is permitted to borrow from the Federal Financing Bank an aggregate amount of \$577,743, of which \$24,482 is available to pay capitalized interest on certain borrowings under the loan guarantee agreement. The Project J Entity received proceeds from borrowings under the loan guarantee agreement in an aggregate principal amount of \$327,443 on June 24, 2015. The Project J Entity is permitted to obtain additional borrowings under the loan guarantee agreement (exclusive of amounts set aside for the payment of capitalized interest on borrowings) in an aggregate principal amount of \$225,819.

Other co-owners (GPC and Oglethorpe) completed their loan agreements with the DOE early in 2014.

MEAG Power issued \$185,180 of additional Project J bonds on September 9, 2015.

MEAG Power, based upon information provided to it by its agent, Georgia Power, has advised JEA that the current schedule in service targets for the Additional Vogtle Units are June 2019 and June 2020. Georgia Power has also advised MEAG Power that, as construction continues, the risk remains that ongoing challenges with contractor performance or other issues could arise and may further impact project schedule and cost. While Georgia Power has advised that it expects the contractor to employ mitigation efforts to maintain the current project schedule and believes that the contractor is responsible for any related costs, Georgia Power has also advised that the contractor performance and progress in recent months on the assembly and installation of shield building and structural modules have resulted in additional schedule pressure.

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 impact the project budget and schedule:

On December 31, 2015, Westinghouse and the Co-owners entered into a settlement agreement to resolve certain disputes between the Co-owners and the Contractor under the EPC Agreement, which were dismissed with prejudice on January 5, 2016. Further, as part of the settlement: (i) Westinghouse has engaged Fluor Enterprises, Inc., a subsidiary of Fluor Corporation, as a new construction subcontractor; and (ii) the Vogtle Owners, CB&I, and The Shaw Group Inc. have entered into mutual releases of any and all claims arising out of events or circumstances in connection with the construction of Plant Vogtle Units 3 and 4 that occurred on or before the date of the Contractor Settlement Agreement. The Project J share of the settlement cost is approximately \$71,000.

Future claims by the Contractor or Georgia Power, on behalf of the Co-owners, could arise throughout construction. These claims may be resolved through formal and informal dispute resolution procedures under the EPC Agreement and, under the resolution procedures, may be resolved through litigation after the completion of nuclear fuel load for both units.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

Processes have been implemented that are designed to assure compliance with the design requirements specified in the DCD and the COLs, including rigorous inspections by Southern Nuclear and the NRC that occur throughout construction. Various design and other issues are expected to arise as construction proceeds, which may result in license amendments or require other resolution. If any license amendment requests are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs either to the Owners, the Contractor, or both.

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% and not more than 20% of the proposed two-unit nuclear station currently known as William States Lee III Nuclear Station, Units 1 and 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 online date of 2024 with respect to Unit 1 and 2026 with respect to Unit 2. The total cost of the option was \$7,500, payment of which has been completed. JEA obtained this option in furtherance of its target to acquire up to 30% of JEA's energy requirements from nuclear sources by 2030.

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 NRC approval of the COL for the Lee Project and (ii) executes an engineering, procurement, and construction agreement for the Lee Project. The Lee Project COL is expected in late 2016. There is currently no schedule for negotiating an EPC agreement.

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.

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 pro rata 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.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

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 generated approximately 20,877 MWh of electricity in 2016 and 20,781 MWh of electricity in 2015. JEA pays only for the energy produced. Purchases of energy for the fiscal years 2016 and 2015 were \$3,865 and \$3,741.

Additional Solar

As part of JEA's continued commitment to the environment and to increase JEA's level of carbon-free renewable energy generation, in December 2014 the Board established a solar policy to add up to 38 MW of solar photo voltaic capacity. To support this policy, JEA issued Requests for Proposals for Power Purchase Agreements (PPAs) in December 2014 and April 2015. Six PPAs, representing a total of 26 MW have been finalized. One PPA is still being negotiated. Another PPA, to be sited on United States Navy (Navy) property, will be finalized after lease terms with the Navy are finalized. One other PPA, which had been finalized, was terminated due to the failure of the awardee (SunEdison) to establish site control within the time allowed by the contract. The solar PPAs are distributed around JEA's service territory. Projects are scheduled for completion in 2017.

Trail Ridge Landfill

JEA purchases energy from two landfill gas-to-energy facilities through PPA agreements with Landfill Energy Systems (LES). Each agreement is for 9.6 MW. Currently, JEA purchases 9.6 MW from Trail Ridge Landfill in Jacksonville, FL and 6.4 MW from Sarasota Landfill in Sarasota, FL. LES can supply the remaining 3.2 MW from Sarasota if it is expanded and becomes available. JEA pays only for the energy produced. LES pays all transmission and ancillary charges associated with transmitting the energy from Sarasota to Jacksonville. This facility came online in January 2015. Purchases of energy for the fiscal years 2016 and 2015 were \$3,724 and \$3,795.

11. Energy Market Risk Management Program

The energy market risk program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. Given reduced volatility in natural gas prices and limited need for oil during fiscal years 2016 and 2015, JEA's use of financial transactions to protect against the risk of adverse fuel and purchased power price movements was limited. In January 2015, JEA established natural gas collars through fiscal year 2017 for 20% to 25% of its expected natural gas requirements.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

11. Energy Market Risk Management Program (continued)

It is possible that after a physical or financial fuel commodity transaction takes place, the market price before or at the specified time to purchase the fuel commodity 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.

At September 30, 2016 and 2015, the energy market risk program had no open NYMEX natural gas futures contracts and had margin deposits of \$12, which are included in other noncurrent assets on the accompanying statements of net position.

JEA executes 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 statements of net position as either a deferred charge or a deferred credit until such time that the transactions end. Deferred charges of \$1,134 were included in deferred outflows of resources on the statements of net position at September 30, 2016 and \$3,754 at 2015. 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, 2016 and 2015, there were realized losses included in fuel expense of \$3,842 in 2016 and \$0 in 2015.

The following is a summary of JEA's derivative positions:

Electric Enterprise Fund Cash Flow Hedges	Changes in Fair Value		Fair Value at September 30, 2016		Notional*
	Classification	Amount	Classification	Amount	
Natural Gas	Deferred outflows	\$ 1,134	Liability	\$ 1,134	\$ -

Electric Enterprise Fund Cash Flow Hedges	Changes in Fair Value		Fair Value at September 30, 2015		Notional*
	Classification	Amount	Classification	Amount	
Natural Gas	Deferred outflows	\$ 3,754	Liability	\$ 3,754	\$ -

*Notional amount of natural gas positions offset.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

12. 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 GERP, as amended. The GERP is a cost-sharing, multiple-employer contributory defined benefit pension plan with a defined contribution alternative. GERP, based on laws outlined in the City of Jacksonville Ordinance Code and applicable Florida Statutes, provides for retirement, survivor, death, and disability benefits. Its latest financial statements and required supplementary information are included in the 2015 Comprehensive Annual Financial Report of the City. This report may be obtained at <http://www.coj.net/getattachment/Departments/Finance/Accounting/Comprehensive-Annual-Financial-Reports/City-of-Jacksonville-2015-CAFR-sec.pdf.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.

The passing of a referendum in August 2016 began the first phase of pension reform for the City of Jacksonville. The referendum provided for a dedicated funding source for the GERP, Corrections Officers Plan, and Police and Fire Pension Plan through the extension of the Better Jacksonville Plan half-cent sales tax. The surtax will remain in effect until the earlier of December 31, 2060 or when it is determined by the most recent actuarial report to the Florida Department of Management Services that the funding level of each of the City's three defined benefit retirement plans, which are funded by the surtax, is expected to reach or exceed 100%.

In order for a plan to benefit from the sales tax revenue, it must be closed to new employees. Once the plan is closed to new employees, an additional contribution of 2% will be required from employees for a total of a 10% contribution. Current employees who participate in the defined benefit plan will continue to participate in the plan with no changes in benefits.

Approval of the plan closure and new employee contribution must be agreed to in a collective bargaining process. JEA and the City have started the process of collective bargaining with the bargaining units.

Plan Benefits Provided - The GERP is currently open to employees of JEA, Jacksonville Housing Authority, North Florida Transportation Planning Authority, and City employees other than police officers and firefighters. Appointed officials and permanent employees not in the civil service system may opt to become members of GERP. Elected officials are members of the Florida Retirement System Elected Officer Class. Participation in GERP is mandatory for all full-time employees of JEA, Jacksonville Housing Authority, North Florida Transportation Planning Authority, and the City, who otherwise meet the requirements for participation. Members of the GERP are eligible to retire with a normal pension benefit upon achieving one of the following: (a) completing 30 years of credited service, regardless of age; (b) attaining age 55 with 20 years of credited service; or (c) attaining age 65 with five years of credited service. There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member is entitled to a retirement benefit of 2.5% of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of 80% of final monthly compensation. A time service retirement benefit is payable bi-weekly to commence upon the first payday coincident with or next payday following the member's actual retirement and will continue until death.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

12. Pension Plans (continued)

Each member and survivor is entitled to a cost of living adjustment (COLA). The COLA consists of a 3% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars (\$5) multiplied by the number of years of credited service. This benefit may not exceed \$150 per month.

Contributions – The Florida Constitution requires plan contributions be made annually in amounts determined by an actuarial valuation in either dollars or as a percentage of payroll. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes. In fiscal years 2016 and 2015, JEA plan members were required to contribute 8% of their annual covered salary and JEA's contribution of the covered payroll for the JEA plan members was \$43,156 (33.48%) in 2016 and \$40,179 (31.98%) in 2015. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

Defined Contribution Plan

The City has, by ordinance, a defined contribution (DC) plan within the Jacksonville Retirement System for GERP participants as an employee choice alternative to the defined benefit (DB) plans. Beginning in fiscal year 2011, employees had the option to participate in a DC plan. Employees vest in the employer contributions to the plan at 25% after two years and 25% per year thereafter until fully vested after five years of service. Employees can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation.

In fiscal years 2016 and 2015, JEA plan members of the defined contribution plan were required to contribute 8% of their annual covered salary. JEA's contribution for the members of the defined contribution plan was \$920 (8%) in 2016 and \$729 (8%) in 2015.

All contributions for both the defined contribution and defined benefit plans of the City were separated out between the pension contribution and a disability program fund. Due to this change, a physical exam is not required to participate in the plans.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

Net Pension Liability – JEA's net pension liability at September 30, 2016 and September 30, 2015 was measured based on an actuarial valuation as of September 30, 2015 and September 30, 2014, respectively. JEA's allocated share of the net pension liability is \$480,353 (49.15%) as of September 30, 2016 based on an allocation proportional to the actual contributions paid during the year ended September 30, 2015. JEA's allocated share of the net pension liability as of September 30, 2015 is \$404,466 (48.85%) based on an allocation proportional to the present value of future benefits calculated under the actuarial assumptions used to determine contribution requirements.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

12. Pension Plans (continued)

For the years ended September 30, 2016 and 2015, JEA's recognized pension expense is \$57,217 and \$39,645, respectively. JEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30	
	2016	2015
Deferred outflows of resources		
Net difference between projected and actual earnings on pension plan investments	\$ 50,257	\$ -
Employer contributions subsequent to the measurement date	43,156	40,179
Changes in assumptions	29,940	39,676
Changes in proportion	1,925	-
Total	<u>\$ 125,278</u>	<u>79,855</u>
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (24,867)
Changes in assumptions	(7,095)	-
Differences between expected and actual experience	(3,461)	(2,093)
Total	<u>\$ (10,556)</u>	<u>(26,960)</u>

Contributions of \$43,156 were reported as deferred outflows of resources related to pensions resulting from JEA contributions subsequent to the September 30, 2015 measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2017	\$ 18,691
2018	18,691
2019	18,691
2020	15,493
Total	<u>\$ 71,566</u>

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

12. Pension Plans (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of September 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases assumption	3.00%-6.00%, of which 2.75% is the Plan's long-term payroll inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Pre-retirement mortality rates	RP-2014 Employee Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015
Healthy annuitant mortality rates	RP-2014 Healthy Annuitant Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015
Disabled annuitant mortality rates	RP-2014 Disabled Retiree Mortality Table, set forth four years, projected generationally with Scale MP-2015

The actuarial assumptions used in the valuations were based on the results of an experience study for the period October 1, 2007 to September 30, 2012, with additional changes based on an interim study of mortality experience through September 30, 2014. An update of the mortality projection scale was made in 2015 from MP2014 to MP2015.

Notes to Financial Statements (continued)
(Dollars in Thousands)

12. Pension Plans (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table. The long-term expected real rates of return are based on 20 year projections of capital market assumptions provided by Segal Rogerscasey.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35%	6.34%
International equity	20%	7.04%
Fixed income	19%	1.34%
Real estate	25%	4.14%
Cash	1%	0.74%
	100%	

Discount Rate – The discount rate used to measure the total pension liability is 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120 year period.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

12. Pension Plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Jacksonville GERP, calculated using the discount rate of 7.50%, as well as what the Jacksonville GERP’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	JEA’s Proportionate Share of Net Pension Liability	
	2016	2015
1% decrease (6.5%)	\$ 634,471	\$ 558,272
Current discount rate (7.5%)	480,353	404,466
1% increase (8.5%)	351,381	276,111

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is included in the 2015 Comprehensive Annual Financial Report of the City of Jacksonville, Florida.

St. Johns River Power Park Plan Description

Plan Description – The 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 periodically issues stand-alone audited financial statements, with the most recent report issued for the year ended September 30, 2015. This report may be obtained at https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension.

Effective February 25, 2013, the SJRPP Plan was amended. Pursuant to this amendment, the SJRPP Plan consists of two tiers: Tier One is the Defined Benefits Tier and Tier Two is the Cash Balance Tier. Tier One participants will remain in the traditional defined benefit plan and Tier Two employees (defined as employees with less than 20 years of experience) will participate in a modified defined benefit plan, or “cash balance” plan, with an employer match provided for any Tier Two employee who contributes to the 457 Plan.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

12. Pension Plans (continued)

Plan Benefits Provided – Members of the SJRPP Plan are eligible to retire with a normal pension benefit upon achieving one of the following: (a) completing 30 years of credited service, regardless of age; (b) attaining age 55 with 20 years of credited service; or (c) attaining age 65 with five years of credited service. There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member in Tier One is entitled to a retirement benefit of 2.0% of the average of earnings over the highest 36 consecutive complete months out of the last 120 months of participation immediately preceding retirement or termination (FAE) of final average compensation multiplied by the number of years of credited service, not to exceed 15 years, plus 2.4% of FAE multiplied by the number of years of credited service in excess of 15 years, but not to exceed 30 years; plus .65% of the excess FAE over the Social Security Average Wages multiplied by years of credited service, not to exceed 35 years. A time service retirement benefit is payable bi-weekly to commence upon the first payday coincident with or next payday following the member’s actual retirement and will continue until death.

All Tier Two participants of the SJRPP Plan Tier One benefits were frozen as of February 23, 2013. Distribution of frozen Tier One Benefits is governed by the provisions applicable to Tier One. Tier Two Benefits employees receive annual pay credits to their Cash Balance accounts in the amount of 6.0% of earnings for that year. Cash Balance Accounts are credited with interest at the rate of 4% per year. Benefits may be distributed as a lump sum, by rollover in accordance with the Internal Revenue Service Code, or as an annuity, at the election of the participant.

For participants retired on or after October 1, 2003, each member and survivor is entitled to a COLA. The COLA consists of a 1% increase of the retiree’s or survivor’s pension benefits, which compounds annually. The COLA commences each October 1 following the fifth anniversary of payment commencement.

Employees Covered by Benefit Terms – At September 30, 2016 and September 30, 2015, the following employees were covered by the benefit terms:

	2016	2015
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	273	258
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	52	52
Active Plan Members	226	240
Total Plan Members	551	550

Contributions – The SJRPP Plan’s funding policy provides for bi-weekly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. In fiscal years 2016 and 2015, SJRPP plan members were required to contribute 4% of their annual covered salary and SJRPP employer’s contribution to the SJRPP Plan was \$2,771 (17.77%) in 2016 and \$3,509 (17.94%) in 2015.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

12. Pension Plans (continued)

Net Pension Liability - SJRPP's net pension liability at September 30, 2016 and September 30, 2015 was measured based on an actuarial valuation as of September 30, 2015 and September 30, 2014, respectively.

Actuarial Assumptions - The total pension liability in the October 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2.5% - 12.5% per year, including inflation
Investment rate of return	7.00%
Mortality rates	RP2000 Table (Combined Healthy). Mortality improvements for all members are generationally projected using Scale BB.

The actuarial assumptions used in the October 1, 2015 valuation were based on the demographic experience from 2004 through 2012 and economic forecasts available at the time the report was issued. An update of the mortality projection scale was made in 2015 from RP2000 with generation projections applied from year 2000 using projection scale AA to projection scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	47%	7.99%
Fixed Income	45%	2.50%
International Equity	8%	6.90%
Total	100%	

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

12. Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability is 7%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that the employer’s contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the SJRPP Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of SJRPP, calculated using a discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6%) or 1% higher (8%) than the current rate:

	2016	2015
1% decrease (6%)	\$ 32,982	\$ 21,053
Current discount rate (7%)	16,241	5,204
1% increase (8%)	1,928	(8,424)

The changes in the net pension liability are detailed below.

	2016	2015
Total pension liability		
Beginning balance	\$ 150,629	\$ 146,521
Service cost	1,275	1,470
Interest on the total pension liability	10,271	10,026
Difference between expected and actual experience	3,316	2,121
Benefit payments	(10,348)	(9,509)
Ending balance	155,143	150,629
Plan fiduciary net position		
Beginning balance	145,425	135,019
Employer contributions	3,509	5,559
employee contributions	648	655
Pension plan net investment income	(266)	13,763
Benefit payments	(10,348)	(9,509)
Pension plan administrative expense	(66)	(62)
Ending balance	138,902	145,425
Net pension liability	\$ 16,241	\$ 5,204

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

12. Pension Plans (continued)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued SJRPP Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

For the years ended September 30, 2016 and 2015, SJRPP recognized pension expense is \$3,402 and \$1,170, respectively. The SJRPP Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	September 30	
	2016	2015
Deferred outflows of resources		
Net difference between projected and actual earnings on pension plan investments		
Employer contributions subsequent to the measurement date	\$ 8,181	\$ -
Differences between expected and actual experience	2,771	3,509
Changes in assumptions	1,148	1,635
Total	<u>2,563</u>	<u>-</u>
	<u>\$ 14,663</u>	<u>\$ 5,144</u>
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments		
Total	\$ (2,657)	\$ (3,543)
	<u>\$ (2,657)</u>	<u>\$ (3,543)</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2017	\$ 2,400
2018	2,400
2019	2,088
2020	2,347
Total	<u>\$ 9,235</u>

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

13. 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. JEA retains an additional stop-loss policy for claims in excess of \$250 per employee, with an aggregate limit of 125.0% of claims. There have been no significant reductions in coverage from the prior year. The health insurance benefits program is administered through a third-party 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 statements of net position as a regulatory liability.

The changes in the self-insurance reserves for the years ended September 30, 2016 and 2015 are as follows:

	Medical and Prescription Benefits Liability
Balance at September 30, 2014	\$ 10,749
Contributions	31,810
Incurred claims	(31,622)
Balance at September 30, 2015	10,937
Contributions	34,266
Incurred claims	(34,024)
Balance at September 30, 2016	\$ 11,179

14. Other Postemployment Benefits

Plan Description

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 postretirement benefit portion of the benefits plan (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, 2015 (the actuarial valuation date), the OPEB Plan had approximately 2,073 active participants and 590 retirees receiving benefits. 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.

An actuarial rollforward for September 30, 2016 was used to make various adjustments to the results of an actuarial valuation previously performed on October 1, 2015.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

14. Other Postemployment Benefits (continued)

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.

Florida law prohibits 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.

In 2008, JEA began to advance-fund the OPEB obligation. This was accomplished by establishing a separate trust into which JEA makes 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 September 30	Annual OPEB Cost	JEA Contributions*	Percentage of Retiree Cost Contributed	Net Obligation (Asset)
2016	\$5,064	\$7,738	152.81%	\$(2,806)
2015	4,978	7,255	145.75%	(131)
2014	4,800	4,382	91.29%	2,146

*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 (asset) to JEA as of September 30, 2016 and 2015. In the statements of net position, the net OPEB asset in fiscal year 2016 is recorded in other assets and the net OPEB obligation in fiscal year 2015 is recorded in other liabilities.

	September 30	
	2016	2015
Annual required contribution (ARC)	\$ 5,061	\$ 5,011
Interest on OPEB plan obligation	(9)	150
Adjustment to ARC	12	(183)
Annual OPEB plan retiree cost*	5,064	4,978
OPEB plan obligation (asset) at beginning of year	\$ (131)	\$ 2,146
Contributions made	(7,739)	(7,255)
OPEB plan asset at end of year	\$ (2,806)	\$ (131)

*Implicit additional premiums paid by JEA.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

14. Other Postemployment Benefits (continued)

Funded Status

As of October 1, 2015, the most recent valuation date, the OPEB Plan was 29.03% funded. The actuarial accrued liability for benefits was \$62,554 and the actuarial value of assets was \$18,156, resulting in an unfunded actuarial accrued liability (UAAL) of \$44,397. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was \$150,073 and the ratio of the UAAL to the covered payroll was 29.58%.

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 13-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 decline over a 24-year period from 7.0% assumed for the year 2017 to the ultimate level of 4.24% before reflecting the ACA Excise Tax.

The assumed rate of payroll growth is 3.5%. The discount rate and salary rates include a general price inflation rate of 2.5%.

Amortizations were assumed to begin on October 1, 2015 and to continue monthly for the 13 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 13 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.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

15. Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. For JEA, this statement applies to certain investments, interest rate swap agreements, and natural gas cash flow hedges.

JEA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date
- Level 2 – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

Investments

JEA's investments are summarized in the table below. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices. Money market mutual funds are managed to meet the requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended, and are recorded at net asset value (NAV). Certain U.S. Treasury and government agency securities and commercial paper are measured at cost in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

15. Fair Value Measurements (continued)

	2016			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury and government agency securities	\$ 438,655	\$ 438,655	\$ -	\$ -
State and local government securities	299,770	77,925	221,845	-
Total investments by fair value level	<u>\$ 738,425</u>	<u>\$ 516,580</u>	<u>\$ 221,845</u>	<u>\$ -</u>
Investments measured at NAV				
Money market mutual funds	138,533			
Total investments measured at fair value	<u>876,958</u>			
Investments measured at cost				
U.S. Treasury and government agency securities	143,560			
Commercial paper	252,454			
Total investments by cost	<u>396,014</u>			
Total investments per statement of net position	<u>\$ 1,272,972</u>			
2015				
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury and government agency securities	\$ 476,839	\$ 221,948	\$ 254,891	\$ -
State and local government securities	285,590	66,479	219,111	-
Total investments by fair value level	<u>\$ 762,429</u>	<u>\$ 288,427</u>	<u>\$ 474,002</u>	<u>\$ -</u>
Investments measured at NAV				
Money market mutual funds	108,056			
Total investments measured at fair value	<u>870,485</u>			
Investments measured at cost				
U.S. Treasury and government agency securities	54,913			
Commercial paper	161,169			
Total investments by cost	<u>216,082</u>			
Total investments per statement of net position	<u>\$ 1,086,567</u>			

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

15. Fair Value Measurements (continued)

Interest Rate Swap Agreements

JEA's interest rate swap agreements are valued using market rates as of September 30, 2016 and 2015 and standard cash flow present valuing techniques, which places them at Level 2 in the fair value hierarchy. The agreements are recorded at fair value as part of long-term debt in the statements of net position. The fair value of the interest rate swap agreements are detailed below.

	2016	2015
Electric	\$ (145,808)	\$ (120,400)
Water and Sewer	(35,986)	(28,349)
Total	<u>(181,794)</u>	<u>(148,749)</u>

Natural Gas Cash Flow Hedges

JEA's natural gas cash flow hedges consist of call and put options. These hedges are valued using prices observed on commodities exchanges and/or through the use of industry-standard valuation techniques, such as option modeling or discounted cash flows techniques, incorporating both observable and unobservable valuation inputs, which places them at Level 3 in the fair value hierarchy. The fair market value changes in the hedges are recorded on a net basis in the statements of net position as either a deferred charge or a deferred credit until such time that the transactions end. At September 30, 2016 and 2015, deferred charges of \$1,134 and \$3,754 were included in deferred outflows of resources on the statements of net position, respectively.

16. 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.

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 impacting JEA:

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

16. Commitments and Contingent Liabilities (continued)

Electric Enterprise System – On August 3, 2015, the Environmental Protection Agency (EPA) issued concurrently three separate rules pertaining to emissions of carbon dioxide (CO₂) fossil fuel-fired electric generating units (EGUs):

- The Final Clean Power Plan (CPP), applicable to existing fossil fuel-fired electric EGUs.
- The Final Carbon Pollution Standards Rule, applicable to new, modified and reconstructed fossil fuel-fired EGUs.
- The Proposed Federal Plan applicable to states that fail to submit an approvable plan that achieves CPP goals.

The EPA projects that the set of rules will result in power sector emission reductions of 32% from 2005 levels by the year 2030, with most of that attributable to the CPP.

The CPP final rule is substantially different from the proposed rule published in the Federal Register on June 18, 2014. As under the proposed rule, the final CPP sets state-specific CO₂ emission goals to reduce power sector emissions on a state-by-state basis. CPP emission reduction goals consist of an Interim Goal, which must be met on average during the years of 2022-29, and a Final Goal for 2030 and beyond. In a notable change from the proposed rule, the EPA has shifted the compliance start date (Interim Goal) from 2020 to 2022 and lowered the emissions reduction goal for that time frame.

The Best System of Emissions Reduction (to guide state compliance) is now being based upon the application of three Building Blocks:

- 1) Block 1, improving the average efficiency (or heat rate) of coal-fired steam EGUs heat rate by 2.1 – 4.3%.
- 2) Block 2, displacing fossil steam generation by increasing generation from existing natural gas combined cycle (NGCC) facilities up to 75% of net summer capacity.
- 3) Block 3, reducing fossil fuel-fired generation through increased zero-carbon generation, based upon regional technical potential for incremental renewable generation.

The ultimate impact on JEA from the rule will be influenced by: 1) the requirement to finalize state goals and adopt state plans subject to EPA approval; and 2) the uncertainty as to how the Florida and Georgia (with respect to Scherer Unit 4 and Plant Vogtle) plans would ultimately affect JEA.

On February 9, 2016, the United States Supreme Court (SCOTUS) issued an order staying implementation of the CPP. The SCOTUS granted the applications of numerous parties to stay the CPP pending judicial review of the rule. The stay will remain in effect pending SCOTUS review, if such review is sought. The stay does not rule on the CPP but, for the time being, pauses the need for State agencies and the regulated industry to begin initial implementation of the rule (including submitting an Initial Plan to comply with CPP). In order for the stay to be granted the court had to determine both that, unless there was a stay, the petitioner's interests would be significantly harmed and that there was some possibility that the petitioners' would prevail in their challenge. The resolution of the legal challenges at the U.S. Court of Appeals for the District of Columbia Circuit (DCA) and potential subsequent challenges may also change JEA's obligations under the CPP. The timeline for the litigation to be concluded is uncertain and some of the rule's compliance deadlines have already been transgressed. An ultimate ruling from SCOTUS on the CPP is not anticipated before the summer of 2018.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Notes to Financial Statements (continued)
(Dollars in Thousands)

16. Commitments and Contingent Liabilities (continued)

On July 6, 2011, the EPA released the Cross-State Air Pollution Rule (CSAPR), which is intended as a substitute for the 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 (PM_{2.5}), NAAQS, and the 1997 ozone NAAQS. To address these violations, the CSAPR imposes Federal Implementation Plans (FIPs) that establish state budgets for SO₂ and NO_x emissions from EGUs. The EPA targeted these two pollutants, because they are precursors to the formation of PM_{2.5} 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. In April 2014, the SCOTUS upheld the rule, but remanded back certain legal issues to the DCA to address. On July 28, 2015, the DCA issued an order and opinion remanding, without vacatur, certain state budgets under the CSAPR for reconsideration by the EPA, including the ozone-season NO_x emissions budget for Florida. On September 7, 2016, the EPA issued a final updated CSAPR rule that removed Florida and two other eastern states from the rule. However, the EPA has made known that it is in the early stages of developing a supplemental rule (CSAPR Update II) to address the 2015 ozone and PM_{2.5} NAAQS. It is possible that the CSAPR Update II may mandate deeper emission reductions and an expansion of the geographic area for regulation, possibly to again include Florida. The EPA has not established a rulemaking schedule for the CSAPR Update II. Consequently, JEA is not able to estimate any impacts from the CSAPR Update II.

On December 21, 2011, the EPA issued its Mercury and Air Toxics Standards (MATS) rule, setting forth maximum achievable control technology (MACT) standards for coal and oil generating stations. The new standards regulate four categories of hazardous air pollutants (HAPs) emitted by coal- or oil-fired EGU's, namely mercury, HAP metals, acid gases, and organic HAP.

The compliance deadline for affected sources to have all necessary pollution controls installed was April 2015. JEA's units that are regulated under MATS are in compliance with all rule requirements.

In April 2015, the EPA finalized rules to regulate the disposal and management of coal combustion residuals (CCRs), meaning fly ash, bottom ash, boiler slag, and flue gas desulfurization materials, destined for disposal from coal-fired power plants. The new rule became effective on October 19, 2015 and establishes technical requirements for surface impoundments and landfills. The rule will require protective controls, such as liners and groundwater monitoring, at landfills and surface impoundments that store CCRs. The rule, as adopted by the EPA, will be enforced only by citizen-initiated lawsuits, rather than by the EPA. However, there is legislation pending in Congress that: 1) converts the rule from being "self-implementing" to a permit program the states would have primary responsibility to administer; and, 2) provides states with the flexibility to adjust and tailor federal CCR requirements to meet local, case-specific situations, so long as they are adequately protective of federal CCR requirements.

Notes to Financial Statements (continued)
(Dollars in Thousands)

16. Commitments and Contingent Liabilities (continued)

The rule applies to CCR management practices at SJRPP and Scherer. The rule does not apply to management of CCRs at Northside Generating Station (NGS) as long as it continues to burn a fuel mix with less than 50% coal. The dry solid waste byproduct area at SJRPP (Area B) will be required to be lined commencing with the expansion of Area B, which is not expected for at least the next five years. The currently operating cell within Area B does not have to be lined, but must comply with the operating and monitoring requirements of the rule. SJRPP's two closed byproduct storage areas (Areas 1 and 2) are not affected by this rule. SJRPP has no regulated surface impoundments. Existing surface impoundments, like that at Scherer, are required to meet increased and more restrictive technical and operating criteria or close. Georgia Power has decided to close the surface impoundment at Scherer instead of pursuing a retrofit and the timeline for closure activities has yet to be determined.

The EPA left in place the Bevill exemption for beneficial uses of CCRs in which CCRs are recycled as components of products instead of placed in impoundments or landfills. Large quantities of CCRs are used today in concrete, cement, wallboard, and other contained applications that should not involve any exposure by the public to unsafe contaminants.

On November 22, 2010, the EPA entered into a settlement agreement with Riverkeeper, Inc. regarding rule-making dates for the EPA to set technology standards for cooling water intake systems for existing facilities under Section 316(b) of the Federal Clean Water Act. Section 316(b) requires that standards for the location, design, construction and capacity of cooling water intake systems reflect the best technology available for minimizing adverse environmental impacts. The EPA announced proposed standards for cooling water intake systems on March 28, 2011. Under the proposal, existing facilities are required to conduct studies to help their respective permitting authorities determine whether and what site-specific controls, if any, would be required to reduce the number of aquatic organisms that are captured in cooling water intake systems.

With few changes to the proposed rule, the EPA published the final rule in the Federal Register in August 2015. The new standards will not affect any JEA facilities other than NGS. NGS is one of more than 1,260 existing facilities that use large volumes of cooling water from lakes, rivers, estuaries, or oceans to cool their plants. The new standards will likely require upgrades to the system, varying from establishment of existing facilities as the Best Technology Available (BTA) to improvements to the existing screening facilities or installation of cooling towers. A full two-year biological study is required to evaluate site-specific conditions and form a basis for assessing BTA and is expected to commence in 2018. Estimated final compliance deadlines are not expected until after 2024 and will depend on the level of upgrade ultimately required. Accordingly, costs of compliance have not been determined for NGS and are not included in JEA's capital program for the Electric System.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

16. Commitments and Contingent Liabilities (continued)

On September 30, 2015, the EPA issued the Effluent Limitation Guidelines for Steam Electric Power Plants. In setting the new and more stringent standards, the EPA evaluated the technologies and costs to remove metals and other parameters from individual wastewater streams generated by steam electric power plants and identify the BAT to affect their control. The new requirements for existing power plants must be phased in as soon as possible on or after November 1, 2018, but not later than December 31, 2023. The costs of compliance have been evaluated and are included in JEA's five year capital program for the Electric System.

Water Supply System Regulatory Initiatives – JEA was issued a 20 year Consumptive Use Permit (CUP) in May 2011 from the St. Johns River Water Management District (SJRWMD), which allows for aquifer withdrawals sufficient to completely satisfy customer demands until 2031 if certain permit conditions are met. JEA evaluates its total water management plan annually to continuously understand changes in demand and how to balance investments in a three-part program: (1) continued expansion of the reuse system, (2) measured conservation program and (3) water transfers from areas with a higher supply on JEA's north grid to areas with a lower supply on JEA's south grid via river-crossing pipelines. In North Florida, the Suwannee River Water Management District (SRWMD), Florida Department of Environmental Protection (FDEP), and the SJRWMD have set or are setting/revising Minimum Flows and Levels (MFLs) for water bodies in the region. MFLs are intended to assess the potential for ecological resource risks from aquifer withdrawals and ensure sustainable supplies. In 2015, MFLs were adopted in the SRWMD and a determination required a recovery strategy. By permit, JEA will participate to the extent of its proportionate impact in prevention and recovery strategies that may be developed to ensure the groundwater resource remains sustainable.

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. In Florida, the EPA has delegated the wastewater regulatory program to FDEP. The FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen and phosphorus that can be assimilated by the St. Johns River, to which 8 of JEA's 11 wastewater treatment plants discharge. This state rule limits the amount of nitrogen and phosphorus that these eight 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. By virtue of exceeding its own regulatory obligation, JEA has generated nutrient reduction credits and has assisted the City in meeting a portion of their Municipal Separate Storm System nutrient requirements by transferring 33.44 short tons per year. This was recognized in JEA's annual contribution agreement negotiated in 2016. In 2013, both the FDEP and EPA reaffirmed the site-specific nutrient standard that is codified in the Lower St. Johns River TMDL.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

16. Commitments and Contingent Liabilities (continued)

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 has accrued a liability associated with the remediation efforts. In accordance with GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, based on project estimates and probabilities, the liability is estimated to be \$18,556 at September 30, 2016 and is included in other noncurrent liabilities in the statements of net position. 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, Northside Generating Station fuel oil tank farm, Northside Generating Station RCRA Corrective Action program; and remediation at a number of miscellaneous petroleum sites. Of the \$18,556 that JEA has accrued as environmental liabilities, approximately \$13,836 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: WSSC PCB Issue, Pickettville Road Landfill CERCLA site post-closure activities, Devil's Swamp Lake CERCLA site, Ellis Road CERCLA site, and BCX Tanks site. 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.

Northside Generating Station Byproduct

JEA Northside Generating Station (NGS) Units 1 and 2 produce byproducts that consist of fly ash and bed ash. JEA has obtained a permit from FDEP to beneficially use the processed byproduct material in the State of Florida, subject to certain restrictions. These ash products are processed into materials marketed as EZBase and EZSorb. In order to provide comprehensive, unified oversight, JEA reorganized its byproduct 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 has enabled JEA to become a full-service marketer, delivering products by truck or rail. EZSorb is currently being transported by truck and rail to leachate solidification and environmental remediation/stabilization projects in several southeastern states.

The Byproducts Storage Area is an FDEP permitted, Class I lined storage facility at NGS. JEA received a new 20 year permit effective May 4, 2015.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

16. Commitments and Contingent Liabilities (continued)

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. 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 filed another amended complaint adding additional claims against JEA and another defendant in March 2015. Plaintiff's primary contention against JEA is that its bed ash byproduct, which was incorporated into OPF-42, a separate product processed, marketed, and distributed by another defendant named in the lawsuit, is defective. Plaintiff also contends that this product was sold for use as a soil additive by another defendant during the site work phase of construction for the project. A related case with the same claims was filed in December 2014 against JEA and Plaintiff by one of the stores at the shopping center developed/owned by the Plaintiff. Plaintiff settled the claims against it with the store. The remaining claims against JEA by the store have been dismissed. JEA denies the allegations that the byproduct was defective and believes it has meritorious defenses to the action. The amount of damages is dependent upon the nature and cost of the final remediation, which is currently unknown, but is expected to potentially be in the millions. Plaintiff, however, has already settled with all of the other defendants for large confidential amounts which exceed the costs of any remediation efforts undertaken to date. The trial has been continued while various pre-trial rulings in the case are appealed to the Mississippi Supreme Court.

Southside Generating Station

JEA decommissioned the Southside Generating System in October 2001. JEA has spent approximately \$27,999 for demolition, disposal, and environmental remediation associated with the site. A portion of the property was offered for sale through a competitive bid process in 2014. JEA received proposals for the purchase of the site in October 2014 and a contract was approved by the JEA Board in January 2015. The contract with the top ranked proposer for \$18,590 included a due diligence period of one year for site investigation and government approvals for zoning and development rights. The proposal outlined a mixed-use residential, commercial, office, and retail development mix. The prospective purchaser has obtained approval for development rights for the site and approval of Master Plan Design Guidelines. The JEA Board approved an extension of the contract due diligence period up through November 2017 at its October 2016 meeting. The extension allows time for the prospective purchaser to seek a development agreement with the City and allows JEA and the purchaser to seek resolution for the brownfield agreement responsibilities through the Florida Department of Environmental Protection. Closing would be scheduled 45 days after both approvals are complete or 30 days beyond the November 2017 due diligence period ends.

JEA

Notes to Financial Statements (continued) (Dollars in Thousands)

16. Commitments and Contingent Liabilities (continued)

Interlocal Agreements

JEA was involved in litigation disputes with St. Johns County, Florida and Nassau County, Florida (collectively, Counties), arising from an Interlocal Agreement (Agreement) entered into by the parties in 2001. Under terms of the Agreement, which arose from JEA's purchase of certain water and wastewater facilities in the Counties 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 wastewater sales in each 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 to each county in January 2012, together with the net present value payment for 2012-2021. The Counties disagreed with JEA's calculation of the true-up payment and the net present value payment. St. Johns County and JEA have reached an agreed settlement in February 2014, fully resolving the issue. JEA believes it has good and meritorious defenses to Nassau County's claim if the same is pursued.

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.

17. 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 consists 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 DES 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 System were \$15,718 for fiscal year 2016 and \$16,242 for fiscal year 2015. Water and sewer charges to the Electric System were \$694 for fiscal year 2016 and \$605 for fiscal year 2015.

Notes to Financial Statements (continued)
(Dollars in Thousands)

17. Segment Information (continued)

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 \$41,535 for fiscal year 2016 and \$41,059 for fiscal year 2015.

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 \$186 for fiscal year 2016 and \$519 for fiscal year 2015.

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, respectively, 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 \$1,979 for fiscal 2016 and \$1,977 for fiscal year 2015.

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 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.

JEA

Notes to Financial Statements (continued)
(Dollars in Thousands)

17. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2016 and 2015 was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer		DES	
	2016	2015	2016	2015	2016	2015	2016	2015
Condensed statements of net position								
Total current assets	\$ 666,332	\$ 628,739	\$ 102,332	\$ 121,640	\$ 162,734	\$ 134,642	\$ 4,449	\$ 4,324
Total noncurrent assets	663,700	609,005	300,528	302,722	585,255	563,410	4,233	4,914
Net capital assets	2,747,825	2,786,377	522,298	573,473	2,568,243	2,562,458	36,559	37,044
Deferred outflows of resources	304,425	258,170	27,091	24,059	129,991	108,474	211	219
Total assets and deferred outflows of resources	\$ 4,382,282	\$ 4,282,291	\$ 952,249	\$ 1,021,894	\$ 3,446,223	\$ 3,368,984	\$ 45,452	\$ 46,501
Total current liabilities	\$ 122,811	\$ 179,706	\$ 14,049	\$ 23,721	\$ 31,528	\$ 26,778	\$ 158	\$ 30
Total current liabilities payable from restricted assets	155,691	160,078	156,447	166,171	94,706	86,573	2,605	2,395
Total noncurrent liabilities	334,959	284,063	14,114	5,492	190,565	167,406	39	57
Total long-term debt	2,583,143	2,676,051	467,060	518,286	1,702,376	1,734,060	38,082	39,702
Total liabilities	3,196,604	3,299,898	651,670	713,670	2,019,175	2,014,817	40,884	42,184
Deferred inflows of resources	353,170	277,158	161,774	174,229	26,001	30,805	-	-
Net investment in capital assets	312,000	236,417	8,834	(20,298)	1,123,294	1,093,349	(3,218)	(4,129)
Restricted net position	297,988	249,329	42,811	61,866	228,247	197,401	3,534	4,209
Unrestricted net position	222,520	219,489	87,160	92,427	49,506	32,612	4,252	4,237
Total net position	832,508	705,235	138,805	133,995	1,401,047	1,323,362	4,568	4,317
Total liabilities, deferred inflows of resources, and net position	\$ 4,382,282	\$ 4,282,291	\$ 952,249	\$ 1,021,894	\$ 3,446,223	\$ 3,368,984	\$ 45,452	\$ 46,501
Condensed statements of revenues, expenses, and changes in net position information								
Total operating revenues	\$ 1,234,189	\$ 1,241,737	\$ 252,940	\$ 289,088	\$ 427,750	\$ 389,733	\$ 8,731	\$ 8,778
Depreciation	195,105	189,968	42,754	42,644	142,282	131,588	2,291	2,286
Total operating expenses	735,271	773,098	182,528	216,756	155,043	137,921	4,823	4,928
Operating income	303,813	278,671	27,658	29,688	130,425	120,224	1,617	1,564
Total nonoperating expenses, net	(72,820)	(83,191)	(22,848)	(28,411)	(49,293)	(53,540)	(1,366)	(1,403)
Total contributions	(103,720)	(90,109)	-	-	(3,447)	(1,975)	-	-
Special item	-	34,667	-	-	-	116,823	-	-
Changes in net position	127,273	140,038	4,810	1,277	77,685	181,532	251	161
Net position, beginning of year	705,235	565,197	133,995	132,718	1,323,362	1,141,830	4,317	4,156
Net position, end of year	\$ 832,508	\$ 705,235	\$ 138,805	\$ 133,995	\$ 1,401,047	\$ 1,323,362	\$ 4,568	\$ 4,317
Condensed statements of cash flow information								
Net cash provided by operating activities	\$ 534,172	\$ 538,853	\$ 64,891	\$ 49,965	\$ 289,931	\$ 286,802	\$ 4,841	\$ 3,799
Net cash provided by (used in) noncapital and related financing activities	(99,208)	(85,517)	410	408	(22,891)	(19,126)	-	-
Net cash used in capital and related financing activities	(362,269)	(364,663)	(73,039)	(187,379)	(217,161)	(266,176)	(4,595)	(3,860)
Net cash provided by (used in) investing activities	(93,551)	49,974	(2,159)	8,984	(58,544)	34,383	21	5
Net change in cash and cash equivalents	(20,856)	138,647	(9,897)	(128,022)	(8,665)	35,883	267	(56)
Cash and cash equivalents at beginning of year	316,079	177,432	139,918	267,940	171,803	135,920	8,274	8,330
Cash and cash equivalents at end of year	\$ 295,223	\$ 316,079	\$ 130,021	\$ 139,918	\$ 163,138	\$ 171,803	\$ 8,541	\$ 8,274

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA

Notes to Financial Statements (continued) *(Dollars in Thousands)*

18. Subsequent Events

Hurricane Matthew, a Category 2 storm which tracked parallel along the coast of Florida on October 7, 2016, caused extensive damage within the JEA service territory. Damage to JEA property was primarily to the transmission and distribution systems. It is estimated that total costs related to Hurricane Matthew will be approximately \$35,000. JEA intends to seek recovery of its hurricane costs through the Federal Emergency Management Agency (FEMA) for those costs not covered by insurance, less an estimated withdrawal from JEA's self-insurance fund of \$3,300.

On November 15, 2016, the JEA Board approved an electric rate restructuring, effective December 1, 2016. The action taken by the JEA Board authorized the following:

- A 4.4% base rate increase.
- Addition of an economic stimulus rider for new commercial or industrial customers to locate within the JEA service area.
- A fuel rate decrease.
- Release of excess reserve funds to pay down debt.
- Authorization to refund bonds to implement an accelerated principal repayment schedule.

The authorization to refund bonds authorized the issuance of the Electric System Revenue Bonds, Series Three 2017A and Electric System Subordinated Revenue Bonds, 2017 Series A to finance the refunding of certain Electric System Revenue Bonds and Electric System Subordinated Revenue Bonds with an aggregate principal amount not to exceed \$150,000. The expiration date is June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

JEA

Required Supplementary Information – Pension
(Dollars in Thousands)

September 30, 2016

Schedules of Required Supplementary Information

Schedule of JEA's Proportionate Share of the Net Pension Liability

City of Jacksonville General Employees Retirement Plan

Last Three Fiscal Years*

	2016	2015	2014
Proportional share percentage	49.15%	48.85%	48.85%
Net pension liability	\$ 480,353	\$ 404,466	\$ 386,789
Covered employee payroll	\$ 127,440	\$ 128,084	\$ 129,922
Net pension liability as a percentage of covered employee payroll	376.92%	315.78%	297.71%
Plan fiduciary net position as a percentage of the total pension liability	64.03%	69.06%	68.64%

Schedule of JEA Contributions

City of Jacksonville General Employees Retirement Plan

Last Ten Fiscal Years*

Year Ending September 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions a Percent Covered Payroll
2009	\$ 13,280	\$ 13,280	\$ -	\$ 120,727	11.00%
2010	16,257	16,257	-	125,054	13.00%
2011	17,195	17,195	-	132,269	13.00%
2012	22,301	22,301	-	127,434	17.50%
2013	27,038	27,038	-	129,990	20.80%
2014	34,149	34,149	-	122,353	27.91%
2015	40,179	40,179	-	125,656	31.98%
2016	43,156	43,156	-	128,882	33.48%

* These schedules are presented to illustrate the requirement to share information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. All information is on a measurement year basis.

JEA

Required Supplementary Information – Pension (continued)
(Dollars in Thousands)

Notes to Schedule of Contributions

Valuation date: October 1, 2015

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll, using 1% Annual Increases*
Remaining amortization period	All new bases are amortized over 30 years
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Actual assumptions:

Investment rate of return	7.50%, including inflation, net of pension plan investment expense
Inflation rate	2.75%*
Projected salary increases	3.00% – 6.00%, of which 2.75% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	The Plan provision contain a 3.00% COLA

* The Fund's payroll inflation assumption is 2.75%. However, based on Part VII, Chapter 112.64(5)(a) of Florida Statutes, an assumption of 1.14% was used for amortization purposes in the October 1, 2015 valuation.

JEA

Required Supplementary Information – Pension (continued)
(Dollars in Thousands)

SJRPP Plan-Schedule of Changes in Net Pension Liability and Related Ratios*

	2016	2015
Total Pension Liability		
Beginning balance	\$ 150,629	\$ 146,521
Service Cost	1,275	1,470
Interest on the Total Pension Liability	10,271	10,026
Difference between Expected and Actual Experience	3,316	2,121
Benefit Payments	(10,348)	(9,509)
Ending balance	<u>\$ 155,143</u>	<u>\$ 150,629</u>
Plan Fiduciary Net Position		
Beginning balance	145,425	135,019
Employer Contributions	3,509	5,559
Employee Contributions	648	655
Pension Plan Net Investment Income	(266)	13,763
Benefit Payments	(10,348)	(9,509)
Pension Plan Administrative Expense	(66)	(62)
Ending balance	<u>\$ 138,902</u>	<u>\$ 145,425</u>
Net Pension Liability – Ending	<u>16,241</u>	<u>5,204</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.53%	96.55%
Covered Employee Payroll	\$ 19,553	\$ 21,304
Net Pension Liability as a Percentage of Covered Employee Payroll	83.06%	24.43%

* These schedules are presented to illustrate the requirement to share information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. All information is on a measurement year basis.

JEA

Required Supplementary Information – Pension (continued)
(Dollars in Thousands)

SJRPP Pension Plan – Schedule of Contributions

Last Ten Fiscal Years*

Year Ending September 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percent of Covered Payroll
2007	\$ 4,181	\$ 4,305	\$ (124)	\$ -	0.00%
2008	10,045	10,081	(36)	-	0.00%
2009	10,239	10,398	(159)	-	0.00%
2010	13,453	13,565	(112)	-	0.00%
2011	8,919	9,028	(109)	-	0.00%
2012	7,995	8,005	(10)	-	0.00%
2013	11,845	11,845	(39)	-	0.00%
2014	5,397	5,559	(162)	21,304	26.09%
2015	3,414	3,509	(95)	19,553	17.94%
2016	2,050	2,771	(721)	15,590	17.77%

* Covered employee payroll amounts as defined under GASB 68 are not available for fiscal years ending on September 30, 2013 and before. For years ending September 30, 2014 and September 30, 2015, payroll amounts represent total covered-employee payroll as defined in GASB 68. Beginning with the year ending September 30, 2016, reported payroll represents covered payroll (the payroll on which contributions to a pension plan are based) per GASB 82. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. All information is on a measurement year basis.

JEA

Required Supplementary Information – Pension (continued)
(Dollars in Thousands)

Notes to Schedule of Contributions

Valuation date: October 1, 2014

Notes Actuarially determined contribution rates are calculated as of the October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	2 years
Asset valuation method	Market Value of Assets
Inflation	2.50%
Salary increases	2.5% - 12.5% per year, including inflation
Investment rate of return	7.00% per year compounded annually, net of investment expenses
Retirement age	Experience-based table of rates based on year of eligibility
Mortality	RP2000 Table (Combined Healthy) as published by the Society of Actuaries. Mortality improvements for all members are generationally projected using Scale AA.

Other information:

Notes There were no benefit changes during the year.

JEA

Required Supplementary Information – OPEB
(Dollars in Thousands)

Schedule of Funding Progress

The following funding schedule presents multiyear trend information on the funded status of the Other Postemployment Benefit Plan as of September 30, 2016. The schedule has been prepared using the Entry Age Actuarial Method.

Valuation Date	Actuarial Value of Assets	AAL	UAAL	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
October 1, 2011	\$ 6,470,867	\$ 77,279,806	\$ 70,808,939	8.37%	\$ 150,713,544	46.98%
October 1, 2013	\$ 13,348,551	\$ 62,479,033	\$ 49,130,482	21.36%	\$ 148,617,341	33.06%
October 1, 2015	\$ 18,156,331	\$ 62,553,748	\$ 44,397,417	29.03%	\$ 150,073,006	29.58%

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

Combining Statement of Net Position
(In Thousands)

September 30, 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	\$ 295,223	\$ 40,099	\$ -	\$ 335,322	\$ 78,887	\$ 4,308	\$ 418,517
Investments	132,878	10,199	-	143,077	-	-	143,077
Accounts and interest receivable, less allowance for doubtful accounts of \$3,641	199,632	17,659	(20,603)	196,688	39,018	141	235,847
Inventories:							
Fuel	36,479	13,373	-	49,852	-	-	49,852
Materials and supplies	2,120	21,002	-	23,122	44,829	-	67,951
Total current assets	<u>666,332</u>	<u>102,332</u>	<u>(20,603)</u>	<u>748,061</u>	<u>162,734</u>	<u>4,449</u>	<u>915,244</u>
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	-	89,922	-	89,922	84,251	4,233	178,406
Investments	405,189	202,842	-	608,031	276,581	-	884,612
Accounts and interest receivable	1,768	725	-	2,493	848	-	3,341
Total restricted assets	<u>406,957</u>	<u>293,489</u>	<u>-</u>	<u>700,446</u>	<u>361,680</u>	<u>4,233</u>	<u>1,066,359</u>
Costs to be recovered from future revenues	240,429	7,039	-	247,468	216,142	-	463,610
Investment in The Energy Authority	6,166	-	-	6,166	-	-	6,166
Other assets	10,148	-	-	10,148	7,433	-	17,581
Total noncurrent assets	<u>663,700</u>	<u>300,528</u>	<u>-</u>	<u>964,228</u>	<u>585,255</u>	<u>4,233</u>	<u>1,553,716</u>
Capital assets:							
Land and easements	121,235	6,660	-	127,895	59,714	3,051	190,660
Plant in service	5,141,679	1,345,035	-	6,486,714	4,252,580	53,648	10,792,942
Less accumulated depreciation	(2,686,264)	(839,469)	-	(3,525,733)	(1,879,932)	(21,815)	(5,427,480)
Plant in service, net	<u>2,576,650</u>	<u>512,226</u>	<u>-</u>	<u>3,088,876</u>	<u>2,432,362</u>	<u>34,884</u>	<u>5,556,122</u>
Construction work in progress	171,175	10,072	-	181,247	135,881	1,675	318,803
Total capital assets	<u>2,747,825</u>	<u>522,298</u>	<u>-</u>	<u>3,270,123</u>	<u>2,568,243</u>	<u>36,559</u>	<u>5,874,925</u>
Total assets	<u>4,077,857</u>	<u>925,158</u>	<u>(20,603)</u>	<u>4,982,412</u>	<u>3,316,232</u>	<u>45,241</u>	<u>8,343,885</u>
Deferred outflows of resources							
Unamortized deferred losses on refundings	79,810	15,360	-	95,170	46,399	211	141,780
Accumulated decrease in fair value of hedging derivatives	146,942	-	-	146,942	35,986	-	182,928
Unrealized pension contributions and losses	77,673	11,731	-	89,404	47,606	-	137,010
Total deferred outflows of resources	<u>304,425</u>	<u>27,091</u>	<u>-</u>	<u>331,516</u>	<u>129,991</u>	<u>211</u>	<u>461,718</u>
Total assets and deferred outflows of resources	<u>\$ 4,382,282</u>	<u>\$ 952,249</u>	<u>\$ (20,603)</u>	<u>\$ 5,313,424</u>	<u>\$ 3,446,223</u>	<u>\$ 45,452</u>	<u>\$ 8,805,603</u>

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Combining Statement of Net Position
(In Thousands)

September 30, 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	\$ 81,596	\$ 14,049	\$ (196)	\$ 95,449	\$ 17,618	\$ 158	\$ 113,225
Customer deposits	41,215	-	-	41,215	13,910	-	55,125
Total current liabilities	122,811	14,049	(196)	136,664	31,528	158	168,350
Current liabilities payable from restricted assets:							
Debt due within one year	102,240	43,785	-	146,025	33,875	1,625	181,525
Renewal and replacement reserve	-	80,809	-	80,809	-	-	80,809
Interest payable	43,536	10,657	-	54,193	32,086	699	86,978
Construction contracts and accounts payable	9,915	21,196	(20,407)	10,704	28,745	281	39,730
Total current liabilities payable from restricted assets	155,691	156,447	(20,407)	291,731	94,706	2,605	389,042
Noncurrent liabilities:							
Net pension liability	297,819	12,993	-	310,812	182,534	-	493,346
Other liabilities	37,140	1,121	-	38,261	8,031	39	46,331
Total other noncurrent liabilities	334,959	14,114	-	349,073	190,565	39	539,677
Long-term debt:							
Bonds payable and commercial paper, less current portion	2,369,215	450,215	-	2,819,430	1,612,640	38,125	4,470,195
Unamortized premium, net	68,120	16,845	-	84,965	53,751	(43)	138,673
Fair value of debt management strategy instruments	145,808	-	-	145,808	35,985	-	181,793
Total long-term debt	2,583,143	467,060	-	3,050,203	1,702,376	38,082	4,790,661
Total liabilities	3,196,604	651,670	(20,603)	3,827,671	2,019,175	40,884	5,887,730
Deferred inflows of resources							
Revenues to be used for future costs	346,625	159,648	-	506,273	21,989	-	528,262
Unrealized pension gains	6,545	2,126	-	8,671	4,012	-	12,683
Total deferred inflows of resources	353,170	161,774	-	514,944	26,001	-	540,945
Net position							
Net investment in capital assets	312,000	8,834	-	320,834	1,123,294	(3,218)	1,440,910
Restricted	297,988	42,811	20,407	361,206	228,247	3,534	592,987
Unrestricted	222,520	87,160	(20,407)	289,273	49,506	4,252	343,031
Total net position	832,508	138,805	-	971,313	1,401,047	4,568	2,376,928
Total liabilities, deferred inflows of resources, and net position	\$ 4,382,282	\$ 952,249	\$ (20,603)	\$ 5,313,928	\$ 3,446,223	\$ 45,452	\$ 8,805,603

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Combining Statement of Net Position
(In Thousands)

September 30, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	\$ 315,917	\$ 44,142	\$ -	\$ 360,059	\$ 56,176	\$ 3,360	\$ 419,595
Investments	70,236	8,558	-	78,794	-	-	78,794
Accounts and interest receivable, less allowance for doubtful accounts of \$4,342	204,182	20,535	(19,991)	204,726	35,700	964	241,390
Inventories, less reserve of \$226							
Fuel	36,231	28,452	-	64,683	-	-	64,683
Materials and supplies	2,173	19,953	-	22,126	42,766	-	64,892
Total current assets	628,739	121,640	(19,991)	730,388	134,642	4,324	869,354
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	162	95,776	-	95,938	115,627	4,914	216,479
Investments	360,695	198,747	-	559,442	213,129	-	772,571
Accounts and interest receivable	2,747	1,025	-	3,772	2,413	-	6,185
Total restricted assets	363,604	295,548	-	659,152	331,169	4,914	995,235
Cost to be recovered from future revenues	229,516	7,174	-	236,690	222,669	-	459,359
Investment in The Energy Authority	7,491	-	-	7,491	-	-	7,491
Other assets	8,394	-	-	8,394	9,572	-	17,966
Total noncurrent assets	609,005	302,722	-	911,727	563,410	4,914	1,480,051
Capital assets:							
Land and easements	95,177	6,660	-	101,837	59,135	3,051	164,023
Plant in service	5,056,397	1,365,472	-	6,421,869	4,127,396	52,591	10,601,856
Less accumulated depreciation	(2,498,573)	(811,802)	-	(3,310,375)	(1,749,344)	(19,524)	(5,079,243)
Plant in service, net	2,653,001	560,330	-	3,213,331	2,437,187	36,118	5,686,636
Construction work in progress	133,376	13,143	-	146,519	125,271	926	272,716
Net capital assets	2,786,377	573,473	-	3,359,850	2,562,458	37,044	5,959,352
Total assets	4,024,121	997,835	(19,991)	5,001,965	3,260,510	46,282	8,308,757
Deferred outflows of resources							
Unamortized deferred losses on refundings	85,304	19,944	-	105,248	48,982	219	154,449
Accumulated decrease in fair value of hedging derivatives	124,154	-	-	124,154	28,349	-	152,503
Unrealized pension contributions and losses	48,712	4,115	-	52,827	31,143	-	83,970
Total deferred outflows of resources	258,170	24,059	-	282,229	108,474	219	390,922
Total assets and deferred outflows of resources	\$ 4,282,291	\$ 1,021,894	\$ (19,991)	\$ 5,284,194	\$ 3,368,984	\$ 46,501	\$ 8,699,679

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Combining Statement of Net Position
(In Thousands)

September 30, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	\$ 137,163	\$ 23,721	\$ (2,785)	\$ 158,099	\$ 13,523	\$ 30	\$ 171,652
Customer deposits	42,543	-	-	42,543	13,255	-	55,798
Total current liabilities	179,706	23,721	(2,785)	200,642	26,778	30	227,450
Current liabilities payable from restricted assets:							
Debt due within one year	98,765	50,945	-	149,710	36,180	1,610	187,500
Renewal and replacement reserve	-	84,472	-	84,472	-	-	84,472
Interest payable	44,829	11,439	-	56,268	32,421	705	89,394
Construction contracts and accounts payable	16,484	19,315	(17,206)	18,593	17,972	80	36,645
Total current liabilities payable from restricted assets	160,078	166,171	(17,206)	309,043	86,573	2,395	398,011
Noncurrent liabilities:							
Net pension liability	246,724	4,163	-	250,887	157,742	-	408,629
Other liabilities	37,339	1,329	-	38,668	9,664	57	48,389
Total noncurrent liabilities	284,063	5,492	-	289,555	167,406	57	457,018
Long-term debt:							
Bonds payable and commercial paper payable, less current portion	2,471,455	494,000	-	2,965,455	1,643,515	39,750	4,648,720
Unamortized premium (discount), net	84,196	24,286	-	108,482	62,196	(48)	170,630
Fair value of debt management strategy instruments	120,400	-	-	120,400	28,349	-	148,749
Total long-term debt	2,676,051	518,286	-	3,194,337	1,734,060	39,702	4,968,099
Total liabilities	3,299,898	713,670	(19,991)	3,993,577	2,014,817	42,184	6,050,578
Deferred inflows of resources							
Revenues to be used for future costs	260,712	171,394	-	432,106	20,291	-	452,397
Unrealized pension gains	16,446	2,835	-	19,281	10,514	-	29,795
Total deferred inflows of resources	277,158	174,229	-	451,387	30,805	-	482,192
Net position							
Net investment in capital assets	236,417	(20,298)	-	216,119	1,093,349	(4,129)	1,305,339
Restricted	249,329	61,866	17,206	328,401	197,401	4,209	530,011
Unrestricted	219,489	92,427	(17,206)	294,710	32,612	4,237	331,559
Total net position	705,235	133,995	-	839,230	1,323,362	4,317	2,166,909
Total liabilities, deferred inflows of resources, and net position	\$ 4,282,291	\$ 1,021,894	\$ (19,991)	\$ 5,284,194	\$ 3,368,984	\$ 46,501	\$ 8,689,679

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Combining Statement of Revenues, Expenses, and Changes in Net Position
(In Thousands)

Year Ended September 30, 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric	\$ 1,207,378	\$ 252,940	\$ (122,887)	\$ 1,337,431	\$ -	\$ -	\$ (15,718)	\$ 1,321,713
Water and sewer	-	-	-	-	418,098	-	(694)	417,404
District energy system	-	-	-	-	-	8,731	-	8,731
Other	26,811	-	-	26,811	9,652	-	(2,165)	34,298
Total operating revenues	1,234,189	252,940	(122,887)	1,364,242	427,750	8,731	(18,577)	1,782,146
Operating expenses								
Operations:								
Fuel	276,230	146,183	-	422,413	-	-	-	422,413
Purchased power	186,348	-	(122,887)	63,461	-	-	-	63,461
Other	147,098	25,990	-	173,088	117,924	3,653	(18,577)	276,088
Depreciation	195,105	42,754	-	237,859	142,282	2,291	-	382,432
Maintenance	67,369	22,101	-	89,470	13,882	1,170	-	104,522
State utility and franchise taxes	60,843	-	-	60,843	10,401	-	-	71,244
Recognition of deferred costs and revenues, net	(2,617)	(11,746)	-	(14,363)	12,836	-	-	(1,527)
Total operating expenses	930,376	225,282	(122,887)	1,032,771	297,325	7,114	(18,577)	1,318,633
Operating income	303,813	27,658	-	331,471	130,425	1,617	-	463,513
Nonoperating expenses, net								
Interest on debt	(93,673)	(26,537)	-	(120,210)	(62,835)	(1,412)	-	(184,457)
Investment income	5,987	3,279	-	9,266	4,937	22	-	14,225
Other nonoperating income, net	4,305	410	-	4,715	4,050	-	-	8,765
Allowance for funds used during construction	4,782	-	-	4,782	4,601	24	-	9,407
Earnings from The Energy Authority	6,136	-	-	6,136	-	-	-	6,136
Other interest, net	(357)	-	-	(357)	(46)	-	-	(403)
Total nonoperating expenses, net	(72,820)	(22,848)	-	(95,668)	(49,293)	(1,366)	-	(146,327)
Income before contributions	230,993	4,810	-	235,803	81,132	251	-	317,186
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(103,720)	-	-	(103,720)	(25,467)	-	-	(129,187)
Developers and other	1,841	-	-	1,841	51,811	-	-	53,652
Reduction of plant cost through contributions	(1,841)	-	-	(1,841)	(29,791)	-	-	(31,632)
Total contributions	(103,720)	-	-	(103,720)	(3,447)	-	-	(107,167)
Change in net position	127,273	4,810	-	132,083	77,685	251	-	210,019
Net position, beginning of year	705,235	133,995	-	839,230	1,323,362	4,317	-	2,166,909
Net position, end of period	\$ 832,508	\$ 138,805	\$ -	\$ 971,313	\$ 1,401,047	\$ 4,568	\$ -	\$ 2,376,928

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Combining Statement of Revenues, Expenses, and Changes in Net Position
(In Thousands)

Year Ended September 30, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric	\$ 1,212,650	\$ 289,088	\$ (160,613)	\$ 1,341,125	\$ -	\$ -	\$ (16,242)	\$ 1,324,883
Water and sewer	-	-	-	-	380,394	-	(605)	379,789
District energy system	-	-	-	-	-	8,778	-	8,778
Other	29,087	-	-	29,087	9,339	-	(2,496)	35,930
Total operating revenues	1,241,737	289,088	(160,613)	1,370,212	389,733	8,778	(19,343)	1,749,380
Operating expenses								
Operations:								
Fuel	300,565	169,417	-	469,982	-	-	-	469,982
Purchased power	207,870	-	(160,613)	47,257	-	-	-	47,257
Other	139,714	29,636	-	169,350	113,515	3,953	(19,343)	267,475
Depreciation	189,968	42,644	-	232,612	131,588	2,286	-	366,486
Maintenance	66,258	25,006	-	91,264	14,452	975	-	106,691
State utility and franchise taxes	62,440	-	-	62,440	10,070	-	-	72,510
Recognition of deferred costs and revenues, net	(3,749)	(7,303)	-	(11,052)	(116)	-	-	(11,168)
Total operating expenses	963,066	259,400	(160,613)	1,061,853	269,509	7,214	(19,343)	1,319,233
Operating income	278,671	29,688	-	308,359	120,224	1,564	-	430,147
Nonoperating expenses, net								
Interest on debt	(97,426)	(32,403)	-	(129,829)	(66,948)	(1,422)	-	(198,199)
Investment income	5,990	3,584	-	9,574	3,325	5	-	12,904
Other nonoperating income, net	4,327	408	-	4,735	7,098	-	-	11,833
Allowance for funds used during construction	2,723	-	-	2,723	2,986	14	-	5,723
Loss on sale of asset	(199)	-	-	(199)	-	-	-	(199)
Earnings from The Energy Authority	1,461	-	-	1,461	-	-	-	1,461
Other interest, net	(67)	-	-	(67)	(1)	-	-	(68)
Total nonoperating expenses, net	(83,191)	(28,411)	-	(111,602)	(53,540)	(1,403)	-	(166,545)
Income before contributions and special item	195,480	1,277	-	196,757	66,684	161	-	263,602
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(90,109)	-	-	(90,109)	(21,579)	-	-	(111,688)
Developers and other	-	-	-	-	52,709	-	-	52,709
Reduction of plant cost through contributions	-	-	-	-	(33,105)	-	-	(33,105)
Total contributions	(90,109)	-	-	(90,109)	(1,975)	-	-	(92,084)
Special item	34,667	-	-	34,667	116,823	-	-	151,490
Change in net position	140,038	1,277	-	141,315	181,532	161	-	323,008
Net position, beginning of year	565,197	132,718	-	697,915	1,141,830	4,156	-	1,843,901
Net position, end of period	\$ 705,235	\$ 133,995	\$ -	\$ 839,230	\$ 1,323,362	\$ 4,317	\$ -	\$ 2,166,909

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of Intercompany Transactions	Total JEA
Operating activities								
Receipts from customers	\$ 1,301,341	\$ 255,812	\$ (126,088)	\$ 1,431,065	\$ 416,506	\$ 9,554	\$ (16,412)	\$ 1,840,713
Payments to suppliers	(640,014)	(165,712)	126,088	(679,638)	(83,184)	(4,184)	18,577	(748,429)
Payments to employees	(154,896)	(25,209)	-	(180,105)	(56,156)	(529)	-	(236,790)
Other receipts	27,741	-	-	27,741	12,765	-	(2,165)	38,341
Net cash provided by (used in) operating activities	534,172	64,891	-	599,063	289,931	4,841	-	893,835
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(103,586)	-	-	(103,586)	(25,393)	-	-	(128,979)
Build America Bonds subsidies	4,340	410	-	4,750	2,502	-	-	7,252
Payment from City of Jacksonville, Florida	38	-	-	38	-	-	-	38
Net cash provided by (used in) noncapital and related financing activities	(99,208)	410	-	(98,798)	(22,891)	-	-	(121,689)
Capital and related financing activities								
Acquisition and construction of capital assets	(158,631)	-	-	(158,631)	(137,833)	(1,581)	-	(298,045)
Repayment of debt principal	(98,765)	(50,945)	-	(149,710)	(36,180)	(1,610)	-	(187,500)
Interest paid on debt	(105,146)	(22,094)	-	(127,240)	(69,024)	(1,404)	-	(197,668)
Developer and other contributions	-	-	-	-	22,020	-	-	22,020
Proceeds from issuance of debt, net	-	-	-	-	3,000	-	-	3,000
Proceeds from disposal of assets	290	-	-	290	856	-	-	1,146
Other financing activities	(17)	-	-	(17)	-	-	-	(17)
Net cash used in capital and related financing activities	(362,269)	(73,039)	-	(435,308)	(217,161)	(4,595)	-	(657,064)
Investing activities								
Purchase of investments	(1,179,522)	(520,661)	-	(1,700,183)	(604,483)	-	-	(2,304,666)
Proceeds from sale and maturity of investments	1,072,095	514,705	-	1,586,800	542,166	-	-	2,128,966
Investment income	6,414	3,797	-	10,211	3,773	21	-	14,005
Distributions from The Energy Authority	7,462	-	-	7,462	-	-	-	7,462
Net cash provided by (used in) investing activities	(93,551)	(2,159)	-	(95,710)	(58,544)	21	-	(154,233)
Net change in cash and cash equivalents	(20,856)	(9,897)	-	(30,753)	(8,665)	267	-	(39,151)
Cash and cash equivalents at beginning of year	316,079	139,918	-	455,997	171,803	8,274	-	636,074
Cash and cash equivalents at end of year	\$ 295,223	\$ 130,021	\$ -	\$ 425,244	\$ 163,138	\$ 8,541	\$ -	\$ 596,923
Reconciliation of operating income to net cash provided by operating activities								
Operating income	\$ 303,813	\$ 27,658	\$ -	\$ 331,471	\$ 130,425	\$ 1,617	\$ -	\$ 463,513
Adjustments:								
Depreciation and amortization	195,105	42,754	-	237,859	145,460	2,291	-	385,610
Recognition of deferred costs and revenues, net	(2,617)	(11,746)	-	(14,363)	12,836	-	-	(1,527)
Gain on sale of noncore assets	(49)	-	-	(49)	1,548	-	-	1,499
Changes in noncash assets and noncash liabilities:								
Accounts receivable	4,413	2,872	-	7,285	(3,291)	824	-	4,818
Accounts receivable, restricted	979	-	-	979	1,564	-	-	2,543
Inventories	(195)	14,031	-	13,836	(2,063)	-	-	11,773
Other assets	(1,754)	-	-	(1,754)	(1,038)	-	-	(2,792)
Accounts and accrued expenses payable	(57,412)	(9,671)	-	(67,083)	4,424	127	-	(62,532)
Current liabilities payable from restricted liabilities	-	(799)	-	(799)	-	-	-	(799)
Other noncurrent liabilities and deferred inflows	91,889	(208)	-	91,681	66	(18)	-	91,729
Net cash provided by (used in) operating activities	\$ 534,172	\$ 64,891	\$ -	\$ 599,063	\$ 289,931	\$ 4,841	\$ -	\$ 893,835
Non-cash activity								
Contribution of capital assets from developers	\$ 1,841	\$ -	\$ -	\$ 1,841	\$ 29,791	\$ -	\$ -	\$ 31,632
Unrealized gains (losses) on fair value of investments	\$ (291)	\$ (220)	\$ -	\$ (511)	\$ 1,135	\$ -	\$ -	\$ 624

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Elimination of Intercompany Transactions	Total JEA
Operating activities								
Receipts from customers	\$ 1,285,090	\$ 289,088	\$ (163,028)	\$ 1,411,150	\$ 404,459	\$ 8,713	\$ (16,847)	\$ 1,807,475
Payments to suppliers	(622,201)	(213,465)	163,028	(672,638)	(77,303)	(4,390)	19,343	(734,988)
Payments to employees	(151,564)	(25,658)	-	(177,222)	(54,306)	(524)	-	(232,052)
Other receipts	27,528	-	-	27,528	13,952	-	(2,496)	38,984
Net cash provided by operating activities	538,853	49,965	-	588,818	286,802	3,799	-	879,419
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(89,877)	-	-	(89,877)	(21,614)	-	-	(111,491)
Build America Bonds subsidies	4,360	408	-	4,768	2,488	-	-	7,256
Net cash provided by (used in) noncapital and related financing activities	(85,517)	408	-	(85,109)	(19,126)	-	-	(104,235)
Capital and related financing activities								
Defeasance of debt	(194,130)	(110,976)	-	(305,106)	(73,676)	-	-	(378,782)
Acquisition and construction of capital assets	(106,888)	-	-	(106,888)	(96,978)	(842)	-	(204,708)
Repayment of debt principal	(79,854)	(132,085)	-	(211,939)	(44,325)	(1,605)	-	(257,869)
Interest paid on debt	(112,082)	(27,787)	-	(139,869)	(71,128)	(1,413)	-	(212,410)
Developer and other contributions	-	-	-	-	19,604	-	-	19,604
Proceeds from issuance of debt, net	125,680	73,125	-	198,805	-	-	-	198,805
Proceeds from disposal of assets	(158)	-	-	(158)	585	-	-	427
Other financing activities	2,769	10,344	-	13,113	(258)	-	-	12,855
Net cash used in capital and related financing activities	(364,663)	(187,379)	-	(552,042)	(266,176)	(3,860)	-	(822,078)
Investing activities								
Purchase of investments	(713,897)	(621,356)	-	(1,335,253)	(476,709)	-	-	(1,811,962)
Proceeds from sale and maturity of investments	755,908	626,770	-	1,382,678	508,260	-	-	1,890,938
Investment income	5,922	3,570	-	9,492	2,832	5	-	12,329
Distributions from The Energy Authority	2,041	-	-	2,041	-	-	-	2,041
Net cash provided by investing activities	49,974	8,984	-	58,958	34,383	5	-	93,346
Net change in cash and cash equivalents	138,647	(128,022)	-	10,625	35,883	(56)	-	46,452
Cash and cash equivalents at beginning of year	177,432	267,940	-	445,372	135,920	8,330	-	589,622
Cash and cash equivalents at end of year	\$ 316,079	\$ 139,918	\$ -	\$ 455,997	\$ 171,803	\$ 8,274	\$ -	\$ 636,074
Reconciliation of operating income to net cash provided by operating activities								
Operating income	\$ 278,671	\$ 29,688	\$ -	\$ 308,359	\$ 120,224	\$ 1,564	\$ -	\$ 430,147
Adjustments:								
Depreciation and amortization	189,968	42,644	-	232,612	133,061	2,286	-	367,959
Recognition of deferred costs and revenues, net	(3,749)	(7,303)	-	(11,052)	(116)	-	-	(11,168)
Gain on sale of noncore assets	(23)	-	-	(23)	4,609	-	-	4,586
Changes in noncash assets and noncash liabilities:								
Accounts receivable	(4,954)	(8,720)	-	(13,674)	1,893	(64)	-	(11,845)
Accounts receivable, restricted	(1,545)	-	-	(1,545)	(55)	-	-	(1,600)
Inventories	2,771	1,537	-	4,308	3,006	-	-	7,314
Other assets	183	-	-	183	189	-	-	372
Accounts and accrued expenses payable	(10,095)	(6,713)	-	(16,808)	948	3	-	(15,857)
Current liabilities payable from restricted liabilities	-	(1,171)	-	(1,171)	-	-	-	(1,171)
Other noncurrent liabilities and deferred inflows	87,626	3	-	87,629	23,043	10	-	110,682
Net cash provided by operating activities	\$ 538,853	\$ 49,965	\$ -	\$ 588,818	\$ 286,802	\$ 3,799	\$ -	\$ 879,419
Non-cash activity								
Contribution of capital assets from developers	\$ -	\$ -	\$ -	\$ -	\$ 33,105	\$ -	\$ -	\$ 33,105
Unrealized gains (losses) on fair value of investments	\$ 36	\$ (109)	\$ -	\$ (73)	\$ 427	\$ -	\$ -	\$ 354

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

BOND COMPLIANCE INFORMATION

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

The Governing Board
JEA
Jacksonville, Florida

We have audited the accompanying schedules of debt service coverage (as specified in the respective JEA Bond Resolutions) of the JEA Electric System, the JEA Bulk Power System, the JEA St. Johns River Power Park System, the JEA Water and Sewer System and the JEA District Energy System for the years ended September 30, 2016 and 2015, based on the financial statements referred to in the Report on Financial Statements as of September 30, 2016 and 2015 paragraph below.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the schedules of debt service coverage in conformity with the respective JEA Bond Resolutions. Management also is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules of debt service coverage that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedules of debt service coverage based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules of debt service coverage. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedules of debt service coverage, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedules of debt service coverage in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedules of debt service coverage.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the debt service coverage of the JEA Electric System, the JEA Bulk Power System, the JEA St. Johns River Power Park System, the JEA Water and Sewer System, and the JEA District Energy System for the years ended September 30, 2016 and 2015, in conformity with the basis specified in the respective JEA Bond Resolutions.

Contractual Basis of Accounting

The method of calculating the schedules of debt service coverage is prescribed by the applicable JEA Bond Resolutions, which require the maintenance of certain minimum debt service coverage ratios. Our opinion is not modified with respect to this matter.

Report on Financial Statements as of September 30, 2016 and 2015

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of JEA as of and for the years ended September 30, 2016 and 2015, and have issued our report, with an unmodified opinion thereon, dated December 1, 2015.

Restrictions on Use

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

December 1, 2016

JEA Electric System

Schedule of Debt Service Coverage (In Thousands)

	Year Ended September 30	
	2016	2015
Revenues		
Electric	\$ 1,240,324	\$ 1,290,044
Investment income ⁽¹⁾	3,675	4,322
Earnings from The Energy Authority	6,136	1,461
Other, net ⁽²⁾	26,777	29,055
Plus: amounts paid from the rate stabilization fund into the revenue fund	66,812	57,680
Less: amounts paid from the revenue fund into the rate stabilization fund	(99,758)	(135,074)
Total revenues	1,243,966	1,247,488
Operating expenses⁽³⁾		
Fuel	246,737	264,367
Purchased power ⁽⁴⁾	251,729	269,014
Other operations and maintenance	189,794	191,018
State utility taxes and franchise fees	59,614	61,485
Total operating expenses	747,874	785,884
Net revenues	\$ 496,092	\$ 461,604
Debt service	\$ 79,428	\$ 82,704
Less: investment income on sinking fund	(2,603)	(1,632)
Less: Build America Bonds subsidy	(1,517)	(1,509)
Debt service requirement	\$ 75,308	\$ 79,563
Senior debt service coverage⁽⁵⁾, (min 1.20x)	6.59x	5.80x
Net revenues (from above)	\$ 496,092	\$ 461,604
Debt service requirement (from above)	\$ 75,308	\$ 79,563
Plus: aggregate subordinated debt service on outstanding subordinated bonds	98,419	98,302
Less: Build America Bonds subsidy	(2,084)	(2,086)
Total debt service requirement and aggregate subordinated debt service	\$ 171,643	\$ 175,779
Senior and subordinated debt service coverage⁽⁶⁾, (min 1.15x)	2.89x	2.63x

(1) Excludes investment income on sinking funds.

(2) Excludes the Build America Bonds subsidy.

(3) Excludes depreciation and recognition of deferred costs and revenues, net.

(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 Systems 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 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) Net revenues divided by total debt service requirement and aggregate subordinated debt service. Minimum annual coverage is 1.15x.

JEA Bulk Power Supply System
Schedule of Debt Service Coverage
(In Thousands)

	Year ended September 30	
	2016	2015
Revenues		
JEA	\$ 65,382	\$ 61,142
Investment income	133	114
Total revenues	65,515	61,256
Operating expenses⁽¹⁾		
Fuel	29,493	36,198
Other operations and maintenance	17,893	13,848
Total operating expenses	47,386	50,046
Net revenues	\$ 18,129	\$ 11,210
Aggregate debt service	\$ 10,758	\$ 9,801
Less: Build America Bonds subsidy	(737)	(764)
Aggregate debt service	\$ 10,021	\$ 9,037
Debt service coverage⁽²⁾	1.81x	1.24x

(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. Minimum annual coverage is 1.15x.

JEA St. Johns River Power Park System

Schedule of Debt Service Coverage (In Thousands)

1st Resolution

	Year ended September 30	
	2016	2015
Revenues		
JEA	\$ 117,157	\$ 144,607
FPL	130,052	128,476
Investment income	3,300	3,563
Total revenues	<u>250,509</u>	<u>276,646</u>
Operating expenses⁽¹⁾		
Fuel	146,183	169,417
Other operations and maintenance	39,162	41,612
Total operating expenses	<u>185,345</u>	<u>211,029</u>
Net revenues	<u>\$ 65,164</u>	<u>\$ 65,617</u>
Aggregate debt service	<u>\$ 52,123</u>	<u>\$ 52,601</u>
Debt service coverage⁽²⁾	<u>1.25x</u>	<u>1.25x</u>

(1) Excludes depreciation and recognition of deferred costs and revenues, net.

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

2nd Resolution

	Year ended September 30	
	2016	2015
Revenues		
JEA	\$ 14,510	\$ 26,024
Investment income	199	130
Total revenues	<u>14,709</u>	<u>26,154</u>
Operating expenses	-	-
Net revenues	<u>\$ 14,709</u>	<u>\$ 26,154</u>
Aggregate debt service	<u>\$ 12,930</u>	<u>\$ 22,984</u>
Less: Build America Bonds subsidy	(410)	(408)
Aggregate debt service	<u>\$ 12,520</u>	<u>\$ 22,576</u>
Debt service coverage⁽¹⁾	<u>1.17x</u>	<u>1.16x</u>

⁽¹⁾ Net revenues divided by aggregate debt service. Semiannual minimum coverage is 1.15x.

JEA Water and Sewer System

Schedule of Debt Service Coverage (In Thousands)

	Year ended September 30	
	2016	2015
Revenues		
Water	\$ 170,807	\$ 163,705
Water capacity fees ⁽¹⁾	7,893	7,013
Sewer	248,990	238,862
Sewer capacity fees ⁽¹⁾	13,799	12,254
Investment Income	3,802	2,898
Other ⁽²⁾	11,746	13,948
Plus: amounts paid from the rate stabilization fund into the revenue fund	21,790	-
Less: amounts paid from the revenue fund into the rate stabilization fund	(23,489)	(22,172)
Total revenues	455,338	416,508
Operating expenses		
Operations and maintenance ⁽³⁾	142,208	138,037
Total operating expenses	142,208	138,037
Net revenues	\$ 313,130	\$ 278,471
Aggregate debt service	\$ 85,332	\$ 91,392
Less: Build America Bonds subsidy	(2,502)	(2,489)
Aggregate debt service	\$ 82,830	\$ 88,903
Senior debt service coverage ⁽⁴⁾, (min 1.25x)	3.78x	3.13x
Net revenues (from above)	\$ 313,130	\$ 278,471
Aggregate debt service (from above)	\$ 82,830	\$ 88,903
Plus: aggregate subordinated debt service on outstanding subordinated debt	12,587	12,205
Total aggregate debt service and aggregate subordinated debt service	\$ 95,417	\$ 101,108
Senior and subordinated debt service coverage (5)	3.28x	2.75x
Fixed charge coverage	3.01x	2.54x

- (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 fiscal years ending September 30, 2016 and 2015, then the debt service coverage would have been 3.05x and 2.56x.
- (2) Excludes the Build America Bonds subsidy.
- (3) Excludes depreciation and recognition of deferred costs and revenues, net.
- (4) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.25x.
- (5) Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity charges) or the sum of 1.00x aggregate debt service and 1.20x aggregate subordinated debt service (including capacity charges). Based on the first requirement, minimum annual coverage is 3.05x and 2.56x. Based on the second requirement, net revenues must exceed 100% of aggregate debt service and 120% of aggregate subordinated debt service, or \$97,934 and \$103,549 for the fiscal years ending September 30, 2016 and 2015.

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

JEA District Energy System

Schedule of Debt Service Coverage (In Thousands)

	Year-To-Date September	
	2016	2015
Revenues		
Service revenues	\$ 8,731	\$ 8,778
Investment income	22	5
Total revenues	8,753	8,783
Operating expenses ⁽¹⁾		
Operations and maintenance	4,823	4,928
Total operating expenses	4,823	4,928
Net revenues	\$ 3,930	\$ 3,855
Aggregate debt service ⁽²⁾	\$ 3,024	\$ 3,019
Debt service coverage ⁽³⁾ (min 1.15x)	1.30x	1.28x

⁽¹⁾ Excludes depreciation.

⁽²⁾ On June 19, 2013, the closing date of the District Energy System Refunding Revenue Bonds, 2013 Series A, JEA covenanted to deposit into the 2013 Series A Bonds Subaccount from Available Water and Sewer System Revenues an amount equal to the Aggregate DES Debt Service Deficiency that exists with respect to the 2013 Series A Bonds, in the event that the amount on deposit in the Debt Service Account in the Debt Service Fund in accordance with the District Energy System Resolution is less than Accrued Aggregate Debt Service as of the last Business Day of the then current month.

⁽³⁾ Net revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

**City of Jacksonville
General Employees Retirement Plan**

**Audit Report on Schedules of Pension-Related
Amounts**

September 30, 2015





City of Jacksonville General Employees Retirement Plan Schedules of Pension-Related Amounts

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INDEPENDENT AUDITOR'S REPORT

Jacksonville City Council
Board of Directors, Jacksonville Electric Authority

We have audited the accompanying schedule of employer allocations and net pension liability of the City of Jacksonville Retirement System's General Employees Retirement Plan (the "Plan") as of September 30, 2015, (the "Schedule") and the related notes. We have also audited the columns titled net pension liability at September 30, 2015, total deferred outflows of resources, total deferred inflows of resources, and pension plan expense ("Specified Column Totals") included in the accompanying schedule of collective pension amounts of the Plan as of and for the year ended September 30, 2015, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the Schedule and the Specified Column Totals included in the schedule of collective pension amounts based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule and Specified Column Totals included in the schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule and Specified Column Totals included in the schedule of collective pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule and Specified Column Totals included in the schedule of collective pension amounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule and Specified Column Totals included in the schedule of collective pension amounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule and Specified Column Totals included in the schedule of collective pension amounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion the Schedule and Specified Column Totals included in the schedule of collective pension amounts referred to above present fairly, in all material respects, the employer allocations and net pension liability as of September 30, 2015, and the total deferred outflows of resources, total deferred inflows of resources, and pension expense for the Plan as of and for the year ended September 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Schedule and the Specified Column Totals included in the schedule of collective pension amounts are not intended to be a complete presentation of the Plan's financial statements. Our opinions are not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the City of Jacksonville, Jacksonville Electric Authority (JEA), Jacksonville Housing Authority (JHA), North Florida Transportation Planning Organization and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida
September 28, 2016

City of Jacksonville General Employees Retirement Plan
Schedule of Employer Allocations and Net Pension Liability

September 30, 2015

Entity	Employer Contributions	Proportion of Net Pension Liability	Net Pension Liability
City of Jacksonville	\$ 39,874,000	48.78%	\$ 476,736,962
JEA	40,179,000	49.15%	480,353,047
Jacksonville Housing Authority	1,555,000	1.90%	18,569,090
North Florida Transportation Planning Organization	143,000	0.17%	1,661,445
Total	\$ 81,751,000	100.00%	\$ 977,320,544

See accompanying notes.

City of Jacksonville General Employees Retirement Plan
Schedule of Collective Pension Amounts
As of and for the year ended September 30, 2015

Entity	Deferred Outflows of Resources				Deferred Inflows of Resources				
	Net Pension Liability September 30, 2015	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Differences Between Expected and Actual Experience		Total Deferred Outflows of Resources	Changes in Proportion	Changes of Assumptions	Total Deferred Inflows of Resources	Pension Plan Expense
			Changes of Assumptions	Changes in Proportion					
City of Jacksonville	\$ 476,736,962	\$ 49,879,234	\$ 29,714,539	\$ -	\$ 79,593,773	\$ 6,030,624	\$ 7,041,670	\$ 16,507,266	\$ 54,801,555
JEA	480,353,047	50,257,572	29,939,926	1,924,668	82,122,166	-	7,095,082	10,556,109	57,217,491
Jacksonville Housing Authority	18,569,090	1,942,816	1,157,393	3,592,712	6,692,921	-	274,276	408,070	3,091,446
North Florida Transportation Planning Organization	1,661,445	173,831	103,556	513,244	790,631	-	24,540	36,511	324,551
Total	\$ 977,320,544	\$ 102,253,453	\$ 60,915,414	\$ 6,030,624	\$ 169,199,491	\$ 6,030,624	\$ 14,435,568	\$ 27,507,956	\$ 115,435,043

See accompanying notes.

City of Jacksonville General Employees Retirement Plan Notes to Schedules of Pension-Related Amounts

NOTE 1 – SUMMARY OF THE PLAN

The City of Jacksonville sponsors the City of Jacksonville Retirement System (JRS) which includes the General Employees Retirement Plan (GERP). The JRS arises out of Chapter 16 of the City Charter, Chapter 120 of Ordinance Code of the City of Jacksonville, and Chapter 112, Part VII, Florida Statutes. Provided other criteria are met, the GERP is available to City employees who are employed by one of the following entities: City of Jacksonville, JEA, Jacksonville Housing Authority (JHA), and North Florida Transportation Planning Organization (TPO). Effective October 1, 2009, the City added an employee choice defined contribution alternative to the defined benefit plan for all members of the GERP. The City hired a third party administrator to assist employees with the management of their individual accounts within a number of investment options including model portfolios. All full-time City employees, the employees of JEA, JHA and the employees of TPO are eligible to participate in the GERP upon employment.

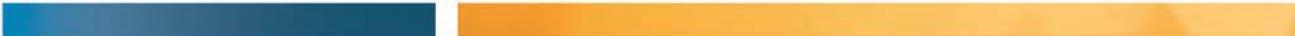
As of September 30, 2015, the General Employees Retirement Plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	4,976
Terminated employees vested, not yet receiving benefits	65
Active employment plan members:	
Vested	3,785
Non-vested	<u>1,032</u>
Total plan membership	9,858

The GERP is open to employees of the JEA, JHA, TPO, and City of Jacksonville, other than police officers and firefighters. Appointed officials and permanent employees not in the civil service system may opt to become members of the Retirement System. Elected officials are members of the Florida Retirement System Elected Officer Class. Participation in the Retirement System is mandatory for all full time employees of the City who otherwise meet the requirements for participation. Members of the GERP are eligible to retire with a normal pension benefit upon achieving one of the following:

- (a) Completing thirty (30) years of credited service, regardless of age;
- (b) Attaining age fifty-five (55) with twenty (20) years of credited service; or
- (c) Attaining age sixty-five (65) with five (5) years of credited service.
- (d) There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member is entitled to a retirement benefit of two and one-half (2.5) percent of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of eighty (80) percent of final monthly compensation. A time service retirement benefit is payable bi-weekly to commence upon the first



City of Jacksonville General Employees Retirement Plan Notes to Schedules of Pension-Related Amounts

NOTE 1 – SUMMARY OF THE PLAN (CONTINUED)

payday coincident with or next payday following the member's actual retirement and will continue until death, or the death of their surviving beneficiary, if this option is selected.

Each member and survivor is entitled to a cost of living adjustment ("COLA"). The COLA consists of a three (3) percent increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars (\$5) multiplied by the number of years of credited service. This benefit may not exceed one-hundred and fifty dollars (\$150) per month.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Governmental Accounting Standards Board (GASB) Statement No. 67

The Plan is required to report pension information in its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, as amended.

The accompanying schedules relate only to certain pension-related amounts and they do not constitute a full set of financial statements for the Plan.

The accompanying schedules were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the accompanying schedules, adhere to the reporting requirements established by the GASB.

Basis of Accounting

The Plan prepares its financial statements using the accrual basis of accounting.

Proportionate Share Allocation Methodology

The basis for each entity's proportion is actuarially determined by comparing the entity's employer contributions for the year ended September 30, 2015. This basis is intended to measure the proportion of each entity's long term funding requirements. In the previous year, each entity's proportion was actuarially determined by comparing each entity's present value of all future benefits calculated. This change in allocation methodology was made to provide more useful information to the users of the financial statements by using a methodology which is considered to be more widely used by other entities.

City of Jacksonville General Employees Retirement Plan Notes to Schedules of Pension-Related Amounts

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of the Schedules

The preparation of these schedules in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Relationship to the Basic Financial Statements

The net pension liability, pension expense, deferred inflows of resources and deferred outflows of resources reported in the Schedules of Pension-Related Accounts have been determined on the same basis as they will be reported by the Plan in the Comprehensive Annual Financial Report of The City of Jacksonville, Florida.

Investments

Investments are recorded at fair value. Investment values fluctuate and are subject to market volatility.

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS

The components of the net pension liability are as follows:

Total pension liability	\$ 2,717,211,544
Plan fiduciary net position	1,739,891,000
<hr/>	
<u>Net pension liability</u>	<u>\$ 977,320,544</u>

The total pension liability was determined as of a measurement date of September 30, 2015, using an actuarial valuation date of October 1, 2015, and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases assumption	3.00% - 6.00%, of which 2.75% is the Plan's long-term payroll inflation.
Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Pre-retirement mortality rates	RP-2014 Employee Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015.
Healthy annuitant mortality rates	RP-2014 Healthy Annuitant Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2015.
Disabled annuitant mortality rates	RP-2014 Disabled Retiree Mortality Table, set forward four years projected generationally with Scale MP-2015.

City of Jacksonville General Employees Retirement Plan Notes to Schedules of Pension-Related Amounts

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012, with additional changes based on an interim study of mortality experience through September 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation as of September 30, 2015 are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Rogerscasey.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35%	6.34%
International equity	20%	7.04%
Fixed income	19%	1.34%
Real estate	25%	4.14%
Cash	1%	0.74%

Discount Rate

The discount rate used to measure the total pension liability is 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

**City of Jacksonville General Employees Retirement Plan
Notes to Schedules of Pension-Related Amounts**

NOTE 3 – NET PENSION LIABILITY AND ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Proportional share of the Net Pension Liability	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
City of Jacksonville	\$ 624,694,897	\$ 476,736,962	\$ 348,735,702
JEA	\$ 634,471,181	\$ 480,353,047	\$ 351,380,889
Jacksonville Housing Authority	\$ 24,526,862	\$ 18,569,090	\$ 13,583,391
North Florida Transportation Planning Organization	\$ 2,194,509	\$ 1,661,445	\$ 1,215,356

NOTE 4 – SUBSEQUENT EVENTS

The investments of the General Employees Retirement Plan are pooled within the Jacksonville Retirement System. At September 30, 2015, the investments of the Jacksonville Retirement System were valued at \$1,895,295,654. Since this time the values have changed and at July 31, 2016 they were valued at \$2,060,374,435.

September 28, 2016

To the Jacksonville City Council
Board of Directors, JEA

We are pleased to present the results of our audit of the schedule of employer allocations and net pension liability, and the column totals specified in our auditor's report of the schedule of collective pension amounts (the "Schedules") of the City of Jacksonville Retirement System's General Employees Retirement Plan (the "Plan").

This communication summarizes our audit, the report issued and various analyses and observations related to the financial accounting and reporting practices followed. The document also contains the communications required by our professional standards.

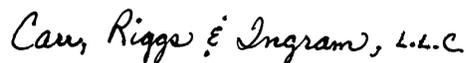
The audit was designed, primarily, to express an opinion on the Schedules. We considered an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of your personnel.

At Carr, Riggs & Ingram, LLC ("CRI"), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

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

We appreciate this opportunity to work with you. If you have any questions or comments, please contact us.

Very truly yours,



CARR, RIGGS & INGRAM, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Required Communications

Our audit plan represented an approach responsive to the assessment of risk. Specifically, we planned and performed our audit to:

- Perform audit services in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the Schedules as of and for the year ended September 30, 2015;
- Communicate directly with you and management regarding the results of our procedures;
- Address with you and management any accounting and financial reporting issues;
- Anticipate and respond to your concerns and those of management; and
- Address other audit-related projects as they arise and upon request.

Required Communications

We have audited the Schedules as of and for the year ended September 30, 2015, and have issued our report thereon dated September 28, 2016. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Auditor's responsibility under Generally Accepted Auditing Standards</p>	<p>As stated in our engagement letter dated May 9, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Plan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Client's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the Plan and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the Plan's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Plan in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i> • <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 2 of the audit report. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Schedules in the proper period.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p>Other findings or issues <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None.
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p>Corrected and uncorrected misstatements <i>All significant audit adjustments arising from the audit, whether or not recorded by the Plan, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Committee about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	No misstatements were detected as a result of our audit procedures.
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Consultations with other accountants</p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p>Written representations</p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p>Internal control deficiencies</p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	See "Internal Control Findings" section.
<p>Fraud and illegal acts</p> <p><i>Fraud involving senior management, the Plan Administrator or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Plan's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Management may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Investments	Based on our procedures performed with respect to the Plan's investments, we noted that it appears the Plan accounts for investments in accordance with all applicable standards.	X	The Plan relies on valuations from investment managers for approximately 100% of the asset values.	The Plan's policies are in accordance with all applicable accounting guidelines.
Pension-Related Amounts	Based on our procedures performed with respect to the Plan's total pension liability, we noted that it appears the Plan accounts for investments in accordance with all applicable standards.	X	The Plan relies on valuations from actuarial experts to estimate the pension related amounts and how they should be allocated to the participating entities.	The Plan's policies are in accordance with all applicable accounting guidelines.



DEPARTMENT OF FINANCE AND ADMINISTRATION, ACCOUNTING DIVISION

September 28, 2016

Carr, Riggs & Ingram, LLC
4010 NW 25th Place
Gainesville, FL 32606

This representation letter is provided in connection with your audit of the Schedules of Pension-Related Amounts of the City of Jacksonville General Employees Retirement Plan as of September 30, 2015, for the purpose of expressing an opinion as to whether the Schedule of Employee Allocations and Net Pension Liability, and the Schedule of Collective Pension Amounts are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Presentation of Specified Element

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 9, 2016, including our responsibility for the preparation and fair presentation of the Allocation of the Net Pension Liability.
- 2) The Schedules of Pension-Related Amounts referred to above is fairly presented in conformity with accounting principles generally accepted in the United States of America.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules of Pension-Related Amounts that is free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the accounting principles generally accepted in the United States of America.
- 7) All events subsequent to the date of the Schedules of Pension-Related Amounts and for which the accounting principles generally accepted in the United States of America requires adjustment or disclosure have been adjusted or disclosed.

- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
- 9) Material concentrations have been properly disclosed in accordance with accounting principles generally accepted in the United States of America.
- 10) Guarantees, whether written or oral, under which the company is contingently liable, have been properly recorded or disclosed in accordance with accounting principles generally accepted in the United States of America.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the specified element, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 12) All material transactions have been recorded in the accounting records and are reflected in the Schedules of Pension-Related Amounts.
- 13) We have disclosed to you the results of our assessment of the risk that the Schedules of Pension-Related Amounts may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the Schedules of Pension-Related Amounts.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's Schedules of Pension-Related Amounts communicated by employees, former employees, analysts, regulators, or others.
- 16) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the Schedules of Pension-Related Amounts.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the Schedules of Pension-Related Amounts.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 19) The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

Signature: 

Kevin G. Stork

Title: Comptroller

Signature: 

Patrick Greive

Title: Treasurer

September 28, 2016

To the Jacksonville City Council
Board of Directors, JEA

In planning and performing our audit of the Schedules of Pension-Related Amounts (the “Schedules”) for the City of Jacksonville’s General Employees Retirement Plan (the “Plan”) as of and for the year ended September 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

However, we identified a deficiency in internal control that did not rise to the level of a significant deficiency or material weakness and is not required to be communicated but has been included to assist management in the evaluation of their procedures. This deficiency has been described in the table on the following page.

This communication is intended solely for the information and use of management, and others within the General Employees Retirement Plan for the City of Jacksonville, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Internal Control Findings

The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

IP = Improvement Point	D = Control Deficiency	SD = Significant Deficiency	MW = Material Weakness
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ITEM	RATING	AREA	ITEM NOTED	SUGGESTION
1	D	Census data	When testing the September 30, 2015 year-end census data errors were noted relating to: the monthly pension benefit amount, the participant’s marital status, and the amount of pension supplement given. The impact of these errors was not material.	The census data should be periodically reviewed to ensure it is accurate and has been updated for all changes which have been communicated by the participants.

Join Our Conversation

Carr, Riggs & Ingram, LLC



WEBSITE (CRIcpa.com)

CRI's website features financial calculators, current tax and estate tax guides, a record retention schedule, glossary of common financial terms, and hundreds of articles with topics ranging from current legislation to industry-specific news.



BLOG SITE (blog.CRIcpa.com)

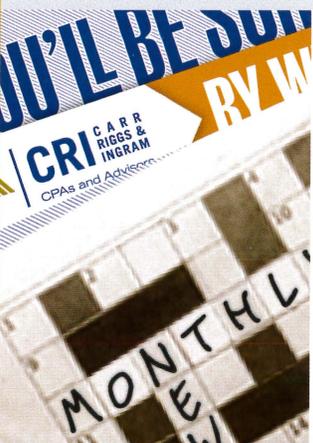
Featuring articles and videos, CRI's interactive blog site provides helpful tips for readers both personally and professionally. Written by our partners from their perspective and experiences, these plain English explanations of current regulations and trends exemplify our commitment to open dialogue.



CRInsights (CRIcpa.com)

We understand that just because a topic makes perfect sense to a CPA doesn't mean that it will to our clients. That's why we developed CRInsights, our in-depth yet down-to-earth explanations of complex topics. Now available topics include:

- Deciphering the Maze: Health Care Act's Tax Implications for You and Your Business
- Business Valuations & Business Owners: Working Out Your Future
- Who's On First? The What & Why of SOC Reports
- Navigating the Topsy Turvy World of Uniform Capitalization Rules for Manufacturers



NEWSLETTER (Sign up at CRIcpa.com)

Our team is dedicated to keeping our clients informed, and we prove it by creating a custom monthly e-newsletter with widely-applicable topics. The articles are designed to help you improve your business and personal finances. Popular recent topics include:

- 5 Steps for A+ Credit Scores
- The Mirage of Identity Security & Theft Where You Least Expect It
- Double Vision: Financial Statements and Tax Returns
- Four Essential Documents for Racing Toward Estate Planning Success



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Committee Members will meet on the 8th Floor
Other Board Members may join via conference call
by dialing 904-665-7100 - No password is needed.

COMPENSATION COMMITTEE AGENDA

DATE: December 12, 2016
TIME: 10:00 – 11:00 AM
PLACE: 21 W. Church Street
8th Floor

	Responsible Person	Action (A) Info (I)	Total Time
I. OPENING CONSIDERATIONS	Delores Kesler		
A. Call to Order			
B. Adoption of Agenda		A	
C. Approval of Minutes – November 8, 2016	Cheryl Mock	A	
II. NEW BUSINESS			
A. Weighting of Fiscal Year 2017 CEO Goals	Jody Brooks/ Angie Hiers	A	15 mins.
B. Appointed Pay and Performance Management Process	Paul McElroy	I	15 mins.
C. Other New Business			15 mins.
D. Announcements			
1. Schedule Next Meeting as Appropriate			
E. Adjournment			

IV. B. 1.
Approval of Minutes - November 8, 2016

JEA COMPENSATION COMMITTEE MINUTES
November 8, 2016

The Compensation Committee of JEA met on Tuesday, November 8, 2016, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Committee Chair Kesler called the meeting to order at 11:01 AM with Members Tom Petway and Kelly Flanagan in attendance. Also present were Paul McElroy, Angie Hiers, Melissa Dykes, Gerri Boyce and Jody Brooks.
- B. Adoption of Agenda – The Agenda was adopted on **motion** by Mr. Petway and second by Ms. Flanagan.
- C. Approval of Minutes – The February 10, 2016 minutes were approved on **motion** by Mr. Petway and second by Ms. Flanagan.

Agenda Item II – New Business

- A. Fiscal Year 2016 Pay for Performance Program – Angie Hiers, Chief Human Resources Officer – Ms. Hiers reminded the Board that in January 2016, the Board approved the Pay for Performance Program for FY2016. Ms. Hiers stated programs such as this assist in attracting, motivating, and retaining high caliber employees. In FY2016, JEA set aggressive goals with the understanding that each employee would collectively work toward achieving the important metrics of Customer Satisfaction, Safety, and Cost Control. The organization understood unless there were savings in the budget, an incentive would not be paid. Ms. Hiers presented that JEA met the exceptional cost control goals established in FY2016 for the Electric and Wastewater, but fell slightly short in the Water system. JEA had phenomenal results in the J. D. Power Business Survey, but this year's goal was focused on Residential and while JEA improved in all drivers, the aggressive goals were not met. JEA fell short of the safety goal, with a Recordable Incident Rate (RIR) of 1.82. The goal of 1.2 Recordable Incident Rate (RIR) is an aggressive goal, which is well above the industry performance. Ms. Hiers stated that the FY2016 expense savings was \$22.5 million. The estimated payout given performance is \$3.1 million, which is 2.2% of salaries. Upon **motion** by Ms. Flanagan and second by Mr. Petway, the Committee recognized the excellent performance by the JEA team and approved the payout amounts for the FY2016 Pay for Performance Program. This item will be presented to the full Board for approval at the November 15, 2016 Board Meeting.
- B. Fiscal Year 2017 Pay for Performance Plan – Angie Hiers, Chief Human Resources Officer – Ms. Hiers provided the Board with an overview of the FY2017 Pay for Performance Plan. This plan recommends JEA continue to focus on five key metrics including: Customer Satisfaction, Safety, and Cost per unit of Electricity, Water, and Wastewater delivered, in addition to keeping employees safe and providing exceptional utility services to our customers. The FY2017 Performance plan has two performance components; 50% individual performance and 50% company performance. Certain levels of both components must be met in order to receive a payout. This type of plan is commensurate with the market and the organization's ability to remain competitive with the local market to attract, motivate, and retain talent. Upon **motion** by Ms. Flanagan and second by Mr. Petway, the Committee approved the Pay for Performance Program for FY2017 using the metrics of Customer Satisfaction, Safety, Cost Control, with recommendations for Safety and Cost Metrics goal presentations. This item will be presented to the full Board for approval at the November 15, 2016 Board Meeting.

- C. Fiscal Year 2016 CEO Performance – Paul McElroy, Managing Director/CEO, provided a self-evaluation (9.63%) and reviewed the factors that were included. Jody Brooks, Legal Affairs Officer, advised the Committee that the Board has latitude with the amount of incentive up to the cap of 15%. Upon **motion** by Mr. Petway and second by Ms. Flanagan, the Committee held discussions and approved a 12.63% incentive pay for the CEO. This item will be presented to the full Board at the November 15, 2016 for approval.
- D. Fiscal Year 2017 CEO Goals – Paul McElroy, Managing Director/CEO presented the CEO goals for FY17. A Sewer Resiliency Plan will replace the Electric System revenue stabilization plan for this fiscal year. Upon **motion** by Mr. Petway and second by Ms. Flanagan, the Committee approved the CEO goals for FY2017, without the weighted values. It is their recommendation that these be reviewed and added at a later date. This item will be presented to the full Board at the November 15, 2016 Board Meeting for approval.
- E. Pension Discussion – Paul McElroy, Managing Director/CEO, indicated to the Committee that JEA management has meetings scheduled with most, if not all, of the bargaining units over the next 7-10 business days. JEA will use the same framework as the city. Current employees will retain all benefits, with a 2% additional self contribution. In addition, there will be a proposal that all new employees be enrolled in a direct contribution plan, with an 8% contribution from the employees and a 10% contribution from JEA. In the new plan, employees would be vested after 5 years and the plan will be mobile.
- F. Announcements – The next meeting will be scheduled to work on weighting for the CEO FY17 goals.
- G. Adjournment – With no further business claiming the attention of this Committee, the meeting was adjourned at 12:47 PM.

APPROVED BY:

Delores Kesler, Committee Chair

Date: _____

Submitted by:

Cheryl Mock
Executive Assistant

IV. C.
Government & Legal Affairs Committee

JEA
GOVERNMENT AND LEGAL AFFAIRS COMMITTEE AGENDA

DATE: December 13, 2016
TIME: 10:30 AM
PLACE: 21 W. Church Street
8th Floor Conference Room

Committee Members will meet on the 8th Floor
Other Board Members may join via conference call
by dialing 904-665-7100 - No password is needed.

	Responsible Person	Action (A) Info (I)
I. OPENING CONSIDERATIONS	Alan Howard	
A. Call to Order		
B. Adoption of Agenda		A
C. Approval of Minutes – May 6, 2016		A
II. NEW BUSINESS		
A. JEA Government Relations Local, State and Federal Update	Mike Hightower/ Nancy Kilgo	I
B. Review of Current Litigation	Jody Brooks	I
C. Other New Business	Paul McElroy	I
D. Announcements	Alan Howard	I
1. Schedule Next Meeting as Appropriate		
E. Adjournment		

IV. C. 1.
Approval of Minutes - May 6, 2016

JEA BOARD OF DIRECTORS
GOVERNMENT AND LEGAL AFFAIRS COMMITTEE
May 6, 2016

The Government and Legal Affairs Committee of JEA met on Friday, May 6, 2016, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Committee Chair Alan Howard called the meeting to order at 9:03 AM with Board Chair Tom Petway and Board Vice Chair Ed Burr in attendance. Committee Member Warren Jones was absent and excused. Others in attendance were Paul McElroy, Mike Hightower, Jordan Pope, Judi Spann, Gerri Boyce, and Jody Brooks, Office of General Counsel.
- B. Adoption of Agenda – The Agenda was adopted on **motion** by Board Chair Petway and second by Board Vice Chair Burr.

Agenda Item II – New Business

- A. Review and Approval of the Government Affairs Committee Charter – Committee Chair Howard, submitted revisions to the Committee Charter on May 5, 2016. Committee Chair Howard provided the Committee Members with time to review the revisions. Ms. Brooks provided Board Members with Committee quorum rules. Board Chair Petway clarified that he is Member of each JEA Board Committee. Committee Members held discussions regarding potential revisions to the Charter. On **motion** by Board Chair Petway and second by Board Vice Chair Burr, the JEA Board of Directors Government and Legal Affairs Committee Charter was approved as amended, revising the Charter to state the Committee shall consist of at least three Board Members.
- B. Review of Current Litigation – Jody Brooks, Office of General Counsel (OGC) – Every six months, OGC is required to provide the Board with information regarding current JEA litigation. This presentation was provided information only, and did not include discussions regarding strategy. Ms. Brooks provided the Committee with a handout highlighting JEA’s current litigation for matters that existed as of September 30, 2015, and new matters as of March 4, 2016. A copy of the handout is on file.
- C. JEA Government Relations Local, State and Federal Update – Mike Hightower, Chief Public Affairs Officer, reviewed the structure of JEA’s Government Affairs department, highlighting key staff members and external consultants that support JEA in local, state, and federal government affairs. Mr. Hightower provided a brief update, and Committee Members held discussions on local, state, and federal matters as they relate to JEA. This agenda item was received for information.
- D. Other Business – None
- E. Announcements
 - 1. The next Government and Legal Affairs Committee meeting will be scheduled prior to the January 17, 2017 Board Meeting.
- F. Adjournment – With no further business claiming the attention of this Committee, the meeting was declared adjourned at 10:00 AM.

APPROVED BY:

Alan Howard, Committee Chair

Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant

Miscellaneous

[Return to Agenda](#)

It was requested by the City of Jacksonville Office of Ethics to distribute the below press release. The International Anti-Corruption Conference is scheduled December 1 - 4, 2016. The Association of Moral Education Conference is December 8 - 11, 2016.

PRESS RELEASE

The City of Jacksonville Office of Ethics, Compliance & Oversight and the Ethics Commission are pleased to announce that Carla Miller, Director of the Ethics Office, will moderate a panel with the United Nations for the 17th International Anti-Corruption conference (IACC) being held this week in Panama City, Panama. (The 17th IACC). Panelists will include four Mayors representing diverse world regions (Europe, Latin America, Africa and the Middle East).

The panel session moderated by Ms. Miller is a coordinated effort between the United Nations, the FEMP (Spanish Federation of Municipalities and Provinces), the Global Fund for the development of cities (www.fmdv.net), the Commonwealth Local Government Forum (www.clgf.gov.uk) and the UCLG Middle East section (uclg-mewa.org). The panel session will showcase how local governments create increased citizen trust in their governments and will identify problems and solutions in the process of implementing transparency policies.

The following week, Ms. Miller will be presenting a program with Kirby Oberdorfer, Deputy Director of the City's Ethics Office, at the international conference of the Association for Moral Education being held at the Graduate School of Education at Harvard University. The program will discuss the importance of citizen involvement in government ethics initiatives.

For more information, contact Kirby Oberdorfer at (904) 630-4747 or koberdorfer@coj.net.