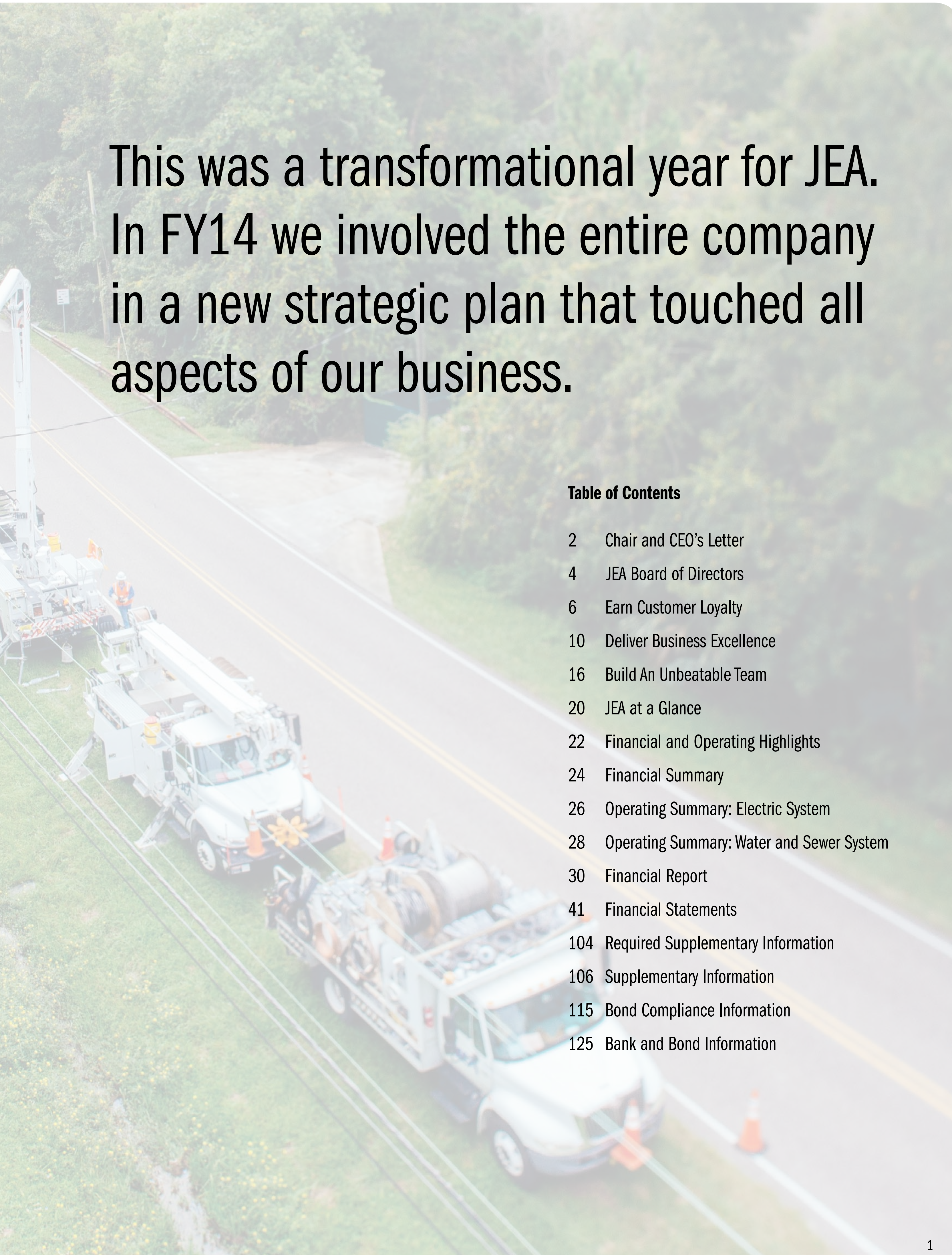
ANNUAL REPORT 2014

STRATEGIC AGILITY

JEA
Building Community


JEA



This was a transformational year for JEA. In FY14 we involved the entire company in a new strategic plan that touched all aspects of our business.

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LETTER FROM BOARD CHAIR AND MANAGING DIRECTOR/ CEO

Paul McElroy, Managing Director/CEO

Mike Hightower, Chair

This was a transformational year for JEA. In FY14 we involved the entire company in a new strategic plan that touched all aspects of our business. The plan helped all employees focus on three critical objectives: earn customer loyalty, deliver business excellence and develop an unbeatable team.

From this strong and strategic foundation JEA made great advances. The Financial and Logistical Services executed six refinancings, saving JEA $108 million over the life of the debt as measured in current dollars. Our customers reaped the benefits of a $26 million fuel credit. And, several of our products and services, such as JEA eBill, JEA MyWay and JEA MyBudget, enjoyed record enrollment.

Seven hundred employees spent over 4,000 hours volunteering in the community—more than ever before. This, as JEA earned top quartile ratings by our business customers in the J.D. Power 2014 Electric Utility Business Customer Satisfaction Survey. Our 2014 business ratings recognized JEA as the top rated utility in Florida. Our business customers represent 50 percent of our electric revenues and they appreciate the fact that JEA is looking at new rate options to encourage business expansion. They also appreciate the additional proactive communication we brought them this year to help them manage their utility services.

Because we are well-positioned in the community to help customers adopt renewable technologies, JEA became one of only a handful of utilities nationwide to develop a rebate program for new or leased Plug-in Electric Vehicles. By the end of the fiscal year, customers were visiting jea.com/electricdrive to determine if a PEV made sense for their lifestyle and their commute.

JEA's Electric System operationalized a new metric called CEMI-5 that locates pockets of customers with five or more outages of one minute or more over a 12 month period. Once identified, crews perform a targeted fix for these customers that could include pole changes, equipment changes and tree trimming. This focus on electric reliability helped us deliver business excellence and create customer loyalty and it also helped us earn the APPA's Reliable Public Power Award, Diamond Designation, for providing customers with the highest degree of reliable and safe electric service. Only four utilities in Florida earned the Diamond Designation this year and we're proud to be one of them. Our work was also honored by the National Arbor Day Foundation's Tree Line USA program.

On the water/wastewater front, JEA turned in outstanding results in terms of total nitrogen reduction from treated wastewater. A performance of this caliber is great for our environment and our community. We achieved this performance thanks to JEA's investments in its treatment plants and a knowledgeable team of operators who manage complicated biological processes.

We are pleased to note that on the safety front, the St. Johns River Power Park achieved a four year milestone: more than two million man-hours worked without a lost-time accident. We also increased our safety focus by turning September into Safety Month and providing managers with safety programs and videos for their weekly safety meetings.

In February, JEA won the Platinum First Coast Healthiest Companies Award. A local nonprofit, the First Coast Worksite Wellness Council, gave us this prestigious award based on JEA's overall wellness programming and participation supporting health and wellness for every employee. JEA realized a $2 million reduction in medical claims cost attributed to the ongoing efforts of the wellness initiatives and to the management of JEA's self-insured medical plan. JEA also provided employees five healthcare holidays from premiums between July and September, effectively putting money back in their pockets.

Indeed, JEA's new strategic plan was transformational for our customers, our business and our employees. It helped focus and shape our decision-making process in FY14 and establish a new foundation that we will continue to build upon in the years to come as JEA strives to be a premier service provider, valued asset and vital partner in advancing our community.

Sincerely,

Mike Hightower, Chair

Paul McElroy, Managing Director/CEO

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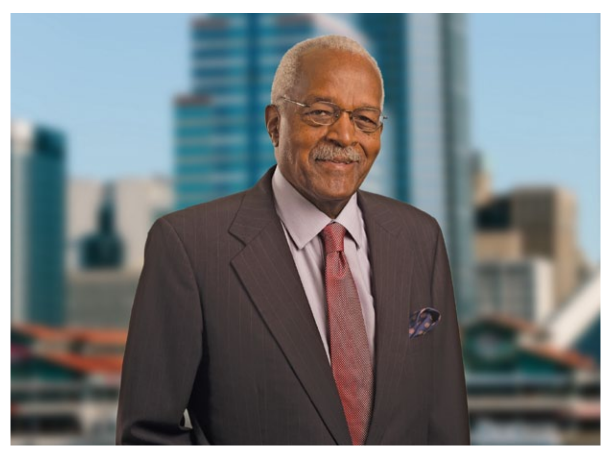


Ron Townsend
Communications Consultant

Wyman Winbush
IBM

EARN CUSTOMER LOYALTY

In FY14, JEA greatly expanded efforts to keep customers informed about outages and service interruptions.

At JEA, what matters to our customers matters to us. We earn our customers' loyalty by continually improving and we use J.D. Power Customer Satisfaction Surveys to measure our improvement. In FY14 local businesses ranked JEA number one among Florida utilities in Business Customer Satisfaction. We showed solid improvement on the residential survey, as well.

We're Easier to do Business With

In FY14 employees adopted the mantra: 'what matters to our customers matters to us.' We focused on improving policies that mattered to our customers in order to make us easier to do business with. For instance, we made our eBill option portable for customers when they move or change service. And we made several enhancements to jea.com and our automated phone system.

COMMUNITY EVENTS WHERE "WAYS TO SAVE" WAS TAUGHT — 100

JEA EMPLOYEES VOLUNTEERING IN THE COMMUNITY — 700

FUEL CREDIT IN MILLIONS — $26

Additionally, in July, JEA customers enjoyed a $26 million fuel credit, money returned from savings in our fuel fund. And, JEA's Neighbor to Neighbor program operated by United Way of Northeast Florida, helped 430 disadvantaged customers pay their utility bill using $130,000 in donations from our customers and employees.

This fiscal year we greatly expanded communication efforts with customers at the field level. We worked hard to keep customers informed about electric, water and wastewater projects occurring in their neighborhood. We sent some 30,000 proactive communication pieces into the field, including postcards, door hangers and street signs, all explaining the work that would soon begin—and the value this work would provide to their neighborhood or business. Field crews reported back on the success of this initiative noting anecdotally that the time they needed to spend answering customers' questions was greatly reduced because customers were already well-informed.

We also sent proactive mailings to every customer before the start of hurricane season asking them to update their contact information so we could stay in touch with them should a big storm hit the First Coast and cause a major interruption in services.

In FY14 we sent each and every employee back to school to take a new class called Customer Experience 101. Employees learned the value of empathy when working with customers. In addition, we formed a Customer Experience Council composed of JEA senior leadership, as well as directors from across the company, to shine a light on the value of customer satisfaction in every corner of the company. Earning our customer loyalty was—and continues to be—our strategic focus.

Empower Customers to Make Informed Decisions

In FY14 we worked hard to empower customers to make informed decisions about their bills by communicating the many customer solutions we offer in the form of JEA products and services. As a result, 48,000 customers are now signed up for JEA eBill, saving money each time we email a bill versus physically mail one, while also adding value for our customers and the environment. More

JEA's Chief Customer Officer Monica Whiting and Vice President/General Manager Electric Systems Mike Brost—along with the entire Strategic Leadership Team—hope to accelerate adoption of PEVs in Jacksonville by offering customers a rebate on the purchase or lease of a new PEV.

than 15,000 customers have signed up for JEA MyBudget, our level billing plan, and nearly two-thirds of our total electric customers, 320,000 people, took advantage of JEA rebates. We also rolled out new LED lighting rebates and a new rebate for new or leased plug-in electric vehicles (PEVs).

JEA's Customer and Community Engagement department started three e-newsletters that proved immediately popular: one to residents, another to commercial customers and a third to members of our customer feedback group called Your Two Cents Worth. The newsletters help advance our effort to communicate a variety of key messages to our customers and in turn provide another avenue for our customers to communicate with us.

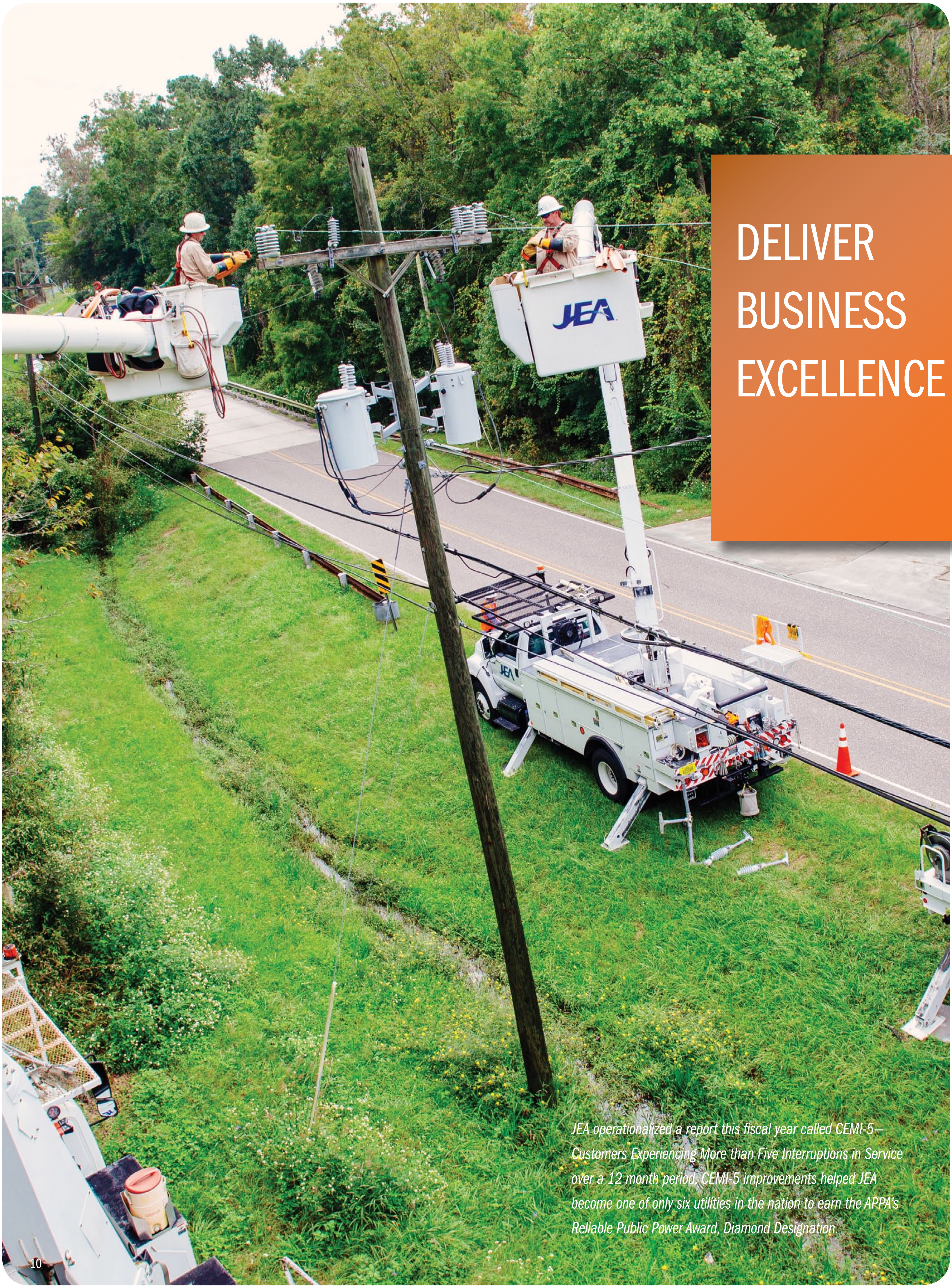
Empowering our customers also means teaching them about energy and water conservation. In FY14 we delivered thousands of Savings without Sacrifice programs, which help customers manage their bills through conservation. We also traveled to more than 100 community events to teach these "ways to save" while totaling over 500 checkouts of the JEA Home Energy and Water Evaluation kits from public libraries in three counties. Customers checkout the kits and take them home—just like checking out a book. Using the tools and guides inside the kit, customers teach themselves how to make their homes more energy and water efficient.

Demonstrate Community Responsibility

In FY14 one-third of JEA's workforce demonstrated its "heart of service" by volunteering in the community. Some 700 employees reported more than 4,000 hours of community service. We built homes with HabiJax, cooked and served food to the hungry, collected backpacks full of school supplies for disadvantaged children, handed out water at marathons and picked up trash along the St. Johns River. We also sent 69 JEA employees to give 75 presentations as part of our JEA Speakers' Bureau. They spoke on topics ranging from conservation to careers at JEA.

Customers acknowledged through J.D. Power a 25 percent increase in seeing employees volunteer in the community compared to FY13. (That's a 70 percent increase over 2010.) It was all part of our grassroots effort to prove each and every day to each and every customer that we care about this community, because it's our community, too.

Top: JEA employees take more than 45,000 water samples every year to confirm the quality of our drinking water. Many of those tests are conducted at our Main Street Lab, which is also a popular tour destination for student groups. Bottom left: In FY14 one-third of JEA's workforce demonstrated its "heart of service" by volunteering in the community. Some 700 employees reported more than 4,000 hours of community service. Bottom right: In FY14, we sent more than 30,000 proactive communication pieces into the field—door hangers, street signs and postcards—to inform customers of reliability work we'd be performing in their neighborhood.



DELIVER BUSINESS EXCELLENCE

JEA operationalized a report this fiscal year called CEMI-5–Customers Experiencing More than Five Interruptions in Service over a 12 month period. CEMI-5 improvements helped JEA become one of only six utilities in the nation to earn the APPA's Reliable Public Power Award, Diamond Designation.

JEA employees provided our customers with high-quality electric, water and sewer service at an affordable cost every day of FY14. Our strong bond ratings, combined with favorable market conditions, continued to give JEA balance sheet flexibility. Revenues grew on the electric side to $1.48 billion and on the water/wastewater side to $393 million this year thanks, in part, to the weather, an improved economy and the operational discipline of JEA employees. This, as our customers continued to use less electricity and less water in their daily lives, a trend that's happening not just in Jacksonville, but nationwide.

NUMBER OF ELECTRIC POLES INSPECTED WITH GO! SYNC IN THOUSANDS

SHORT DURATION OUTAGE IMPROVEMENT

EXTENDED OUTAGE IMPROVEMENT

5% 13% 35

Grow Net Revenues

JEA's Financial and Logistical Services unit embarked on a new objective in FY14: to grow net revenues through alternative revenue sources. We started giving rebates on new and leased plug-in electric vehicles (PEVs) as part of our PEV electric vehicle awareness campaign. We also added a JEA electric vehicle to our fleet. It's been well-received in the community, especially at area events such as National Drive Electric Week in September.

In FY14, JEA entered the tree farm business thanks to several large parcels of conservation land we own on the outskirts of town. JEA's Real Estate department initiated efforts to harvest the pine trees on this land. We plan to plant new trees thereafter to institutionalize the business going forward. Additionally, as part of the effort to grow revenues, we created a new email address: strategy@jea.com. Employees have been emailing the Senior Leadership Team their ideas for saving money and initiating new, complementary business strategies for JEA.

Improve Cost Efficiency

JEA's Financial and Logistical Services unit saved millions of dollars again this fiscal year by reducing the cost of our $5.3 billion dollar debt portfolio through fixed and variable rate refinancings. By issuing more than $813 million in refunding bonds, JEA will save approximately $108 million over the life of the debt as measured in current dollars. Our refunding strategy also reduced overall variable rate exposure by $65 million.

In addition, the entire company focused on tightening its collective belt. For example, the Wastewater System saved $40,000 at just one facility—the Nassau County Water Reclamation Facility—by reducing the volume of sludge it takes to a landfill. A team at the facility figured out how to decrease the amount of water in the sludge, thereby minimizing how much the sludge weighs. Since the landfill charges by weight, we saved thousands of dollars in landfill fees. We've institutionalized this process at all our wastewater treatment plants and won a Gold Standard Award for this effort from the National Association of Clean Water Agencies.

JEA's Chief Financial Officer Melissa Dykes and JEA's Chief Compliance Officer Ted Hobson stand in the middle of JEA's tree farm to emphasize the utility's focus on diversifying net revenues through alternative revenue sources.

We also reduced the house electric load in many of our unmanned facilities by putting fans and pumps on automatic, while at the same time tightening some of our billing systems.

Like every company, surplus now plays a vital role in getting a return on investment at the end of the life cycle of a material purchase. Instead of allowing obsolete, damaged or excess material to sit idly and further lose value, the JEA Investment Recovery Operations (IRO) group is selling surplus material, such as scrap metal, furniture, electronics and transformer oil. The IRO group takes bids for some of the material or advertises sale items on jea.com or JEA social media. In FY14, the IRO group sold more than $2 million of material.

This group also tests, repairs and rejuvenates used transformers. Once tested, the units are returned to JEA's active inventory for reissue. In FY14 JEA saved more than $585,000 by recycling transformers instead of buying new ones.

Improve Operational Performance

JEA's Electric System outperformed itself again in FY14, further adding to its reputation as an exemplary municipal service utility. In FY14, the Electric System improved on its already unbeatable performance rates in terms of momentary outages. The typical JEA customer saw just 2.2 short-duration (one minute) momentary outages, a 13 percent improvement over FY13.

JEA invested over $3 million in FY14 working hard to improve on its already low extended outage frequency and duration rates. Back in FY12, we began to use a metric known in the industry as "CEMI-5," or "Customers Experiencing More than Five Interruptions" in service in the past year. The new metric directs JEA's engineers and field personnel to the exact locations and specific customer names and addresses of households that have experienced six or more extended interruptions of one minute or more over the last 12 months. With this information in hand, we can send crews into a neighborhood to review and implement a targeted set of electric reliability improvement projects. Depending on each specific location and the problems found, we may trim trees, change poles, replace transformers, upgrade other pole equipment, add new animal guards and/or even upgrade the power lines.

The end result is that the CEMI-5 improvement efforts have worked very well for us during the past year. The CEMI-5 metric has begun to trend down over time, and our extended outage rate ended the year at 1.66, an improvement of nearly 5 percent year-over-year. Further, looking back over the past two years, extended outage frequency and duration have been reduced by 26 percent and 16 percent, respectively. It's reliability like this that helped JEA earn the American Public Power Association's RP3 Award, Diamond Designation for outstanding performance in

Top: In addition to rebates, JEA is also partnering with the state and a regional transportation agency to install 25 charging stations across Duval County. Bottom: JEA customers received a $26 million fuel credit in FY14, giving them a little extra to spend in July. The money was returned to customers from savings in our fuel fund.

JEA's Chief Public Affairs Officer, Bud Para, helped focus and shape the decision-making process in FY14 using JEA's new strategic plan. JEA will continue to build on that plan in the years ahead.

reliability, safety, work force development and system improvement—the highest honor for best in class proficiency in each award category.

JEA's Water/Wastewater System posted its own strong reliability numbers in FY14. We reduced the number of water customers affected by boil water incidents by 56 percent in FY14. We also met our goal to improve compliance with the EPA's National Pollutant Discharge Elimination System (NPDES) by five percent.

JEA continues to give employees new technology and tools to help them work smarter. For instance, field crews now use a new mobile geographic mapping tool that helps them record inspection data on electric poles. With the help of Go! Sync, JEA crews inspected 3,500 poles in FY14. Our IT unit won an important award in FY14: the Lifetime Achievement Award from Siemens Business for making significant business and technological transformational change within the organization, and for driving that change within the industry. Siemens called JEA "a true pioneer in the field of meter data management."

On the facilities level, the JEA Board of Directors voted to place an electric-generation unit in reserve four years ahead of schedule. Northside Unit 3 burns residual oil and natural gas. It went online in 1977 and will be placed into reserve storage by December 2015. This will help reduce our excess capacity by 500MW and prove a wise, long-term decision given potential, new environmental regulatory requirements. Meanwhile, construction continues on pace on a nuclear power plant under construction by the Southern Company in Waynesboro, GA, south of Augusta. JEA has entered into a 20-year power purchase agreement with the Municipal Electric Authority of Georgia (MEAG) for a portion of the plant's output, which will power 130,000 Jacksonville homes when complete. Plant Vogtle Unit 3 is expected to come online in 2017–2018, providing 13 percent of JEA's annual energy production.

JEA tested more than 23 miles of gravity sewer pipe in FY14 to identify pipes with ground water infiltration in our wastewater system. We used a tried and true method to do this called sanitary sewer smoke testing.

DEVELOP AN UNBEATABLE TEAM

Jacksonville children enjoy meeting JEA linemen, including the three that won first place at the International Linemen Rodeo in Kansas in October FY14.

At JEA, we take great pride in our employees who deliver the highest level of proficiency and performance for our customers. We do this by attracting, retaining and developing a competent, motivated and agile workforce.

Institute Agile Employment and HR Model

We focused on agility in FY14, which to us means a flexible staffing model that allows employees to be cross-trained to work in different departments. We also earned a 98 percent acceptance rate on job offers.

MONEY RAISED FOR COMMUNITY NONPROFITS IN THOUSANDS

EMPLOYEE COMMUNITY SERVICE HOURS IN THOUSANDS

EMPLOYEES WINNING CRANE AWARDS

3 4 $420

This, as we rolled out a new wellness program in FY14 with health fairs, exercise and sports opportunities and free health testing (blood pressure, glucose, and cholesterol). Employees participated in numerous Lunch and Learns on topics ranging from colon cancer to the importance of laughter for stress reduction. Our emphasis on wellness earned JEA a Platinum Level First Coast Healthiest Companies Award for the second straight year. JEA realized a $2 million reduction in medical claims cost attributed to the ongoing efforts of the wellness initiatives and the plan management of the JEA self-insured, medical plan.

Facilitate and Expect Employee Growth and Development

Employee growth and development is one of JEA's core values and we offer extensive apprentice and educational programs to help foster this growth. The success of this initiative was embodied in FY14 when three JEA employees won Crane Awards sponsored by the First Coast Manufacturers Association. The employees were recognized for their contributions to the betterment of their company workplace, work that also helped improve our community.

At JEA, we consider volunteering more than just a good deed. It's a way for our employees to give back to the community. Our 2,200 employees embody a strong culture of giving. Whether it's their hard earned dollars or their personal time, our employees are incredibly generous. In the last five years, JEA employees have contributed

JEA's Vice President/General Manager of Water/Wastewater Systems Brian Roche and JEA's Chief Human Resources Officer Angelia Hiers stand in front of the St. Johns River Power Park, which hit an important milestone in FY14: four years without a lost time incident.

more than $2.5 million to community nonprofits. In FY14, employees raised more than $420,000 for United Way of Northeast Florida, Community Health Charities and The College Fund. More than 700 employees volunteered in FY14, contributing approximately 4,000 hours to community service. JEA employees acted as educational ambassadors teaching financial literacy at area high schools. They stocked shelves at Northeast Florida's largest food bank and helped repair homes for the elderly and disadvantaged.

Ensure a Safe, Healthy and Ethical Workplace

One of JEA's electric generation facilities, the St. Johns River Power Park, achieved an important safety milestone in FY14: four years without a lost time incident. That's more than two million man-hours worked.

JEA's overall, yearend recordable incident rate ticked up slightly in FY14, although it still remained well below the industry average. This prompted JEA's Health and Safety Services department to begin a new safety program in FY14 called September Safety Month. Using a common agenda, JEA managers throughout the company held weekly safety meetings to focus on a different safety theme each week. The agenda included videos, safety stickers and posters, all designed to renew each and every employee's commitment to Plan for Zero.

That commitment to safety was never in doubt when three JEA Linemen won first place at the International Lineman Rodeo in Kansas City in October 2013. Michael Corbitt, Brian Gregg and Robert Hess beat teams from all over the world to take home top honors. The trio quickly became the toast of the town—receiving a proclamation from the Jacksonville City Council and much attention in the local media.

Top: JEA Employees always gather for a Safety Tailgate before the start of a job. This gives employees the chance to focus on safety and discuss possible hazards in the job ahead. Bottom left: Safety is one of JEA's core values along with Service, Growth², Accountability and Integrity. Bottom right: JEA won the prestigious Platinum First Coast Healthiest Companies Award in FY14 based on JEA's overall wellness programming and participation supporting health and wellness for every employee.

JEA AT A GLANCE

Electric System
- Average of 438,000 customers
- 900 square miles of service area
- 6,625 miles of distribution
- 745 circuit miles of transmission

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

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

Electric Mix (kW capacity)
- Gas/Oil – 62%
- Solid Fuel – 38%

Power Supply Mix (kWh)
- Natural Gas - 31%
- Solid Fuels - 63%
- Other - 6%

Water System
- 321,605 customers
- 134 permitted wells
- 37 active WTPs (304 MGD total system capacity)
- 4 county service area
- 1 major grid (with two river crossing interconnections), 4 minor grids
- 70 MGal storage capacity
- 4,352 miles of pipe

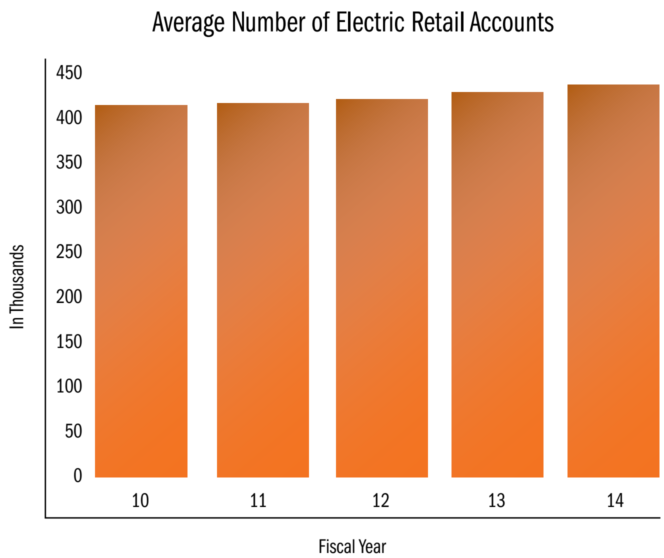
Wastewater System
- 247,476 customers
- 11 treatment facilities (241 MGD peak capacity)
- 1,320 pump stations
- 4 county service area
- 3,817 miles of pipe

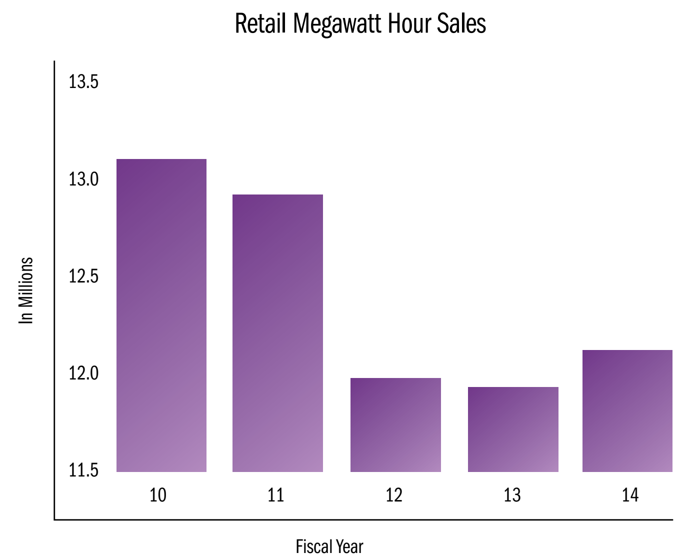
Reclaimed Water System
- 5,187 customers
- 0 reclaimed water production facilities
- 30 MGD capacity
- 2 storage and re-pump facilities (Bartram and Nocatee)
- 3 production and storage facilities (Blacks Ford,
- JCP, and Ponte Vedra)
- 190 miles of pipe

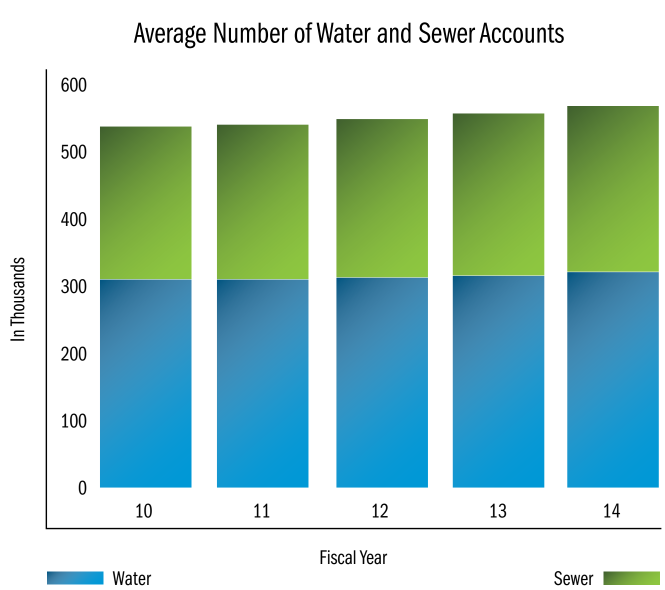
District Energy Systems
- 4 chilled water plants (21,500 tons capacity)

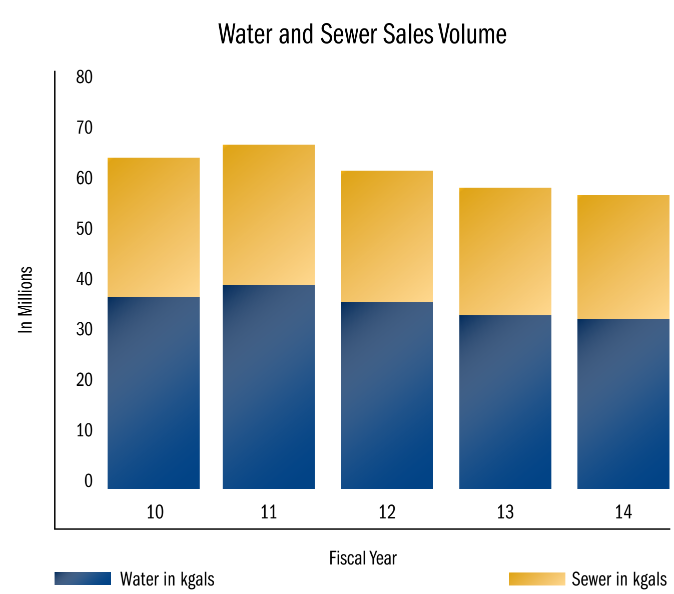
Financial and Operating Highlights

	Years Ended September 30					
	2014	**2013**	**2012**	**2011**	**2010**	% Change **2014–2013**
ELECTRIC FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$1,479,483	$1,432,617	$1,524,963	$1,684,131	$1,606,474	3.27%
Fuel and purchased power expenses (thousands)	$585,021	$539,646	$548,030	$733,296	$741,374	8.41%
Total operating expenses (thousands)	$1,196,160	$1,169,329	$1,164,512	$1,295,017	$1,273,327	2.29%
Debt service coverage:						
Senior and subordinated–Electric	2.41x	2.57x	2.69x	2.75x	3.35x	-6.23%
Senior - Electric	5.40x	5.53x	5.61x	5.69x	6.21x	-2.35%
Bulk Power Supply System	2.24x	1.52x	2.89x	1.47x	3.00x	47.37%
St. Johns River Power Park 1st Resolution	1.25x	1.25x	1.27x	1.25x	1.25x	0.00%
St. Johns River Power Park 2nd Resolution	2.21x	1.16x	1.15x	1.15x	1.15x	90.52%
WATER & SEWER FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$393,355	$390,692	$395,437	$368,087	$313,136	0.68%
Operating expenses (thousands)	$263,275	$266,312	$275,879	$244,599	$251,100	-1.14%
Debt service coverage:						
Senior and subordinated	2.46x	2.39x	2.24x	2.08x	1.82x	2.93%
Senior	2.71x	2.65x	2.46x	2.33x	2.06x	2.26%
ELECTRIC OPERATING HIGHLIGHTS						
Sales (megawatt hours)	14,312,013	13,782,549	13,854,707	15,462,628	16,521,876	3.84%
Peak demand–megawatts 60 minute net	2,823	2,596	2,665	3,062	3,224	8.74%
Total accounts–average number	434,917	426,772	422,315	419,703	418,505	1.91%
Sales per residential account (kilowatt hours)	13,301	12,985	12,932	14,733	15,481	2.43%
Average residential revenue per kilowatt hour	$11.97	$11.91	$12.52	$12.61	$11.56	0.50%
Power supply (%):						
Coal	57	49	43	50	53	16.33%
Natural gas	27	29	39	26	16	-6.90%
Petroleum coke	10	13	6	13	18	-23.08%
Coal fired purchases	–	–	–	–	6	
Other purchases	5	8	11	11	6	-37.50%
Oil	1	1	1	–	1	0.00%
WATER & SEWER OPERATING HIGHLIGHTS						
WATER						
Total sales (kgals)	32,468,336	33,087,804	35,345,044	38,982,907	36,750,266	-1.87%
Total accounts–average number	318,708	312,914	309,221	307,385	306,046	1.85%
Average sales per residential account (kgals)	59.84	62.06	66.30	74.36	71.12	-3.58%
Average residential revenue per kgal	$5.35	$5.20	$5.03	$4.43	$4.00	2.88%
REUSE						
Total sales (kgals)	1,300,838	1,109,653	1,330,359	1,551,175	989,010	17.23%
Total accounts–average number	4,501	3,143	2,241	1,666	1,201	43.21%
SEWER						
Total sales (kgals)	23,526,976	23,623,974	24,490,071	25,919,479	25,126,672	-0.41%
Total accounts–average number	244,836	239,283	235,615	233,592	231,735	2.32%
Average sales per residential account (kgals)	58.40	60.59	64.56	72.10	69.22	-3.61%
Average residential revenue per kgal	$9.46	$9.27	$8.99	$7.44	$6.69	2.05%


Average Number of Electric Retail Accounts
450
400
350
300
250
200
150
100
50
0
In Thousands
10
11
12
13
14
Fiscal Year


Retail Megawatt Hour Sales
13.5
13.0
12.5
12.0
11.5
In Millions
10
11
12
13
14
Fiscal Year


Average Number of Water and Sewer Accounts
600
500
400
300
200
100
0
In Thousands
10
11
12
13
14
Fiscal Year
Water
Sewer

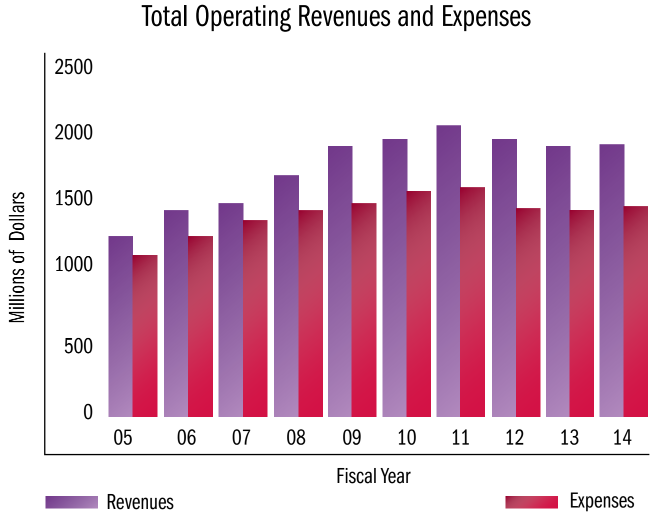

Water and Sewer Sales Volume
80
70
60
50
40
30
20
10
0
In Millions
10
11
12
13
14
Fiscal Year
Water in kgals
Sewer in kgals

Financial Summary

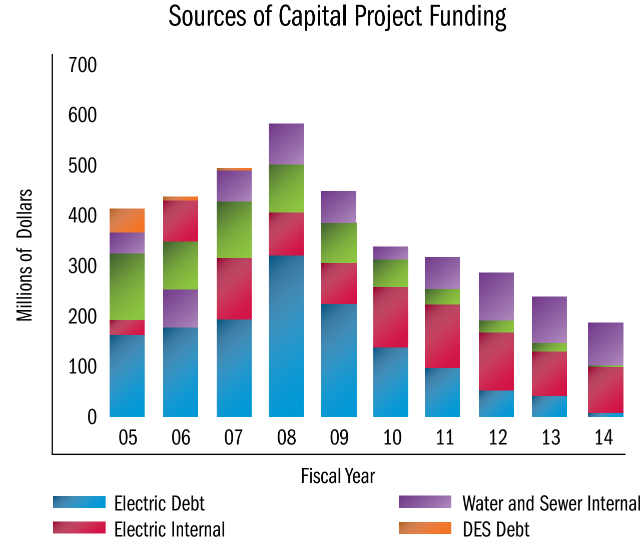
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

		2014-2013	2013-12	2012-11
Operating revenues:	Electric	1,431,167	$1,383,696	$1,473,134
	Water and sewer	383,643	381,677	385,631
	District Energy System	8,682	8,471	8,571
	Other, net	38,389	38,975	41,046
	Total operating revenues	1,861,881	1,812,819	1,908,382
Operating expenses:	Fuel and purchased power	585,021	539,646	548,030
	Operations and maintenance	364,764	371,041	366,751
	Depreciation	375,505	378,067	379,570
	State utility and franchise taxes	72,221	70,237	72,925
	Recognition of deferred costs/revenues	49,271	64,305	59,153
	Total operating expenses	1,446,782	1,423,296	1,426,429
	Operating Income	415,099	389,523	481,953
Nonoperating revenues (expenses):	Earnings from The Energy Authority	3,567	4,325	6,328
	Investment income (loss)	20,546	(13,240)	8,804
	Other nonoperating revenue	7,280	7,530	16,420
	Interest on debt	(223,736)	(235,228)	(248,681)
	Other interest	(38)	(134)	(23)
	Allowance for funds used during construction	3,894	3,986	3,365
	Water & Sewer Expansion Authority	-	-	-
	Gain (loss) sale of asset	-	-	-
	Total nonoperating revenues (expenses), net	(188,487)	(232,761)	(213,787)
	Income (loss) before contributions	226,612	156,762	268,166
Contributions (to) from:	General fund, City of Jacksonville	(109,188)	(106,687)	(104,188)
	Capital Contributions:			
	Developers and other	38,845	29,292	18,774
	City of Jacksonville Better Jacksonville Plan	-	-	-
	Water & Sewer Expansion Authority	-	-	-
	Total other revenues (expenses)	(70,343)	(77,395)	(85,414)
Change in net position		156,269	79,367	182,752
Net position—beginning of the year as originally reported		2,039,737	1,991,311	1,808,559
Effect of change in accounting		-	(30,941)	-
Net position—beginning of year as restated		2,039,737	1,960,370	1,808,559
Net position—end of year		$2,196,006	$2,039,737	$1,991,311

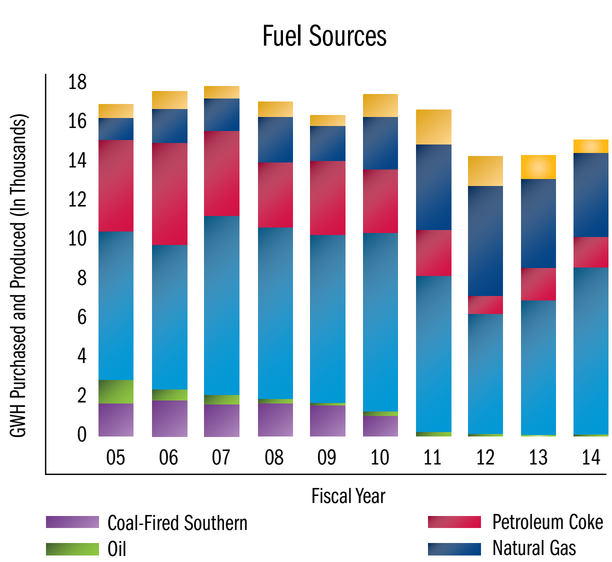
Total Operating Revenues and Expenses

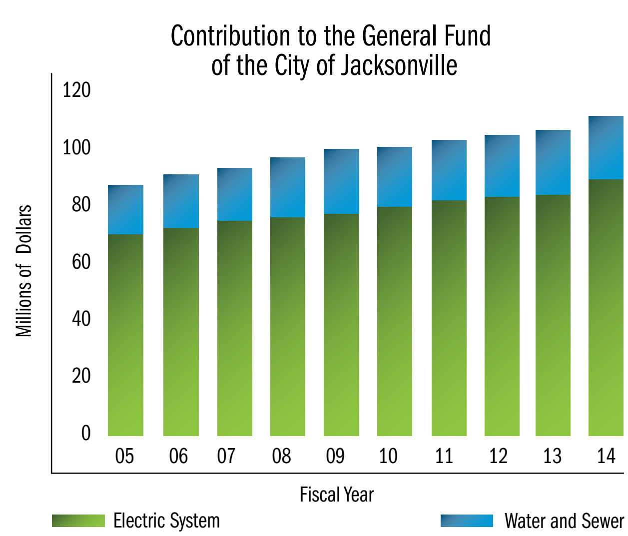


Sources of Capital Project Funding



2011-10	2010-09	2009-08	2008-07	2007-06	2006-05	2005-04	
$1,624,473	$1,548,248	$1,525,966	$1,330,280	$1,164,747	$1,160,463	$973,326	
358,176	303,241	249,813	248,115	238,256	214,906	182,961	
8,067	7,595	6,914	6,162	5,748	3,054	1,297	
48,842	50,692	48,687	48,863	47,176	50,649	42,388	
2,039,558	1,909,776	1,831,380	1,633,420	1,455,927	1,429,072	1,199,972	
733,296	741,374	719,296	694,007	600,170	599,426	494,721	
334,066	322,672	295,480	311,071	305,888	273,578	251,099	
351,931	353,606	344,158	326,301	302,374	297,614	278,531	
78,787	73,120	72,127	48,551	26,399	26,807	21,791	
27,014	22,149	33,108	43,345	45,952	40,428	44,141	
1,525,094	1,512,921	1,464,169	1,423,275	1,280,783	1,237,853	1,090,283	
514,464	396,855	367,211	210,145	175,144	191,219	109,689	
12,265	6,103	4,088	22,374	20,192	21,910	17,382	
11,908	(3,604)	23,463	17,307	38,112	23,088	14,460	
7,698	3,832	–	–	–	–	–	
(289,320)	(285,669)	(264,701)	(249,622)	(246,787)	(232,370)	(238,454)	
(109)	(54)	(72)	(451)	(1,877)	(1,600)	(1,246)	
5,387	9,713	12,708	19,448	28,425	32,044	34,637	
(485)	(719)	(864)	(1,216)	(1,601)	(762)	(302)	
–	–	(986)	740	(3,762)	–	–	
(252,656)	(270,398)	(226,364)	(191,420)	(167,298)	(157,690)	(173,523)	
261,808	126,457	140,847	18,725	7,846	33,529	(63,834)	
(101,688)	(99,187)	(96,687)	(94,188)	(91,437)	(88,688)	(85,938)	
23,539	19,883	38,071	47,471	119,525	97,775	58,406	
–	–	1,516	2,857	29,091	14,546	385	
11,465	–	–	–	–	–	(254)	
(66,684)	(79,304)	(57,100)	(43,860)	57,179	23,633	(27,401)	
195,124	47,153	83,747	(25,135)	65,025	57,162	(91,235)	
1,613,435	1,566,282	1,482,535	1,507,670	1,440,241	1,383,079	1,474,314	
–	–	–	–	2,404	–	–	–
1,613,435	1,566,282	1,482,535	1,507,670	1,442,645	1,383,079	1,474,314	
$1,808,559	$1,613,435	$1,566,282	$1,482,535	$1,507,670	$1,440,241	$1,383,079	





Operating Summary

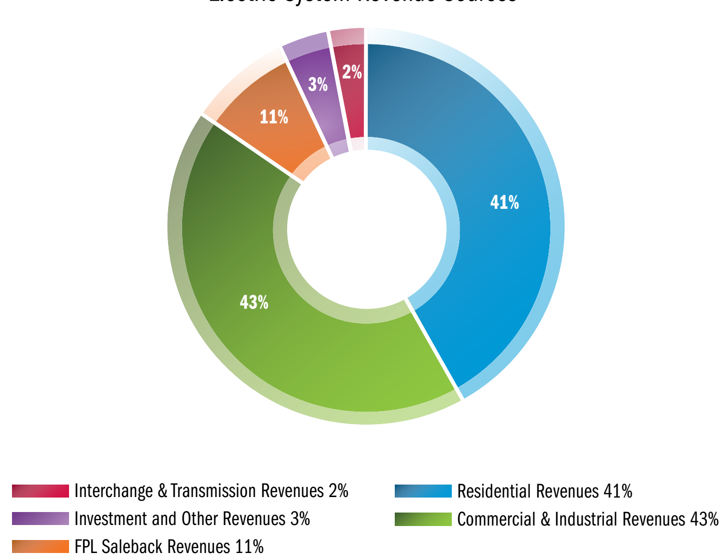
Electric System, Bulk Power System and St Johns River Power Park

		2014-13	2013-12	2012-11
Electric revenues (000's omitted):	Residential	$608,983	$580,893	$601,581
	Commercial and industrial	632,121	617,962	670,983
	Public street lighting	13,943	14,661	15,311
	Sales for resale	34,700	29,989	37,153
	Florida Power & Light saleback	159,747	158,031	166,873
	Total	1,449,494	1,401,536	1,491,901
Sales (megawatt hours):	Residential	5,086,866	4,877,264	4,806,144
	Commercial and industrial	6,636,445	6,599,249	6,670,200
	Public street lighting	111,325	123,177	122,614
	Sales for resale			
	Territorial	337,353	329,922	374,116
	Off-system	136,342	42,286	74,852
	Florida Power & Light saleback	2,003,682	1,810,651	1,806,781
	Total	14,312,013	13,782,549	13,854,707
Average number of accounts:	Residential	382,438	375,600	371,658
	Commercial and industrial	48,999	47,709	47,230
	Public street lighting	3,477	3,460	3,424
	Sales for resale (1)	3	3	3
	Total	434,917	426,772	422,315
System installed capacity—MW (2)		3,759	3,759	3,759
Peak demand—MW (60 minute net)		2,823	2,596	2,665
System load factor—%		51%	54%	53%
Residential averages—annual:	Revenue per account—$	1,592.37	1,546.57	1,618.64
	kWh per account	13,301	12,985	12,932
	Revenue per kWh—¢	11.97	11.91	12.52
All other retail—annual:	Revenue per account—$	12,311.61	12,363.40	13,548.66
	kWh per account	128,588	131,377	134,102
	Revenue per kWh—¢	9.57	9.41	10.10
Heating-cooling degree days		3,998	3,830	3,618

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

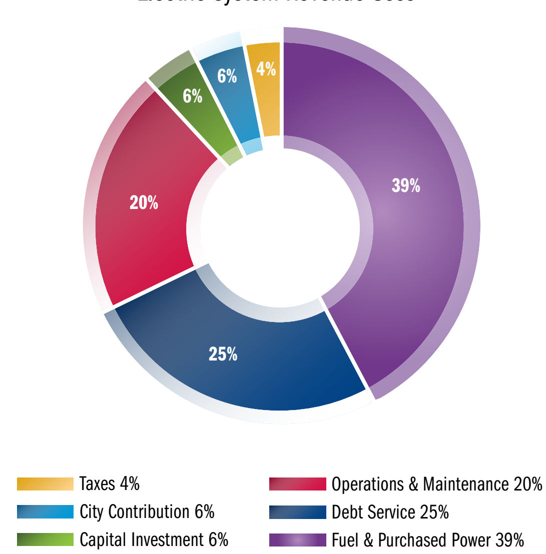
(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

Electric System Revenue Sources



2011-10	2010-09	2009-08	2008-07	2007-06	2006-05	2005-04
$686,706	$659,829	$645,725	$559,042	$490,935	$511,389	$426,316
704,976	647,316	678,218	588,910	490,089	488,304	384,808
15,347	14,203	14,440	12,066	10,242	10,086	8,622
41,155	53,990	52,941	49,660	48,522	45,961	41,330
196,353	190,293	157,898	137,910	137,463	117,816	122,256
1,644,537	1,565,631	1,549,222	1,347,588	1,177,251	1,173,556	983,332
5,444,926	5,707,670	5,300,203	5,363,697	5,478,280	5,650,986	5,542,498
6,908,240	6,932,123	6,849,291	7,314,128	7,160,361	7,157,602	6,948,730
122,402	121,413	120,191	116,966	112,760	110,178	107,757
394,548	418,867	406,051	437,870	479,425	522,134	492,716
99,953	391,559	579,730	457,421	649,193	593,750	568,442
2,492,559	2,950,244	2,659,565	2,635,812	3,059,195	2,649,427	2,577,860
15,462,628	16,521,876	15,915,031	16,325,894	16,939,214	16,684,077	16,238,003
369,566	368,682	367,864	365,632	364,284	357,232	349,139
46,710	46,325	45,810	45,207	44,440	41,342	39,151
3,424	3,495	3,550	3,576	3,565	3,561	3,539
3	3	3	3	6	7	3
419,703	418,505	417,227	414,418	412,295	402,142	391,832
3,759	3,376	3,376	3,241	3,241	3,213	3,049
3,062	3,224	3,064	2,914	2,897	2,919	2,860
50%	49%	49%	54%	55%	55%	55%
1,858.14	1,789.70	1,755.34	1,528.97	1,347.67	1,431.53	1,221.05
14,733	15,481	14,408	14,670	15,038	15,819	15,875
12.61	11.56	12.18	10.42	8.96	9.05	7.69
14,367.95	13,278.18	14,032.78	12,319.37	10,422.48	11,099.26	9,215.98
140,237	141,580	141,197	152,330	151,508	161,855	165,296
10.25	9.38	9.94	8.09	6.88	6.86	5.58
4,345	4,705	4,094	3,785	3,803	4,053	4,035

Electric System Revenue Uses

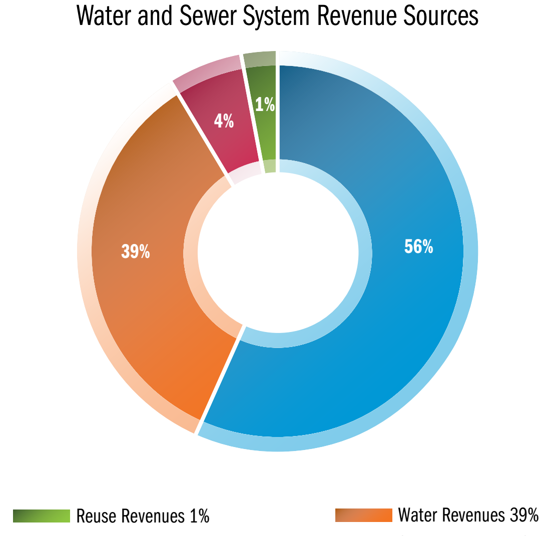


Operating Summary

Water and Sewer System

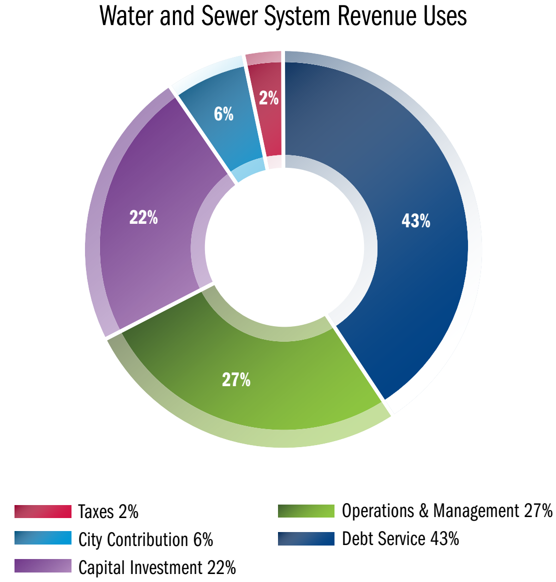
		2014-13	2013-12	2012-11
Water revenues (000's omitted):	Residential	$83,014	$81,832	$83,390
	Commercial and Industrial	43,647	42,809	43,629
	Irrigation	30,088	32,796	34,802
	Total	156,749	157,437	161,821
Water sales (kgals):	Residential	15,507,752	15,741,904	16,589,517
	Commercial and Industrial	12,131,400	11,777,128	12,134,488
	Irrigation	4,829,184	5,568,772	6,621,039
	Total	32,468,336	33,087,804	35,345,044
Average number of accounts:	Residential	259,159	253,662	250,204
	Commercial and Industrial	23,722	23,487	23,365
	Irrigation	35,827	35,765	35,652
	Total	318,708	312,914	309,221
Residential averages—annual:	Revenue per account—$	320.32	322.60	333.29
	kgals per account	59.84	62.06	66.30
	Revenue per kgal—$	5.35	5.20	5.03
Rainfall (inches)		51.17	45.54	55.24
Reuse revenues (000's omitted):		$5,533	$4,551	$3,936
Reuse sales (kgals):		1,300,838	1,109,653	1,330,359
Average number of accounts:		4,501	3,143	2,241
Sewer revenues (000's omitted):	Residential	$125,526	$124,642	$126,722
	Commercial and Industrial	97,339	96,009	94,232
	Total	222,865	220,651	220,954
Volume (kgals):	Residential	13,269,638	13,439,781	14,091,702
	Commercial and Industrial	10,257,338	10,184,193	10,398,369
	Total	23,526,976	23,623,974	24,490,071
Average number of accounts:	Residential	227,216	221,821	218,264
	Commercial and Industrial	17,620	17,462	17,351
	Total	244,836	239,283	235,615
Residential averages—annual:	Revenue per account—$	552.45	561.90	580.59
	kgals per account	58.40	60.59	64.56
	Revenue per kgal—$	9.46	9.27	8.99

Water and Sewer System Revenue Sources



2011-10	2010-09	2009-08	2008-07	2007-06	2006-05	2005-04
$81,859	$70,396	$59,441	$59,297	$57,620	$52,299	$44,337
40,299	34,872	27,591	26,692	24,483	22,404	17,546
35,932	26,876	19,080	19,679	21,143	18,105	13,782
158,090	132,144	106,112	105,668	103,246	92,808	75,665
18,485,853	17,609,301	17,572,032	18,848,414	20,499,442	19,890,048	17,666,292
12,271,645	12,091,091	12,184,482	12,837,866	12,917,475	12,785,160	12,610,550
8,225,409	7,049,874	7,089,431	7,924,021	9,683,871	8,560,591	6,816,341
38,982,907	36,750,266	36,845,945	39,610,301	43,100,788	41,235,799	37,093,183
248,605	247,609	246,276	245,659	245,420	237,990	227,253
23,221	22,996	23,460	23,473	23,302	22,577	21,775
35,559	35,441	35,340	35,107	34,515	33,122	30,581
307,385	306,046	305,076	304,239	303,237	293,689	279,609
329.27	284.30	241.36	241.38	234.78	219.75	195.10
74.36	71.12	71.35	76.73	85.53	83.58	77.74
4.43	4.00	3.38	3.15	2.81	2.63	2.51
42.18	40.53	53.67	65.72	39.35	47.89	56.22
$3,622	$2,093	$1,156	$1,079.00	$739.00	$196.00	$33.00
1,551,175	989,010	805,925	547,878	678,185	451,367	90,671
1,666	1,201	837	502	85	16	13
$116,024	$99,327	$84,961	$84,102	$80,717	$72,433	$60,502
81,633	70,831	59,017	58,640	54,281	50,183	47,629
197,657	170,158	143,978	142,742	134,998	122,616	108,131
15,597,512	14,847,431	14,353,777	15,293,138	16,464,215	15,772,717	13,784,344
10,321,967	10,279,241	10,413,889	11,097,674	11,120,273	10,977,474	11,158,375
25,919,479	25,126,672	24,767,666	26,390,812	27,584,488	26,750,191	24,942,719
216,323	214,506	212,741	211,607	210,609	202,892	191,812
17,269	17,229	17,617	17,598	17,421	16,918	16,331
233,592	231,735	230,358	229,205	228,030	219,810	208,143
536.35	463.05	399.36	397.44	383.25	357.00	315.42
72.10	69.22	67.47	72.27	78.17	77.74	71.86
7.44	6.69	5.92	5.50	4.90	4.59	4.39

Water and Sewer System Revenue Uses



Financial Report

Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

Years Ended September 30, 2014 and 2013
With Report of Independent Certified Public Accountants

Ernst & Young LLP

Building a better working world

JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Years Ended September 30, 2014 and 2013

Contents

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

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

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, Florida, as of and for the years ended September 30, 2014 and 2013, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JEA as of September 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities"

As discussed in Note 1 to the financial statements, JEA restated its financial statements as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities" effective October 1, 2012. Our opinion is not modified with respect to this matter.

Building a better working world

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis and the Schedules of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 Information

Our audit was conducted for the purpose of forming an opinion on JEA's basic financial statements. 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 supplementary combining statements of net position, statements of revenues, expenses and changes in net position and cash flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary combining statements of net position, statements of revenues, expenses, and changes in net position and cash flows are fairly stated, in all material respects, in relation to the basic 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 November 26, 2014 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.

Ernst & Young LLP

November 26, 2014

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, 2014 and 2013. 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 2014, 2013, and 2012 fiscal years:

Condensed Statements of Net Position

	2014	2013*	2012*
		(In millions)	
Assets and deferred outflows of resources			
Current assets	**$ 818**	$ 792	$ 818
Other noncurrent assets	**1,105**	1,090	1,084
Capital assets, net	**6,220**	6,430	6,565
Deferred outflows of resources	**294**	275	362
Total assets and deferred outflows of resources	**$ 8,437**	$ 8,587	$ 8,829
Liabilities and deferred inflows of resources			
Current liabilities	**$ 189**	$ 201	$ 203
Liabilities payable from restricted assets	**463**	458	470
Noncurrent liabilities	**44**	46	47
Long-term debt	**5,313**	5,661	6,046
Deferred inflows of resources	**232**	181	103
Net position			
Net investment in capital assets	**976**	905	860
Restricted	**608**	571	506
Unrestricted	**612**	564	594
Total liabilities, deferred inflows of resources, and net position	**$ 8,437**	$ 8,587	$ 8,829

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

	2014	2013*	2012*
		(In millions)	
Operating revenues	**$ 1,862**	$ 1,812	$ 1,908
Operating expenses	**(1,447)**	(1,423)	(1,426)
Operating income	**415**	389	482
Nonoperating expenses	**(189)**	(232)	(212)
Contributions	**(70)**	(77)	(85)
Increase in net position	**156**	80	185
Net position – beginning of the year	**2,040**	1,960	1,775
Net position – end of the year	**$ 2,196**	$ 2,040	$ 1,960

* Prior period financial statements have been revised to reflect the implementation of GASB Statement No. 65.

Financial Analysis of JEA for fiscal years 2014 and 2013

Operating Revenues

2014 Compared to 2013

Total Electric Enterprise Fund operating revenues for the fiscal year 2014 increased $46.9 million (3.3%) compared to fiscal year 2013. Operating revenues increased $48.0 million (6.9%), and other operating revenues decreased $1.1 million (3.6%). The increase in operating revenues was caused by an increase in consumption primarily in residential sales of 4.3%. Offsetting the increase was a Fuel Charge Credit approved by the Board of Directors of JEA (the Board) in May of 2014. The amount of the credit received by customers was approximately $25.3 million. Territorial GWh sales increased 2.0% and total sales increased 2.8% when including off system sales. Total sales for the year increased from 11,972 GWh to 12,308 GWh. The number of customers increased 1.9% when compared with fiscal year 2013. The $1.1 million decrease in other operating revenues was primarily due to reduced transmission revenues.

Total Water and Sewer Fund operating revenues increased $2.7 million, a 0.7% increase. The driver for the increase in operating revenues was primarily related to the increase in number of customers. Water customers increased 1.9%, sewer customers increased 2.3%, and reclaimed customers increased 43.2% when compared to the prior year. However, consumption was down in both water and sewer, primarily attributable to irrigation usage. Total water consumption, measured in thousands of gallons (kgals), decreased 619.5 kgals from 33,087.8 kgals to 32,468.3 kgals. Sewer sales volume decreased 0.4% when compared to the prior year. The decrease was 97.0 kgals from 23,624.0 kgals to 23,527.0 kgals.

Total DES revenues increased $0.2 million (2.6%) for fiscal year 2014 compared to fiscal year 2013. The increase in revenues was primarily caused by lower revenues in 2013 due to refunds given for the Chilled Water Equivalent Full Load Discount.

2013 Compared to 2012

Total Electric Enterprise Fund operating revenues for the fiscal year 2013 decreased $92.3 million (6.1%) compared to fiscal year 2012. Operating revenues decreased $90.3 million (6.1%), and other operating revenues decreased $2.1 million (6.0%). The decrease in operating revenues was primarily caused by a Fuel Charge Credit approved by the Board of Directors of JEA (the Board) in March of 2013 totaling approximately $36.6 million and a reduction in the variable fuel rate effective July 1, 2012, which approximated $35 million. The other contributing factor was a slight decrease in sales. Territorial GWh sales decreased 0.3% and total sales decreased 0.8% when off-system sales are included. Total sales for the year decreased from 13,854.7 GWh to 13,782.5 GWh. The number of customers increased 1.1% when compared with fiscal year 2012. The $2.1 million decrease in other operating revenues was primarily due to reduced transmission revenues.

Total Water and Sewer Fund operating revenues decreased $4.7 million, a 1.2% decrease. The decrease in operating revenues was primarily due to a decrease in volumes for water and sewer sales, mainly in irrigation sales due to a greater number of days of precipitation compared to the prior year. The decrease was offset in part by a volumetric rate increase for residential and commercial customers in excess of 6,000 gallons per month, effective October 1, 2012, and increased reclaimed revenues. There was a 6.4% decrease in consumption related to water services. Consumption, measured in thousands of gallons (kgals), decreased 2,257.2 kgals from 35,345.0 kgals to 33,087.8 kgals. Sewer sales volume decreased 4.2% when compared to the prior year. The decrease was 1,086.8 kgals from 25,820.3 kgals to 24,733.6 kgals. The number of customers increased 1.5% when compared with fiscal year 2012.

Total DES revenues increased $0.1 million (1.2%) for fiscal year 2013 compared to fiscal year 2012. The increase in revenues was primarily due to increased consumption.

Operating Expenses

2014 Compared to 2013

Total Electric Enterprise Fund operating expenses for fiscal year 2014 increased $26.8 million or 2.3% compared to fiscal year 2013. Fuel and purchased power expense increased $45.4 million, as discussed below. Other operating and maintenance expenses decreased $3.6 million as a result of lower planned outage expenses related to Northside and Brandy Branch generating stations as compared to 2013 and decreased salary and benefit expenses. The decrease was offset by an increase in Plant Scherer operating and maintenance expenses due to an extended planned outage. There was a decrease in depreciation expense of $1.9 million due to certain assets becoming fully depreciated. State utility taxes and franchise fees increased $2.0 million as a result of increased revenues. Recognition of deferred costs decreased $15.0 million, primarily related to deferred outflows of resources at SJRPP.

Total fuel and purchased power expense increased $45.4 million compared to the prior year. The increase is due to a 2.5% increase in GWh produced and purchased and an increase of 7.4% in the cost per GWh. Fuel expense increased $56.4 million, and purchased power expense decreased $11.0 million. Energy produced from JEA's generating stations increased 15.6% and energy purchased decreased 10.8% from the prior fiscal year. 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 for fiscal year 2014 was 57% coal, 27% natural gas, 10% petroleum coke, 5% other power purchases, and 1% oil. During fiscal year 2013, JEA's power supply was 49% coal, 29% natural gas, 13% petroleum coke, 8% other power purchases and 1% oil.

Total operating expenses for the Water and Sewer Fund decreased $3.0 million, a decrease of 1.1%. The decrease in operating expenses was mainly due to decreased expenses in industrial services and supplies offset partially by increased salary and benefit expenses.

The operating expenses for DES increased $377 thousand (5.7%) due to increased industrial services and supplies and professional services expenses. Depreciation expense increased $86 thousand due to assets being placed in service.

2013 Compared to 2012

Total Electric Enterprise Fund operating expenses for fiscal year 2013 increased $4.8 million or 0.4% compared to fiscal year 2012. Fuel and purchased power expense decreased $8.4 million, as discussed below. Other operating and maintenance expenses increased $6.1 million as a result of planned outages at Northside and Brandy Branch generating stations and increased salary and benefit expenses offset by a decrease in Plant Scherer operating and maintenance expenses. There was an increase in depreciation expense of $4.7 million due to assets being placed in service. State utility taxes and franchise fees decreased $2.7 million as a result of decreased revenues. Recognition of deferred costs increased $5.1 million, primarily related to regulatory assets at SJRPP.

Total fuel and purchased power expense decreased $8.4 million compared to the prior year. Fuel expense increased $4.5 million, and purchased power expense decreased $12.9 million. The decrease is due to decreases in commodity prices, fuel mix and decreased GWh produced. As the price of solid fuels, gas, oil, and purchased power have fluctuated from year to year, the components of fuel and purchased power expenses have shifted to take advantage of the most economical source of power. Energy produced from JEA's generating stations decreased 6.9% and energy purchased increased 7.8% from the prior fiscal year. JEA's power supply mix for fiscal year 2013 was 49% coal, 29% natural gas, 13% petroleum coke, 8% other power purchases, and 1% oil. During fiscal year 2012, JEA's power supply was 43% coal, 39% natural gas, 6% petroleum coke, 11% other power purchases and 1% oil.

Total operating expenses for the Water and Sewer Fund decreased $9.6 million, a decrease of 3.5%. Other operating and maintenance expenses decreased $3.4 million; mainly due to decreased electric charges resulting from the Fuel Charge Credit offset by increased salary and benefit expenses. Depreciation expense decreased $6.2 million primarily due to certain assets becoming fully depreciated.

The operating expenses for DES decreased $11.0 thousand (0.2%) due to decreased utility charges resulting from the Fuel Charge Credit offset by increased salary and benefit expenses. Depreciation expense increased from assets being placed in service.

Nonoperating Revenues and Expenses

2014 Compared to 2013

There was a net increase of $44.3 million (19%) in total net nonoperating income in fiscal year 2014. The Energy Authority (TEA), a municipal power marketing joint venture in which JEA is a member, earnings decreased $758 thousand due to decreased purchases by JEA and lower margins on purchases and sales of energy. Investment income increased $33.8 million due mainly to favorable fair market value adjustments in investments of $23.3 million and an $8.7 million loss on a swap termination that was recognized in 2013. Interest expense decreased $11.5 million due primarily to lower debt balances as a result of increased debt repayments and debt refunding savings.

2013 Compared to 2012

There was a net increase of $18.4 million (8.6%) in total net nonoperating expenses in fiscal year 2013. The Energy Authority (TEA), a municipal power marketing joint venture in which JEA is a member, earnings decreased $2.0 million due to decreased purchases by JEA and lower margins on purchases and sales of energy. Investment income decreased $22.0 million due mainly to an $8.7 million loss on a swap termination and an unfavorable fair market value adjustment in investments of $14.4 million. Other nonoperating revenue decreased $8.9 million due to a one-time payment from the City of Jacksonville for the termination of a radio maintenance agreement in fiscal 2012. Interest expense decreased $14.1 million due primarily to lower debt balances as a result of increased debt repayments and debt refunding savings. Allowance for funds used for construction (AFUDC) increased $621 thousand due to increased capital spending primarily in the Water System.

Capital Assets and Debt Administration for Fiscal Years 2014 and 2013

Capital Assets

As of September 30, 2014, JEA had approximately $6.2 billion in capital assets, net of accumulated depreciation. This included $3.5 billion in electric plant, $2.7 billion in water and sewer plant, and $38 million in chilled water plant. During fiscal year 2014, capital additions were $165.2 million, which included $86.1 million in electric plant, $78.6 million in water and sewer plant, and $500 thousand in chilled water plant. As of September 30, 2013, JEA had approximately $6.4 billion in capital assets, net of accumulated depreciation. This included $3.7 billion in electric plant, $2.7 billion in water and sewer plant, and $40.0 thousand in chilled water plant. During fiscal year 2013, capital additions were $228.2 million, which included $124.9 million in electric plant, $102.5 million in water and sewer plant, and $0.8 million in chilled water plant. More detailed information about JEA's capital asset activity is presented in note 4 to the financial statements.

JEA has ongoing capital improvement programs for the Electric Enterprise Fund and the Water and Sewer Fund. The capital programs consist of: (a) the Electric Enterprise Fund capital requirements for 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 2015 are as follows:

	In millions
Electric Enterprise Fund (Electric System, SJRPP and Scherer)	$ 146,500
Water and Sewer Fund	130,900
DES	1,356

SJRPP and Plant Scherer are subject to joint ownership agreements. JEA's share of the estimated capital expenditures relating to these plants is $17 million and is included in the Electric Enterprise Fund amounts above.

Debt Administration

Debt outstanding at September 30, 2014, was $5.27 billion, a decrease of approximately $367 million from the prior fiscal year.

Debt outstanding at September 30, 2013, was $5.64 billion, a decrease of approximately $332 million from the prior fiscal year.

JEA's debt ratings on its long-term debt as of September 2014 and 2013 were as follows:

	2014					2013				
	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-	AA	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. Rate changes are implemented after public rate hearing and Board approval. In May 2009, the Board approved water and sewer rate structure changes and rate adjustments for fiscal years 2012 through 2014, whereas the rates will become effective October 1 of each year. In June 2012, the Board eliminated the previously approved commercial and residential service availability charges and environmental charges increases scheduled to become effective October 1, 2012, while maintaining the volumetric rate increases for commercial and residential use in excess of 6,000 gallons per month.

In March 2013, the Board approved a Fuel Charge Credit of approximately $35 per average residential customer, totaling $36.6 million.

In light of JEA's initiative to update its current rate options and align them with more current initiatives, the Board approved in August 2013, an Economic Development Plan designed to provide financial incentives for new commercial and industrial customers and expanding JEA customers.

In May 2014, the Board approved a Fuel Charge Credit of approximately $26 million. This credit was projected to result in a $32 refund per average residential customer.

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.

Financial Statements

JEA

Statements of Net Position

(In Thousands)

	September 30	
	2014	**2013***
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents	**$ 299,702**	$ 258,727
Investments	**146,649**	155,899
Accounts and interest receivable, less allowance for doubtful accounts of $4,620 for 2014 and $4,613 for 2013	**234,627**	235,394
Inventories:		
Fuel	**68,988**	72,028
Materials and supplies	**67,901**	69,994
Total current assets	**817,867**	792,042
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	**289,920**	327,162
Investments	**783,340**	736,062
Accounts and interest receivable	**4,473**	6,604
Total restricted assets	**1,077,733**	1,069,828
Other assets	**19,813**	13,448
Investment in The Energy Authority	**8,071**	6,289
Total noncurrent assets	**1,105,617**	1,089,565
Capital assets:		
Land and easements	**136,813**	133,718
Plant in service	**10,491,842**	10,400,484
Less: accumulated depreciation	**(4,607,417)**	(4,345,641)
Plant in service, net	**6,021,238**	6,188,561
Construction work in progress	**198,382**	241,290
Net capital assets	**6,219,620**	6,429,851
Total assets	**8,143,104**	8,311,458
Deferred outflows of resources		
Costs to be recovered from future revenues	**19,715**	18,525
Unamortized deferred losses on refundings	**168,593**	172,684
Accumulated decrease in fair value of hedging derivatives	**105,615**	84,223
Total deferred outflows of resources	**293,923**	275,432
Total assets and deferred outflows of resources	**$ 8,437,027**	$ 8,586,890

* Prior period financial statements have been revised to reflect the implementation of GASB Statement No. 65.

JEA

Statements of Net Position (continued)

(In Thousands)

	September 30	
	2014	**2013***
Liabilities, deferred inflows of resources, and net position		
Current liabilities:		
Accounts and accrued expenses payable	**$ 133,634**	$ 142,063
Customer deposits	**55,644**	59,020
Total current liabilities	**189,278**	201,083
Current liabilities payable from restricted assets:		
Debt due within one year	**256,630**	239,032
Interest payable	**94,307**	100,078
Construction contracts and accounts payable	**22,604**	29,391
Renewal and replacement reserve	**89,220**	89,043
Total current liabilities payable from restricted assets	**462,761**	457,544
Noncurrent liabilities:		
Other liabilities	**44,456**	46,593
Long-term debt:		
Bonds and commercial paper payable, less current portion	**5,012,735**	5,396,957
Unamortized premium, net	**194,406**	180,040
Fair value of debt management strategy instruments	**105,615**	84,223
Total long-term debt	**5,312,756**	5,661,220
Total liabilities	**6,009,251**	6,366,440
Deferred inflows of resources		
Revenues to be used for future costs	**231,770**	180,713
Net position		
Net investment in capital assets	**976,490**	904,937
Restricted	**607,499**	570,697
Unrestricted	**612,017**	564,103
Total net position	**2,196,006**	2,039,737
Total liabilities, deferred inflows of resources, and net position	**$ 8,437,027**	$ 8,586,890

* Prior period financial statements have been revised to reflect the implementation of GASB Statement No. 65.

See accompanying notes.

JEA

Statements of Revenues, Expenses, and Changes in Net Position

(In Thousands)

	Year Ended September 30	
	2014	**2013***
Operating revenues:		
Electric	**$ 1,431,167**	$ 1,383,696
Water and sewer	**383,643**	381,677
District Energy System	**8,682**	8,471
Other	**38,389**	38,975
Total operating revenues	**1,861,881**	1,812,819
Operating expenses:		
Operations:		
Fuel	**541,806**	485,409
Purchased power	**43,215**	54,237
Other	**269,963**	267,915
Maintenance	**94,801**	103,126
Depreciation	**375,505**	378,067
State utility and franchise taxes	**72,221**	70,237
Recognition of deferred costs and revenues, net	**49,271**	64,305
Total operating expenses	**1,446,782**	1,423,296
Operating income	**415,099**	389,523
Nonoperating revenues (expenses):		
Earnings from The Energy Authority	**3,567**	4,325
Investment (loss)/income	**20,546**	(13,240)
Other nonoperating income	**7,280**	7,530
Interest on debt	**(223,736)**	(235,228)
Other interest	**(38)**	(134)
Allowance for funds used during construction	**3,894**	3,986
Total nonoperating expenses	**(188,487)**	(232,761)
Income before contributions	**226,612**	156,762
Contributions (to) from:		
General Fund, City of Jacksonville	**(109,188)**	(106,687)
Developers and other	**38,845**	29,292
Total contributions	**(70,343)**	(77,395)
Change in net position	**156,269**	79,367
Net position, beginning of year, originally reported	**2,039,737**	1,991,311
Effect of change in accounting	**–**	(30,941)
Net position, beginning of year, as restated	**2,039,737**	1,960,370
Net position, end of year	**$ 2,196,006**	$ 2,039,737

* Prior period financial statements have been revised to reflect the implementation of GASB Statement No. 65.

See accompanying notes.

JEA

Statements of Cash Flows

(In Thousands)

	September 30 2014	September 30 2013
Operating activities		
Receipts from customers	**$ 1,833,716**	$ 1,783,395
Other receipts	**40,444**	37,265
Payments to suppliers	**(834,879)**	(737,420)
Payments to employees	**(214,514)**	(225,662)
Net cash provided by operating activities	**824,767**	857,578
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	**(108,965)**	(106,643)
Build America Bonds subsidies	**7,279**	7,530
Net cash used in noncapital and related financing activities	**(101,686)**	(99,113)
Capital and related financing activities		
Acquisition and construction of capital assets	**(158,392)**	(234,718)
Proceeds from issuance of debt, net	**813,295**	802,940
Defeasance of debt	**(905,090)**	(822,177)
Repayment of debt principal	**(239,939)**	(269,045)
Interest paid on debt	**(232,990)**	(230,725)
Developer and other contributions	**18,298**	17,394
Proceeds from sale of property	**1,723**	1,115
Net cash used in capital and related financing activities	**(703,095)**	(735,216)
Investing activities		
Purchases of investments	**(1,831,070)**	(2,398,334)
Proceeds from sales and maturities of investments	**1,802,942**	2,240,360
Investment (loss)/income	**10,090**	(266)
Distributions from The Energy Authority	**1,785**	7,546
Net cash used in investing activities	**(16,253)**	(150,694)
Net change in cash and cash equivalents	**3,733**	(127,445)
Cash and cash equivalents at beginning of year	**585,889**	713,334
Cash and cash equivalents at end of year	**$ 589,622**	$ 585,889

JEA

Statements of Cash Flows (continued)

(In Thousands)

	September 30 2014	September 30 2013
Reconciliation of operating income to net cash provided by operating activities:		
Operating income:	**$ 415,099**	$ 389,523
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**377,115**	379,158
Recognition of deferred costs and revenues, net	**49,271**	64,305
Changes in noncash assets and noncash liabilities:		
Accounts and interest receivable	**6,331**	10,187
Accounts and interest receivable, restricted	**2,056**	(1,710)
Inventories	**5,133**	14,920
Other assets	**(7,975)**	1,047
Accounts and accrued expenses payable	**(13,311)**	(1,882)
Liabilities payable from restricted assets	**(6,815)**	1,571
Other liabilities	**(2,137)**	459
Net cash provided by operating activities	**$ 824,767**	$ 857,578
Noncash activity:		
Contribution of capital assets from developers	**$ 20,546**	$ 11,899

See accompanying notes.

(Dollars in Thousands)

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 and owned by JEA (23.64% ownership interest) and Florida Power & Light Company (FPL) (76.36% ownership interest); and St. Johns River Power Park System (SJRPP), which has two coal-fired generating units (638 net megawatts each) jointly owned and operated by JEA (80% ownership interest) and FPL (20% ownership interest). The Water and Sewer Fund consists of Water and Sewer System activities. The DES consists of chilled water activities. These financial statements include JEA's ownership interests in the Bulk Power Supply System and SJRPP. Separate accounting records are currently maintained for each system. The following information relates to JEA's ownership of the respective plants as of September 30, 2014 and 2013:

	2014	2013
Bulk Power Supply System:		
Capital assets, net	**$ 173,402**	$ 180,124
Inventory	**5,159**	6,478
Revenues to be used for future costs	**53,072**	56,949
Other noncurrent assets	**14,542**	12,884
Long-term debt	**116,920**	121,575
Other liabilities	**2,180**	3,035
SJRPP:		
Capital assets, net	**624,728**	678,657
Inventory	**49,942**	52,900
Other current assets	**106,756**	81,037
Restricted assets	**386,730**	404,781
Other noncurrent assets	**5,173**	5,641
Long-term debt	**604,745**	745,060
Other liabilities	**283,101**	287,857

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

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

(b) Basis of Accounting

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

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 (the City). Accordingly, the financial statements of JEA are included in the Comprehensive Annual Financial Report of the City.

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

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

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

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

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

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 and estimated allowances for bad debts. Discounts and allowances totaled $41,674 in fiscal year 2014 and $42,963 in fiscal year 2013. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 11.0% of its electric revenue from electricity sold to FPL in fiscal year 2014 and 11.3% in fiscal year 2013. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $64,885 in 2014 and $67,811 in 2013.

In May of 2014 the Board of Directors of JEA (the Board) approved a Fuel Charge Credit for residential customers. JEA customers received a credit of approximately $25.3 million in July of 2014. In March of 2013 the Board of Directors of JEA (the Board) approved a Fuel Charge Credit of approximately $36.6 million. JEA customers received the credit in April of 2013.

(d) Capital Assets

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

SJRPP and Scherer are required by its bond resolutions to deposit certain amounts in a renewal and replacement fund. These amounts are then required to be expended on capital expenditures to maintain and improve the system or applied to other designated uses as specifically allowed under the bond resolutions. The Electric Fund records the amounts deposited in the fund as a purchased power expense when deposited. The purchase of capital assets funded from the renewal and replacement fund is not capitalized by SJRPP or Scherer.

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 Electric Enterprise Fund fixed and variable rate debt was 4.0% for fiscal year 2014 and 3.8% for fiscal year 2013. The average AFUDC rate for the Water and Sewer Fund fixed and variable rate debt was 4.2% for fiscal year 2014 and 4.1% for fiscal year 2013. The average AFUDC rate for the DES variable rate debt was 3.3% for fiscal year 2014 and 1.6% for fiscal year 2013. 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 $223,774 for fiscal year 2014 and $235,362 for fiscal year 2013. Interest expense of $3,894 and investment income on bond proceeds of $0 was capitalized during fiscal year 2014. Interest expense of $3,986 and investment income on bond proceeds of $37 was capitalized during fiscal year 2013.

(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 2014 and 3.7% for fiscal year 2013. The average depreciable life of the depreciable capital assets for the Electric System is 24.5 years as of September 30, 2014, and 24.5 years as of September 30, 2013. The average depreciable life of the depreciable capital assets for the Water and Sewer Fund is 28.3 years as of September 30, 2014, and 28.0 years as of September 30, 2013. The average depreciable life of the depreciable capital assets for the DES is 24.3 years as of September 30, 2014, and 25.6 years as of September 30, 2013.

(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.

(h) Losses on Refundings

Losses on refundings of JEA revenue bonds are deferred and amortized as a component of interest on debt using the straight-line method over the remaining life of the old debt or the new debt, whichever is shorter. Unamortized deferred losses on refundings are reported as a deferred outflows and inflows 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.

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

(i) Investments

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

(j) Cash and Cash Equivalents

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

(k) Interest Rate Swap Agreements

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

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

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 2014 and 2013, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See the Debt Management Strategy of Long-Term Debt note for more information on JEA's debt management interest rate swap program.

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

(l) Inventory

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

(m) Fuel Management Program

JEA has developed and implemented a fuel management program with the objective of reducing fuel rate increases, reducing energy price volatility, and minimizing system cost. When entering into fuel management contracts, it is possible that the market price before or at the specified time to purchase fuel oil or natural gas would be lower than the price at which JEA committed to buy. Because these contracts are determined to qualify for hedge accounting under GASB Statement No. 53, such amounts are included in deferred inflows of resources on the statements of net position. Any associated margin deposits are recorded in noncurrent assets. The net amounts received or paid under the expired or closed fuel contracts were recorded as an adjustment to fuel expense. All fuel management contracts expired during fiscal 2013. See note on Fuel Management Program.

(n) Capital Contributions

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

(o) Compensated Absences

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

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

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

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

The compensated absence liability as of September 30, 2014, was $27,181. Of this amount, $6,431 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of $20,750 was included in other liabilities on the accompanying statements of net position. During fiscal year 2014, annual leave earned totaled $14,770 and annual leave taken totaled $15,149. The compensated absence liability as of September 30, 2013, was $27,777. Of this amount, $4,269 was included in accounts and accrued expenses payable on the accompanying statements of net position. The remaining balance of $23,508 was included in other liabilities on the accompanying statements of net position. During fiscal year 2013, annual leave earned totaled $15,370 and annual leave taken totaled $15,718.

(p) 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 $18,662 at September 30, 2014 and 2013 under the heading of other liabilities on the accompanying statements of net position. There was no change in the pollution remediation liability in 2014. A change to the pollution remediation obligation of $302 was included in other operating expenses in the accompanying statements of revenues, expenses, and changes in net position in September 30, 2013. See note on Commitments and Contingent Liabilities for further discussion.

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

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

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

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

(Dollars in Thousands)

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

Costs to Be Recovered from Future Revenues – SJRPP deferred debt-related costs of $5,173 at September 30, 2014 and $5,641 at September 30, 2013, are the result of differences between expenses in determining rates and those used in financial reporting and are shown under deferred outflows of resources on the accompanying statements of net position. SJRPP has a contract with the JEA Electric System and FPL to recover these costs from future revenue that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statements of revenues, expenses, and changes in net position. SJRPP recognized $4,857 in fiscal year 2014 and $2,498 in fiscal year 2013 in deferred costs.

The Bulk Power Supply System deferred debt-related costs of $14,542 at September 30, 2014, and $12,884 at September 30, 2013, are the result of differences between expenses in determining rates and those used in financial reporting and are shown under other deferred outflows of resources on the accompanying statements of net position. The Bulk Power Supply System will recover these costs from future revenue that will coincide with retirement of long-term debt. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the accompanying statements of revenues, expenses, and changes in net position. Bulk Power Supply System recognized $1,785 in fiscal year 2014 and $46 in fiscal year 2013 in deferred costs.

Revenues to Be Used for Future Costs – SJRPP deferred debt-related revenues of $178,698 at September 30, 2014 and $123,764 at September 30, 2013, are the result of differences between revenues in determining rates and those used in financial reporting and are shown under deferred inflows of resources on the accompanying statements of net position. SJRPP has a contract with the JEA Electric System and FPL to recover 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. SJRPP recognized a net of $54,934 in fiscal year 2014 and 68,229 in fiscal year 2013.

Early debt principal retirements of the Bulk Power Supply System in excess of straight-line depreciation of $53,072 at September 30, 2014, and $56,949 at September 30, 2013, are included in deferred inflows of resources on the accompanying statements of net position.

The Bulk Power Supply System recognized $3,878 for both fiscal years 2014 and 2013.

	2014	2013
Summary:		
Recognition of deferred costs from SJRPP	**$ 54,934**	$ 68,229
Recognition of deferred costs from the Bulk Power System	**(5,663)**	(3,924)
Recognition of deferred costs and revenues, net	**$ 49,271**	$ 64,305

(Dollars in Thousands)

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

(r) Implementation of new accounting standards

During 2014, JEA implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As such JEA removed all debt issuance costs and related accumulated amortization which were previously reported in its statement of net position. JEA's 2013 financial statements have been restated due to this implementation.

See below for a summary of the financial statement items affected:

	Other Assets	Costs to be Recovered from Future Revenues	Net Position – Net investment in Capital Assets	Interest on Debt
As originally reported	$ 51,681	$ 11,841	$ 936,486	$ 234,620
Adjustment – cumulative affect on net position	–	–	(30,941)	–
Adjustment	(38,223)	6,684	(608)	608
As restated	$ 13,458	$ 18,525	$ 904,937	$ 235,228

In addition, costs to be recovered from future revenues has been reclassified to deferred outflows of resources and revenues to be used for future costs has been reclassified to deferred inflows of resources.

In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62 (Statement 66)*. The objective of Statement 66 is to improve accounting and financial reporting for a governmental financial reporting entity. The provisions of Statement 66 are effective for financial statements for periods beginning after December 15, 2012, which is JEA's fiscal year 2014. There was no impact on JEA's financial statements as a result of the adoption of GASB 66.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees (Statement 70)*. The objective of Statement 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of Statement 70 are effective for fiscal years beginning after June 15, 2013 which is JEA's fiscal year 2014. The implementation of this statement did not have an effect on JEA's financial statements.

(s) Pervasiveness of Estimates

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

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

(t) Reclassifications

Certain 2013 amounts have been reclassified to conform to the 2014 presentation in connection with implementation of GASB Statement No. 65.

(u) Recent Accounting Pronouncements

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans–an amendment of GASB Statement No. 25 (Statement 67)*. The objective of Statement 67 is to improve financial reporting by state and local governmental pension plans. The provisions of Statement 67 are effective for financial statements for fiscal years beginning after June 15, 2013. The employees of JEA are members of the City of Jacksonville General Employees' pension plan. The employees of SJRPP are members of the SJRPP pension plan. Both pension plans issue separate financial statements and will implement this pronouncement into their fiscal year 2014 financial statements. There is no impact to JEA's financial statements as a result of the adoption of GASB 67.

In June 2012, GASB issued Statement No 68, *Accounting and Financial Reporting for Pensions–an amendment of GASB Statement No. 27 (Statement 68)*. The objective of Statement 68 is to improve accounting and financial reporting by state a local governmental employers about the financial support for pensions that is provided by other entities. Statement 68 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014, which is JEA's fiscal year 2015. The impact of this standard is currently being evaluated and is expected to have a material impact to the presentation of JEA's financial position.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations (Statement 69)*. The objective of Statement 69 is to provide specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposal of government operations. The provisions of Statement 69 are effective for fiscal years beginning after December 15, 2013 which is JEA's fiscal year 2015. The implementation of this statement is not expected to have a material effect on JEA's financial statements.

(Dollars in Thousands)

2. Restricted Assets

Restricted assets were held in the following funds at September 30, 2014 and 2013:

	2014	2013
Electric System:		
Sinking Fund	**$ 125,084**	$ 107,575
Construction Fund	**43**	5,185
Debt Service Reserve Fund	**69,692**	71,311
Renewal and Replacement Fund	**148,109**	142,867
Other Funds	**93**	-
Adjustment to fair value of investments	**3,199**	(962)
Total Electric System	**346,220**	325,976
SJRPP System:		
Sinking Fund	**146,884**	147,258
Construction Fund	**149**	–
Debt Service Reserve Fund	**130,308**	150,384
Renewal and Replacement Fund	**89,216**	89,036
Revenue Fund	**21,359**	21,921
Adjustment to fair value of investments	**(1,186)**	(3,818)
Total SJRPP System	**386,730**	404,781
Water and Sewer System:		
Sinking Fund	**75,019**	80,317
Debt Service Reserve Fund	**116,829**	119,915
Construction Fund	**326**	2,305
Renewal and Replacement Fund	**142,760**	131,128
Revenue Fund	**1,078**	1,296
Other Funds	**326**	–
Adjustment to fair value of investments	**3,532**	421
Total Water and Sewer System	**339,870**	335,382
DES:		
Sinking Fund	**2,313**	766
Construction Fund	**–**	112
Renewal and Replacement Fund	**2,600**	2,811
Total DES	**4,913**	3,689
Total restricted assets	**$ 1,077,733**	$ 1,069,828

2. Restricted Assets (continued)

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

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

Electric System:	An amount equal to the greater of 10% of the prior year defined net revenues or 5% of the prior year defined gross revenues.
SJRPP System:	An amount equal to 12.5% of aggregate debt service, as defined, on bonds issued under the 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.
Water and Sewer System:	An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues.
DES:	An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined revenues.
Bulk Power Supply System:	An amount equal to 12.5% of aggregate debt service, as defined.

3. Cash and Investments

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

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

(Dollars in Thousands)

3. Cash and Investments (continued)

At September 30, 2014 and 2013, the fair value of all securities, regardless of statement of net position classification as cash equivalent or investment, was as follows:

	2014	2013
Securities:		
U.S. Treasury and government agency securities	**$ 557,364**	$ 556,316
State and local government securities	**279,810**	242,356
Commercial paper	**217,764**	198,303
Local government investment pool	**-**	930
Money market mutual funds	**126,712**	155,561
Total securities, at fair value	**$ 1,181,650**	$ 1,153,466

These securities are held in the following accounts:

	2014	2013
Restricted assets:		
Cash and cash equivalents	**$ 289,920**	$ 327,162
Investments	**783,340**	736,062
Current assets:		
Cash and cash equivalents	**299,702**	258,727
Investments	**146,649**	155,899
Total cash and investments	**$1,519,611**	1,477,850
Plus: interest due on securities	**2,462**	1,906
Less: cash on deposit	**(340,423)**	(326,290)
Total securities, at fair value	**$ 1,181,650**	$ 1,153,466

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2014, JEA's investments in securities and their maturities are categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. It is assumed that callable investments will not be called. Putable securities are presented as investments with a maturity of less than one year.

(Dollars in Thousands)

3. Cash and Investments (continued)

Investment Maturity Distribution at September 30, 2014

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	$ 214,369	$ 272,906	$ 70,089	$ –	$ 557,364
State and local government securities	75,831	70,204	55,325	78,450	279,810
Commercial paper	217,764	–	–	–	217,764
Money market mutual funds	126,712	–	–	–	126,712
Total securities, at fair value	$ 634,676	$ 343,110	$ 125,414	$ 78,450	$ 1,181,650

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, and the issuer must be a Fortune 500 company or Fortune Global 500 company and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2014, 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 investment portfolio regardless of statement of net position classification as cash equivalent or investment. As of September 30, 2014, JEA had 18.4% of its investments in commercial paper.

3. Cash and Investments (continued)

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

Concentration of Credit Risk - As of September 30, 2014, investments in any one issuer representing 5% or more of JEA's investments included $280,958 (23.8%) invested in issues of the Federal Farm Credit Bank and $256,380 (21.7%) invested in issues of the Federal Home Loan Bank. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 35% of total 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 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, 2014, investments in all security types were within the allowable policy limits.

Notes to Financial Statements (continued)

(Dollars in Thousands)

4. Capital Assets

Capital asset activity for the year ended September 30, 2014, is as follows:

	Balance September 30, 2013	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2014
Electric Enterprise Fund:					
Generation assets	$ 3,608,854	$ –	$ (18,503)	$ 116,131	$ 3,706,482
Transmission assets	574,311	–	(918)	(36,835)	536,558
Distribution assets	1,700,963	–	(24,597)	38,316	1,714,682
Other assets	490,163	–	(56,412)	15,476	449,227
Total capital assets	6,374,291	–	(100,430)	133,088	6,406,949
Less: accumulated depreciation and amortization	(2,947,675)	(241,718)	87,126	–	(3,102,267)
Land	77,378	–	–	2,903	80,281
Construction work-in-process	155,697	86,102	–	(143,510)	98,289
Net capital assets	3,659,691	(155,616)	(13,304)	(7,519)	3,483,252
Water and Sewer Fund:					
Pumping assets	465,226	2,114	(2,226)	11,326	476,440
Treatment assets	550,113	1,378	(1,827)	10,567	560,231
Transmission and distribution assets	1,078,554	5,826	(147)	23,892	1,108,125
Collection assets	1,384,697	9,089	(10)	11,094	1,404,870
Reclaimed water assets	121,705	1,943	(2)	368	124,014
General and other assets	374,538	196	(21,894)	6,457	359,297
Total capital assets	3,974,833	20,546	(26,106)	63,704	4,032,977
Less: accumulated depreciation	(1,382,723)	(131,600)	26,411	–	(1,487,912)
Land	53,289	–	–	192	53,481
Construction work-in-process	84,704	78,601	–	(63,896)	99,409
Net capital assets	2,730,103	(32,453)	305	–	2,697,955
DES:					
Chilled water plant assets	51,360	–	(192)	748	51,916
Total capital assets	51,360	–	–	–	–
Less: accumulated depreciation	(15,243)	(2,187)	192	–	(17,238)
Land	3,051	–	–	–	3,051
Construction work in process	889	543	–	(748)	684
Net capital assets	40,057	(1,644)	–	–	38,413
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 6,429,851	$ (189,713)	$ (12,999)	$ (7,519)	$ 6,219,620

Notes to Financial Statements (continued)

(Dollars in Thousands)

4. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2013, is as follows:

	Balance September 30, 2012	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2013
Electric Enterprise Fund:					
Generation assets	$ 3,563,309	$ –	$ (2,092)	$ 47,637	$ 3,608,854
Transmission assets	558,825	–	(133)	15,619	574,311
Distribution assets	1,652,594	–	(7,671)	56,040	1,700,963
Other assets	487,760	–	(4,041)	6,444	490,163
Total capital assets	6,262,488	–	(13,937)	125,740	6,374,291
Less: accumulated depreciation and amortization	(2,720,487)	(243,633)	16,445	–	(2,947,675)
Land	75,674	–	–	1,704	77,378
Construction work-in-process	158,267	124,874	–	(127,444)	155,697
Net capital assets	3,775,942	(118,759)	2,508	–	3,659,691
Water and Sewer Fund:					
Pumping assets	424,258	1,122	(1,785)	41,631	465,226
Treatment assets	539,296	–	(2,964)	13,781	550,113
Transmission and distribution assets	1,031,605	3,858	(2,304)	45,395	1,078,554
Collection assets	1,379,165	5,020	(3,425)	3,937	1,384,697
Reclaimed water assets	115,201	1,797	(390)	5,097	121,705
General and other assets	374,405	102	(4,324)	4,355	374,538
Total capital assets	3,863,930	11,899	(15,192)	114,196	3,974,833
Less: accumulated depreciation	(1,259,562)	(132,333)	15,116	(5,944)	(1,382,723)
Land	46,110	–	–	7,179	53,289
Construction work-in-process	97,626	102,509	–	(115,431)	84,704
Net capital assets	2,748,104	17,925	(76)	–	2,730,103
DES:					
Chilled water plant assets	50,511	–	–	849	51,360
Total capital assets	50,511	–	–	849	51,360
Less: accumulated depreciation	(13,142)	(2,101)	–	–	(15,243)
Land	3,051	–	–	–	3,051
Construction work in process	899	839	–	(849)	889
Net capital assets	41,319	(1,262)	–	–	40,057
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 6,565,365	$ (137,946)	$ 2,432	$ –	$ 6,429,851

(Dollars in Thousands)

5. Investment in The Energy Authority

JEA is a member of TEA, a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida. TEA currently has 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 $3,567 in fiscal year 2014 and $4,325 in fiscal year 2013 for all power marketing activities. The investment in TEA of $8,071 at September 30, 2014, and $6,289 at September 30, 2013, 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, 2014 and 2013. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2014	**2013**
Condensed statement of net position:		
Current assets	**$ 148,981**	$ 129,456
Noncurrent assets	**15,497**	16,023
Total assets	**$ 164,478**	$ 145,479
Current liabilities	**$ 116,005**	$ 111,788
Noncurrent liabilities	**22**	–
Members' capital	**48,451**	33,691
Total liabilities and members' capital	**$ 164,478**	$ 145,479
Condensed statement of operations:		
Operating revenues	**$ 1,414,052**	$ 978,635
Operating expenses	**1,329,433**	912,469
Operating income	**$ 84,619**	$ 66,166
Net income	**$ 84,593**	$ 66,208

As of September 30, 2014, 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 $30,100, 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.

5. Investment in The Energy Authority (continued)

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.

6. 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.

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

6. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2014	September 30 2013
Electric System Senior Revenue Bonds:				
Series Three 2004A	5.000%	2039	**$ 5**	$ 5
Series Three 2005B	4.750%	2033	**100**	100
Series Three 2005D	3.625%	2015	**1,335**	7,330
Series Three 2006A	5.000%	2037–2041	**40,000**	40,000
Series Three 2008A[2]	Variable	2027–2036	**51,680**	51,680
Series Three 2008B-1[3]	Variable	2014–2040	**63,445**	63,445
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	2014–2036	**50,885**	52,835
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	2014–2036	**118,395**	118,395
Series Three 2008E	5.000%	2014–2015	**31,800**	38,775
Series Three 2009A	n/a	n/a	**–**	56,390
Series Three 2009B	2.750–5.375%	2014–2034	**26,030**	31,275
Series Three 2009C	5.000%	2016–2017	**15,730**	15,730
Series Three 2009D[6]	6.056%	2033–2044	**45,955**	45,955
Series Three 2010A	2.000–4.500%	2014–2030	**52,255**	61,625
Series Three 2010B	2.000–4.500%	2014–2030	**5,835**	8,170
Series Three 2010C	2.000–4.500%	2014–2031	**12,735**	14,025
Series Three 2010D	3.000–5.000%	2014–2038	**165,430**	178,035
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%	2014–2039	**137,050**	140,640
Series Three 2013A	2.500–5.000%	2015–2026	**119,080**	125,565
Series Three 2013B	1.875–5.000%	2021–2038	**7,600**	7,600
Series Three 2013C	3.000–5.000%	2015–2030	**33,170**	33,170
Series Three 2014A	2.000–5.000%	2014–2034	**50,030**	–
Total Electric System Senior Revenue Bonds			**1,315,495**	1,377,695

(Dollars in Thousands)

6. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2014	2013
Electric System Subordinated Revenue Bonds:				
Series C Commercial Paper Notes	Variable	2022–2027	**$ 40,800**	$ 78,700
2000 Series A[2]	Variable	2021–2035	**30,965**	61,350
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	3.500%	2015	**875**	4,840
2008 Series A	n/a	n/a	**–**	23,465
2008 Series D[2]	Variable	2024–2038	**39,455**	39,455
2008 Series E	n/a	n/a	**–**	4,755
2009 Series A	5.625%	2029–2032	**21,140**	121,095
2009 Series B	n/a	n/a	**–**	72,440
2009 Series C	n/a	n/a	**–**	1,230
2009 Series D	5.000%	2017–2018	**23,925**	28,130
2009 Series E	4.000–5.000%	2014–2018	**12,420**	12,420
2009 Series F[6]	3.450–6.406%	2014–2034	**67,110**	68,600
2009 Series G	3.750–5.000%	2015–2021	**27,675**	27,675
2010 Series A	2.000–5.000%	2014–2017	**12,550**	13,420
2010 Series B	3.000–5.000%	2014–2024	**37,835**	39,405
2010 Series C	3.125–4.000%	2020–2027	**15,925**	15,925
2010 Series D[6]	3.500–5.582%	2017–2027	**45,575**	45,575
2010 Series E	3.000–4.000%	2014–2016	**11,420**	11,420
2012 Series A	3.000–5.000%	2014–2033	**113,065**	113,480
2012 Series B	2.250–5.000%	2014–2037	**108,575**	109,605
2013 Series A	2.500–5.000%	2017–2030	**59,330**	59,330
2013 Series B	2.500–5.000%	2014–2026	**62,075**	68,575
2013 Series C	1.375–5.000%	2015–2038	**88,625**	88,625
2013 Series D	2.000–5.250%	2014–2035	**163,995**	163,995
2014 Series A	2.000–5.000%	2014–2039	**237,890**	–
Total Electric System Subordinated Revenue Bonds			**1,283,225**	1,335,510

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

6. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2014	September 30 2013
Bulk Power Supply System Revenue Bonds:				
Series 2008A	n/a	n/a	**$ –**	$ 76,470
Series 2010A[6]	2.850–5.920%	2014–2030	**46,640**	48,140
Series 2014A	1.000–5.000%	2014–2038	**72,460**	–
Total Bulk Power System Revenue Bonds			**119,100**	124,610
SJRPP System Revenue Bonds:				
Issue Two, Series Ten	n/a	n/a	**–**	50
Issue Two, Series Seventeen	4.700%	2019	**100**	100
Issue Two, Series Eighteen	4.500%	2018	**50**	50
Issue Two, Series Nineteen	4.600%	2017	**100**	11,755
Issue Two, Series Twenty	4.500%	2021	**100**	100
Issue Two, Series Twenty-One	5.000%	2014–2021	**93,035**	105,745
Issue Two, Series Twenty-Two	4.000%	2019	**5**	5
Issue Two, Series Twenty-Three	3.000–5.000%	2014–2021	**157,650**	248,075
Issue Two, Series Twenty-Four	3.000–4.000%	2014–2021	**44,980**	46,480
Issue Two, Series Twenty-Five	3.000–5.000%	2014–2021	**81,680**	83,735
Issue Three, Series One[5]	4.500%	2037	**100**	100
Issue Three, Series Two[5]	3.500–5.000%	2014–2037	**32,720**	125,000
Issue Three, Series Three[5]	3.250%	2014	**735**	64,305
Issue Three, Series Four[5][6]	3.875–5.450%	2016–2028	**25,720**	25,720
Issue Three, Series Five[5]	4.000%	2014–2015	**3,145**	4,650
Issue Three, Series Six[5]	2.000–5.000%	2014–2037	**118,360**	121,475
Issue Three, Series Seven[5]	2.000–5.000%	2014–2033	**88,790**	–
Issue Three, Series Eight[5]	2.000–5.000%	2014–2039	**63,925**	–
Total SJRPP System Revenue Bonds			**711,195**	837,345

(Dollars in Thousands)

6. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2014	2013
Water and Sewer System Senior Revenue Bonds:				
2004 Series A	n/a	n/a	**$ –**	$ 93,410
2004 Series B	n/a	n/a	**–**	44,070
2005 Series A	n/a	n/a	**–**	40,295
2005 Series B	n/a	n/a	**–**	93,720
2005 Series C	3.500–5.000%	2014	**4,135**	17,080
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 A	2.500%	2014	**880**	43,535
2009 Series B	3.750–5.000%	2014–2019	**34,665**	59,485
2010 Series A[6]	6.210–6.310%	2026–2044	**83,115**	83,115
2010 Series B	3.500–5.700%	2014–2025	**20,760**	22,490
2010 Series C	3.500–5.000%	2014–2040	**29,025**	38,365
2010 Series D	3.000–5.000%	2014–2039	**176,800**	197,725
2010 Series E	4.000–5.000%	2021–2039	**60,990**	60,990
2010 Series F[6]	3.200–5.887%	2017–2040	**45,520**	45,520
2010 Series G	2.000–4.000%	2014–2016	**2,220**	2,870
2012 Series A	3.000–5.000%	2014–2041	**323,140**	334,555
2012 Series B	2.000–5.000%	2014–2041	**135,080**	136,725
2013 Series A	3.000–5.000%	2015–2027	**92,385**	92,385
2013 Series B	0.450–1.882%	2014–2017	**29,710**	29,710
2014 Series A	2.000–5.000%	2015–2040	**300,200**	–
Total Water and Sewer System Senior Revenue Bonds			**1,514,465**	1,611,885

(Dollars in Thousands)

6. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30 2014	2013
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2005 Series A	n/a	n/a	**$ –**	$ 185
Subordinated 2008 Series A-1[2]	Variable	2014–2038	**54,350**	55,975
Subordinated 2008 Series A-2[2]	Variable	2030–2038	**25,600**	27,225
Subordinated 2008 Series B-1[2]	Variable	2030–2036	**30,885**	33,625
Subordinated 2010 Series A	3.000–5.000%	2014–2022	**15,815**	16,655
Subordinated 2010 Series B	3.000–5.000%	2020–2025	**12,770**	12,770
Subordinated 2012 Series A	3.000–4.000%	2021–2033	**20,320**	20,320
Subordinated 2012 Series B	3.250–5.000%	2030–2043	**41,640**	41,640
Subordinated 2013 Series A	2.000–5.000%	2014–2029	**81,540**	81,540
Total Water and Sewer System Subordinated Revenue Bonds			**282,920**	289,935
Water and Sewer System Other Subordinated Debt:				
State Revolving Fund Loans	n/a	n/a	**–**	15,679
Total Water and Sewer System Other Subordinated Revenue Bonds			**–**	15,679
District Energy System:				
2013 Series A	0.400–4.538%	2014–2034	**42,965**	43,330
Total District Energy System			**42,965**	43,330
Total Debt Principal Outstanding			**5,269,365**	5,635,989
Less: Debt Due Within One Year			**(256,630)**	(239,032)
Total Long-Term Debt			**$ 5,012,735**	$ 5,396,957

(1) Interest rates apply only to bonds outstanding at September 30, 2014. 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, 2014 and 2013.

(2) Variable rate demand obligations – interest rates ranged from 0.04% to 0.09% at September 30, 2014.

(3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 0.64% at September 30, 2014.

(4) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates ranged from 2.44% to 2.58% at September 30, 2014.

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

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

(Dollars in Thousands)

6. Long-Term Debt (continued)

Long-term debt activity (excludes short-term bank borrowings) for the year ended September 30, 2014, was as follows:

System	Bonds Payable September 30, 2013	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2014	Current Portion of Bonds Payable September 30, 2014
Electric	$ 2,713,205	**$ 287,920**	**$ (340,655)**	**$ (61,750)**	**$ 2,598,720**	**$ 76,435**
Bulk Power Supply	124,610	**72,460**	**(74,935)**	**(3,035)**	**119,100**	**2,180**
SJRPP	837,345	**152,715**	**(151,475)**	**(127,390)**	**711,195**	**132,085**
Water and Sewer	1,917,499	**300,200**	**(373,822)**	**(46,492)**	**1,797,385**	**44,325**
DES	43,330	**–**	**–**	**(365)**	**42,965**	**1,605**
Total	$ 5,635,989	**$ 813,295**	**$ (940,887)**	**$ (239,032)**	**$ 5,269,365**	**$ 256,630**

Long-term debt activity (excludes short-term bank borrowings) for the year ended September 30, 2013, was as follows:

System	Bonds Payable September 30, 2012	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2013	Current Portion of Bonds Payable September 30, 2013
Electric	$ 2,847,200	$ 555,975	$ (612,250)	$ (77,720)	$ 2,713,205	$ 61,750
Bulk Power Supply	126,085	–	–	(1,475)	124,610	3,035
SJRPP	962,000	–	–	(124,655)	837,345	127,390
Water and Sewer	1,985,342	203,635	(223,506)	(47,972)	1,917,499	46,492
DES	45,140	43,330	(43,750)	(1,390)	43,330	365
Total	$ 5,965,767	$ 802,940	$ (879,506)	$ (253,212)	$ 5,635,989	$ 239,032

(Dollars in Thousands)

6. Long-Term Debt (continued)

The debt service to maturity on the outstanding debt (excludes short-term bank borrowings) as of September 30, 2014, is summarized as follows:

Bond Year Ending	Electric System		Bulk Power Supply System		SJRPP	
October 1	Principal[1]	Interest	Principal	Interest	Principal	Interest
2014	$ 76,435	$ 44,023	$ 2,180	$ 2,446	$ 132,085	$ 14,586
2015	94,955	86,980	4,950	4,851	50,815	25,321
2016	89,710	83,209	6,045	4,713	53,375	23,072
2017	83,335	79,442	5,205	4,474	50,460	20,550
2018	86,865	75,960	5,710	4,233	51,200	18,220
2019–2023	495,120	320,249	34,960	17,450	166,820	57,079
2024–2028	567,060	227,091	22,515	11,565	87,755	33,978
2029–2033	533,650	151,498	20,260	5,681	68,100	18,403
2034–2038	479,230	67,267	17,275	2,271	46,730	6,651
2039–2043	87,665	9,563	–	–	3,855	154
2044–2048	4,695	284	–	–	–	–
Total	$ 2,598,720	$ 1,145,566	$ 119,100	$ 57,684	$ 711,195	$ 218,014

Bond Year Ending	Water and Sewer System		District Energy System		Total Debt
October 1	Principal	Interest	Principal	Interest	Service[2][3]
2014	$ 44,325	$ 30,693	$ 1,605	$ 708	$ 349,086
2015	36,180	66,360	1,610	1,409	373,431
2016	33,875	65,506	1,625	1,399	362,529
2017	51,020	64,694	1,640	1,382	362,202
2018	51,720	62,765	1,660	1,359	359,692
2019–2023	299,485	281,612	8,870	6,238	1,687,883
2024–2028	314,280	219,410	10,370	4,738	1,498,762
2029–2033	329,745	151,854	12,695	2,412	1,294,298
2034–2038	396,845	84,903	2,890	131	1,104,193
2039–2043	233,785	20,286	–	–	355,308
2044–2048	6,125	386	–	–	11,490
Total	$ 1,797,385	$ 1,048,469	$ 42,965	$ 19,776	$ 7,758,874

(1) Includes amortization of commercial paper notes that is based upon JEA's current commercial paper payment plan and excludes payments made during fiscal year 2014.

(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, 2014. The table excludes payments made during fiscal year 2014.

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 percent cash subsidy payments that JEA expects to receive in the future from the United States Department of the Treasury.

(Dollars in Thousands)

6. 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	2015	2019	2015	2015	2023
Redemption price	100%	100%	100%	100%	100%

JEA debt issued during fiscal year 2014 is summarized as follows:

System	Debt Issued	Purpose	Priority of Lien	Month of Issue	Par Amount Issued	Par Amount Refunded	Accounting Gain/(Loss)
Electric	Series Three 2014A	Refunding[1]	Senior	Feb-14	$ 50,030	$ 50,045	$ (523)
Electric	2014 Series A	Refunding[2]	Subordinated	Feb-14	237,890	255,565	(1,328)
Bulk Power Supply	Series 2014A	Refunding[3]	Senior	Mar-14	72,460	74,935	(1,091)
SJRPP	Issue Three, Series Seven	Refunding[4]	Senior	May-14	88,790	88,635	(1,474)
SJRPP	Issue Three, Series Eight	Refunding[5]	Subordinated	Jul-14	63,925	62,840	(2,089)
Water and Sewer	2014 Series A	Refunding[6]	Senior	Jul-14	300,200	320,775	(4,276)
					$ 813,295	$ 852,795	$ (10,781)

(1) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $70,226 compared to prior debt service of $77,209 and $5,123 of net present value economic savings.

(2) Fixed rate bonds issued to: (a) refund $190,585 of fixed rate bonds with new debt service of $312,351 compared to prior debt service of $347,562 and $23,733 of net present value economic savings and (b) refund $64,980 of variable rate demand obligations.

(3) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $106,395 compared to prior debt service of $131,262 and $15,037 of net present value economic savings.

(4) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $125,444 compared to prior debt service of $140,724 and $11,275 of net present value economic savings.

5) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $99,364 compared to prior debt service of $117,161 and $11,671 of net present value economic savings.

(6) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $487,267 compared to prior debt service of $541,987 and $35,960 of net present value economic savings.

(Dollars in Thousands)

6. Long-Term Debt (continued)

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

	Authorization		
System	**Senior**	**Subordinated**	**Expiration**
Electric	$ 669,970	$ 202,110	December 31, 2014
Bulk Power Supply	7,540	–	December 31, 2014
SJRPP Issue Three	7,285	–	December 31, 2014
Water and Sewer	294,800	115,000	December 31, 2014

Variable Rate Debt – Liquidity Support

For the Electric System and the Water and Sewer System VRDOs appearing in the schedule of outstanding indebtedness, and except for the obligations noted in the following paragraphs, liquidity support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (SBPA) relating to that series of obligation. The purchase price of the obligations tendered or deemed tendered for purchase is payable from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA. At September 30, 2014, there were no outstanding draws under the SBPA. In the event of the expiration or termination of the SBPA that results in a mandatory tender of the VRDOs and the purchase of the obligations by the bank, then beginning on April 1 or October 1, whichever date is at least six months subsequent to the purchase of the obligations, JEA shall begin to make equal semiannual installments over an approximate five-year period. The current commitment fees range from approximately 0.3 percent to 0.7 percent with stated termination dates ranging from January 26, 2015 to July 29, 2018, unless otherwise extended.

JEA entered into 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, 2014, 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.

6. Long-Term Debt (continued)

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 dates of the continuing covenant agreements range from September 25, 2015 to October 22, 2015, unless otherwise extended. The interest rate is variable and is set monthly based upon the SIFMA plus 60 basis points.

For the Series C Commercial Paper Notes appearing in the above schedule of outstanding indebtedness, JEA has entered into a revolving credit agreement with a commercial bank to provide liquidity support. If monies are not available to pay the principal of any maturing commercial paper note during the term of the credit agreement, JEA is entitled to make a borrowing under the credit agreement. At September 30, 2014, there were no outstanding draws under the credit agreement. In the event of the expiration or termination of the conversion date and such expiration or termination results in a draw in an amount up to the amount of the outstanding commitment, then upon six months thereafter, JEA shall begin to make equal semiannual installment payments over an approximate five-year period in the amount of such draw. The current commitment fee is approximately 0.4 percent with a current conversion date of May 10, 2017, unless otherwise extended.

Short-Term Bank Borrowings

JEA currently has two revolving credit agreements with two commercial banks for unsecured revolving lines of credit in the amounts of $200,000 and $100,000. The lines of credit 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 expenditures or for capital expenditures.

There was no activity under the lines of credit for fiscal year 2014.

(Dollars in Thousands)

6. Long-Term Debt (continued)

Activity under the lines of credit for fiscal year 2013 is summarized in the table below:

System	Lines of Credit Payable September 30, 2012	New Money Draws	Payments From Revenue Fund	Payments From Bond Issues	Lines of Credit Payable September 30, 2013
Electric	$ –	$ –	$ –	$ –	$ –
Bulk Power Supply	–	–	–	–	–
SJRPP	2,691	–	(2,691)	–	–
Water and Sewer	–	–	–	–	–
DES	–	–	–	–	–
Total	$ 2,691	$ –	$ (2,691)	$ –	$ –

At September 30, 2014, the $200,000 and $100,000 line of credit agreements are both fully available to be drawn upon. The current expiration date for both is September 7, 2016.

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 resources or a deferred inflow 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.

(Dollars in Thousands)

6. 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, 2014, 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**	3.7%	Sep-03	Sep-33	68% of one month LIBOR
Electric	Series Three 2008B	**117,825**	**82,575**	4.4%	Aug-08	Oct-39	SIFMA
Electric	Series Three 2008B	**116,425**	**87,075**	3.7%	Sep-08	Oct-35	68% of one month LIBOR
Electric	2008 Series D	**40,875**	**39,175**	3.7%	Mar-09	Oct-37	68% of one month LIBOR
Electric	Series Three 2008D-1	**98,375**	**62,980**	3.9%	May-08	Oct-31	SIFMA
Electric	Series Three 2008A	**100,000**	**51,680**	3.8%	Jan-08	Oct-36	SIFMA
Water and Sewer	2006 Series B	**38,730**	**38,730**	3.9–4.1%	Oct-06	Oct 16-22	CPI
Water and Sewer	2008 Series B	**85,290**	**85,290**	3.9%	Mar-07	Oct-41	SIFMA
		$ 771,520	**$ 532,305**				

The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2013, 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	3.7%	Sep-03	Sep-33	68% of one month LIBOR
Electric	Series Three 2008B	117,825	82,575	4.4%	Aug-08	Oct-39	SIFMA
Electric	Series Three 2008B	116,425	89,025	3.7%	Sep-08	Oct-35	68% of one month LIBOR
Electric	2008 Series D	40,875	39,175	3.7%	Mar-09	Oct-37	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	62,980	3.9%	May-08	Oct-31	SIFMA
Electric	Series Three 2008A	100,000	51,680	3.8%	Jan-08	Oct-36	SIFMA
Water and Sewer	2006 Series B	38,730	38,730	3.9–4.1%	Oct-06	Oct 16-22	CPI
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar-07	Oct-41	SIFMA
		$ 771,520	$ 534,255				

During February 2013, JEA elected to early terminate certain floating to fixed interest rate swap agreements in entirety and certain floating to fixed interest rate swap agreements in part. Such terminations were in conjunction with the issuance of the Electric System Series Three 2013A and Subordinated 2013 Series B bonds issued to refund various hedged and unhedged variable rate debt.

(Dollars in Thousands)

6. Long-Term Debt (continued)

The terms of the terminations are as follows:

System	Hedged Bonds	Notional Amount Outstanding Prior to February 2013 Termination	Notional Amount Terminated	Fixed Rate of Interest	Effective Date	Original Termination Date	Variable Rate Index	Deferred Outflows at Early Termination
Electric	Series Three 2008C	$ 143,600	$ 58,800	3.7%	Sep-03	Sep-33	68% of one month LIBOR	$ 9,271
Electric	Series Three 2008B	26,900	26,900	4.0%	Jan-05	Oct-26	SIFMA	6,508
Electric	Series Three 2008B	101,850	19,275	4.4%	Aug-08	Oct-39	SIFMA	3,054
Electric	Series Three 2008B	105,375	16,350	3.7%	Sep-08	Oct-35	68% of one month LIBOR	2,910
Electric	2008 Series D	28,800	28,800	3.6%	Mar-09	Oct-16	SIFMA	2,101
Electric	2008 Series D	40,325	1,150	3.7%	Mar-09	Oct-37	68% of one month LIBOR	183
Electric	Series Three 2008D-1	88,905	25,925	3.9%	May-08	Oct-31	SIFMA	3,941
Electric	Series Three 2008A	92,080	40,400	3.8%	Jan-08	Oct-36	SIFMA	7,110
		$ 627,835	$ 217,600					$ 35,078

Of the $35,078 of deferred outflows at time of the February 2013 termination, $26,335 was included in unamortized deferred losses on refundings and $8,743 was recorded to investment income (loss) at the time of the Electric System Series Three 2013A and Subordinated 2013 Series B refunding.

The following table includes fiscal year 2014 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2014		
System	**Classification**	**Amount**	**Classification**	**Amount[(1)]**	**Notional**
Electric	Deferred outflows	**$ 15,958**	Fair value of debt management strategy instruments	**$ (88,022)**	**$ 408,285**
Water and Sewer	Deferred outflows	**5,434**	Fair value of debt management strategy instruments	**(17,593)**	**124,020**
Total		**$ 21,392**		**$ (105,615)**	**$ 532,305**

[(1)] Fair value amounts were calculated using market rates as of September 30, 2014, and standard cash flow present valuing techniques.

The following table includes fiscal year 2013 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2013		
System	**Classification**	**Amount[(1)]**	**Classification**	**Amount[(2)]**	**Notional**
Electric	Deferred outflows	$ (61,122)	Fair value of debt management strategy instruments	$ (72,064)	$ 410,235
Water and Sewer	Deferred outflows	(14,235)	Fair value of debt management strategy instruments	(12,159)	124,020
Total		$ (75,357)		$ (84,223)	$ 534,255

[(1)] Electric deferred outflow adjusted for February 2013 swap terminations in the amount of $35,078.
[(2)] Fair value amounts were calculated using market rates as of September 30, 2013, and standard cash flow present valuing techniques.

(Dollars in Thousands)

6. Long-Term Debt (continued)

For fiscal years ended September 30, 2014 and 2013, 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:

	2014	2013
68% of LIBOR Index:		
Notional amount outstanding	**$ 211,050**	$ 213,000
Variable rate received (weighted average)	**0.1%**	0.1%
Fixed rate paid (weighted average)	**3.7%**	3.7%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	**$ 282,525**	$ 282,525
Variable rate received (weighted average)	**0.1%**	0.1%
Fixed rate paid (weighted average)	**4.0%**	4.0%
CPI Index:		
Notional amount outstanding	**$ 38,730**	$ 38,730
Variable rate received (weighted average)	**2.7%**	2.5%
Fixed rate paid (weighted average)	**4.0%**	4.0%
Net debt management swap loss[(1)]	**$ (19,249)**	$ (57,237)

(1) For 2013, the net debt management swap loss includes swap termination losses of $26,335 included in unamortized deferred losses on refundings and $8,743 recorded to investment income (loss).

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, 2014:

Electric System[(1)]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2014	$ 350	$ 91	$ 1,294	$ 1,735
2015	350	1,224	15,662	17,236
2016	375	1,223	15,650	17,248
2017	400	1,222	15,636	17,258
2018	400	1,221	15,622	17,243
2019–2023	15,675	6,035	77,267	98,977
2024–2028	120,815	5,305	68,094	194,214
2029–2033	163,070	2,980	38,205	204,255
2034–2038	97,675	1,034	13,696	112,405
2039–2043	9,175	28	395	9,598
Total	$ 408,285	$ 20,363	$ 261,521	$ 690,169

(Dollars in Thousands)

6. Long-Term Debt (continued)

Water and Sewer System[1]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2014	$ –	$ 500	$ 557	$ 1,057
2015	–	1,073	3,858	4,931
2016	4,105	1,073	3,858	9,036
2017	4,255	968	3,798	9,021
2018	5,520	860	3,736	10,116
2019–2023	28,885	1,928	17,321	48,134
2024–2028	13,560	366	14,119	28,045
2029–2033	7,055	330	12,721	20,106
2034–2038	28,710	262	10,079	39,051
2039–2043	31,930	65	2,498	34,493
Total	$ 124,020	$ 7,425	$ 72,545	$ 203,990

[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, 2014. 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, 2014.

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, 2014, 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, 2014.

(Dollars in Thousands)

6. Long-Term Debt (continued)

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2014, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Morgan Stanley Capital Service Inc.	A-/Baa2/A	$ 184,285
Goldman Sachs Mitsui Marine Derivative Products L.P.	AAA/Aa2/not rated	136,480
JPMorgan Chase Bank, N.A.	A+/Aa3/A+	126,250
Merrill Lynch Derivative Products AG	A-/Baa2/A	85,290
Total		$ 532,305

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, 2014, the weighted-average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 0.2%, while the SIFMA swap index rate is 0.1% and 68% of LIBOR is 0.1%.

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

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

(Dollars in Thousands)

7. Transactions with City of Jacksonville

Utility and Administrative Services

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

	Revenues	Expenses
Fiscal year 2014	**$ 37,440**	**$ 6,150**
Fiscal year 2013	$ 36,390	$ 7,090

City Contribution

The calculation of the City contribution is based on a formula negotiated with the City of Jacksonville. Fiscal year 2014 is the sixth 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.

The contribution from the JEA Electric Enterprise fund for fiscal years 2014 and 2013 amounted to $87,318 and $83,969. The contribution from the JEA Water and Sewer Fund for fiscal years 2014 and 2013 amounted to $21,870 and $22,718.

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.

7. Transactions with City of Jacksonville (continued)

Franchise Fees

In 2008, the City enacted a 3.0% franchise fee from designated revenues of the Electric and Water and Sewer Utility systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2014, JEA recorded $29,215 and $9,776 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses. For the year ended September 30, 2013, JEA recorded $28,286 and $9,817 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses.

Insurance Risk Pool

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

JEA has excess coverage for individual workers' compensation claims above $1.2 million. Liability for claims incurred is the responsibility of, and is recorded in, the City's self-insurance plan. The premiums are calculated on a retrospective or prospective basis, depending on the claims experience of JEA and other participants in the City's self-insurance program. The liabilities are based on the estimated ultimate cost of settling the claim, including the effects of inflation and other societal and economic factors. The JEA workers' compensation expense is the premium charged by the City's self-insurance plan. The workers' compensation premium credit balance in 2014 amounted to $554, which included a refund of prior year credits in the amount of $1,987. In 2013, the premium expense amounted to $391, which included a refund of prior year credits in the amount of $1,777. JEA is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to $1,735 and $964 for the years ended September 30, 2014 and 2013. In 2014 and 2013, there were refunds of prior year credits of $63 and $678, included in the general liability insurance premium expense amounts. As part of JEA's risk management program, certain commercial insurance policies are purchased to cover designated exposures and potential loss programs.

The estimated loss accrual for the City of Jacksonville amounted to $12,628 for general insurance liability and $90,255 for the workers' compensation insurance liability for the year ended September 30, 2014, and $12,430 for general insurance liability and $85,005 for workers' compensation insurance liability for the year ended September 30, 2013. JEA's portion of the general insurance liability was $2,461 during the fiscal year ended September 30, 2014, and was $1,824 during the fiscal year ended September 30, 2013. JEA's portion of the workers' compensation insurance liability was $3,460 during the fiscal year ended September 30, 2014, and was $3,543 during the fiscal year ended September 30, 2013. The amounts are recorded at present value using a 3% discount rate for the fiscal year ended September 30, 2014 and a 3% discount rate for the fiscal year ended September 30, 2013.

8. 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 2015, 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. After recent contract extensions by Georgia Power Company, acting for itself and as agent for JEA and the other Scherer co-owners, the term of the agreement with Burlington Northern Santa Fe Railway Company (BNSF) extends through calendar year 2028, and the agreement with Norfolk Southern Railway Company (NS) extends through December 31, 2015.

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

(Dollars in Thousands)

8. Fuel Purchase and Purchased Power Commitments (continued)

Year Ending	Coal and Petroleum Coke		Natural Gas			
September 30	Fuel	Transportation	Fuel	Transportation	Transmission	Total
2015	$ 13,884	$ 23,585	$ 3,340	$ 2,227	$ 5,033	$ 48,069
2016	11,173	13,975	3,349	2,233	5,057	35,787
2017	11,260	10,913	3,340	2,227	5,149	32,899
2018	2,870	2,514	3,340	2,227	5,189	16,140
2019	–	–	3,340	2,227	5,298	10,865
2020-2039	–	–	4,731	3,154	151,279	159,164

Vogtle Units Purchase Power Agreement

The JEA Board established a target of up to 30.0% of JEA's energy requirements to be met with nuclear energy by 2030. As a result of those efforts, JEA entered into a power purchase agreement (as amended, the "Additional Vogtle Units PPA") with MEAG Power for 206 MW of capacity and related energy from MEAG Power's interest in two additional nuclear generating units (the Additional Vogtle Units) under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The 206 MW is projected to represent approximately 14% of JEA's total energy requirements in the year 2019.

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.

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 late 2017 and 2018, respectively. 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.

8. Fuel Purchase and Purchased Power Commitments (continued)

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

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

MEAG is currently negotiating with the US Department of Energy (DOE), relating to a loan guarantee agreement (Loan Guarantee Agreement) for further funding of the Plant Vogtle 3 and 4 constructions. Other co-owners (Georgia Power and Oglethorpe Power Corporation), completed their loan agreements with the DOE early in 2014.

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:

> The most significant issues relate to costs associated with design changes to the Design Control Document (DCD) and costs associated with delays in the project schedule related to the timing of approval of the DCD and issuance of the Construction and Operating Lease (COL) by the Nuclear Regulatory Commission (NRC). The Consortium's estimated adjustment attributable to Project J is approximately $84 million (in 2008 dollars) with respect to these issues.
>
> November 1, 2012, Georgia Power and the other owners filed suit against the Consortium in the U.S. District Court for the Southern District of Georgia, seeking a declaratory judgment that the Owners are not responsible for the costs related to these issues. Also on November 1, 2012, the Consortium filed suit against Georgia Power and the other Owners in the U.S. District Court for the District of Columbia, alleging the Owners are responsible for the costs related to these issues and seeking payment from the Owners of the full amount of these costs. While litigation has commenced, the Owners expect negotiations with the Consortium to continue with respect to cost and schedule during which time the parties will attempt to reach a mutually acceptable compromise of their positions. The Owners intend to vigorously defend their positions. The U.S. District Court for the District of Columbia issued an order on August 30, 2013, dismissing the Consortium Claim, and allowing the case to proceed in the U.S. District Court for the Southern District of Georgia (Augusta, Georgia). Additional claims by the Consortium or the Owners are expected to arise throughout the construction of Plant Vogtle Units 3 and 4.

8. Fuel Purchase and Purchased Power Commitments (continued)

On May 22, 2014, the Consortium filed an amended counterclaim to the suit pending in the U.S. District Court for the Southern District of Georgia alleging that (i) the design changes to the DCD imposed by the NRC have delayed module production and the impacts to the Consortium are recoverable by the Consortium under the Vogtle 3 and 4 Agreement and (ii) the changes to the basemat rebar design required by the NRC caused additional costs and delays recoverable by the Consortium under the Vogtle 3 and 4 Agreement. The Consortium did not specify in its amended counterclaim claimed amounts relating to these new allegations, but such additional claimed amounts could be substantial. The Owners have not agreed with either the proposed cost or schedule adjustments or that the Owners have any responsibility for costs related to these issues. While litigation is ongoing and the Owners intend to vigorously defend its positions, it is also expected that negotiations with the Contractor will continue with respect to cost and schedule during which negotiations the parties may reach a mutually acceptable compromise of their positions.

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 on-line date of 2024 with respect to Unit 1 and 2025 with respect to Unit 2. The total cost of the option was $7.5 million, payment of which has been completed. JEA obtained this option in furtherance of its target to acquire up to 30% of JEA's energy requirements from nuclear sources by 2030. JEA is evaluating potential transmission paths.

The option agreement requires that JEA and Duke Carolinas complete negotiation of an ownership agreement and an operation and maintenance agreement for the Lee Project prior to JEA's exercising the option. The option exercise period will be opened by Duke Carolinas after it (i) receives Nuclear Regulatory Commission (NRC) approval of the combined construction and operating license (COL) for the Lee Project and (ii) executes an engineering, procurement, and construction agreement for the Lee Project. The NRC began a review of the seismic criteria that nuclear plants must be designed to withstand in 2008. The source model is complete, but completion of the ground attenuation model is not expected until 2016. Both are required to complete the seismic assessment. This has affected the Lee Project COL and is expected to delay the COL until mid-2016. The NRC completed development of a generic Environmental Impact Statement to allow for longer-term storage of spent fuel on site (the Waste Confidence Rule, renamed the "Continued Storage of Spent Nuclear Fuel") on August 26, 2014.

8. Fuel Purchase and Purchased Power Commitments (continued)

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.

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 213,000 photovoltaic panels on a JEA-leased 100-acre site, is owned by PSEG Solar Source, LLC and generates approximately 21,130 MWh of electricity per year. JEA pays only for the energy produced. Purchases of energy for the fiscal years 2014 and 2013 were $3,568 and $3,661.

Trail Ridge Landfill

JEA currently purchases energy from a 9.6 MW landfill gas-to-energy facility at the Trail Ridge Landfill in Jacksonville through a Purchase Power Agreement with Landfill Energy Systems. JEA has signed an agreement to purchase an additional 9.6 MW net output from the facility if it is expanded and becomes available. Six MW of the additional power is now slated to be supplied from a landfill gas-to-energy facility in Sarasota, Florida, at the same rates as negotiated for Trail Ridge. The new facility is planned to be online by late 2015. JEA pays only for the energy produced. Purchases of energy for the fiscal years 2014 and 2013 were $3,205 and $3,197.

9. Fuel Management Program

The fuel management program is intended to help manage the risk of changes in the market prices of natural gas and oil. Given reduced volatility in natural gas prices and limited need for oil, during fiscal years 2014 and 2013, JEA did not enter into fuel management contracts. When entering into fuel management contracts, it was possible that the market price before or at the specified time to purchase fuel oil or natural gas may be lower than the price at which JEA was committed to buy. All fuel management contracts expired during fiscal 2013.

Fuel Management of Natural Gas

At September 30, 2014 and 2013, the fuel management program had no open NYMEX natural gas futures contracts. The fuel management program had margin deposits of $12 at September 30, 2014 and 2013, which is 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. At September 30, 2014 and 2013, there were no deferred charges or credits to report. 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, 2014 and 2013, $0 and $1,097 realized gains were included in fuel expense.

10. Pension Plans

JEA Plan Description and Contributions

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

The JEA Plan, 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 2013 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained at http://www.coj.net/departments/finance/docs/accounting/2013-city-of-jacksonville-cafr-sec.aspx or by writing to the City of Jacksonville, Florida, Department of Administration and Finance, Room 300, City Hall, 117 West Duval Street, Jacksonville, Florida 32202-3418.

10. Pension Plans (continued)

In fiscal years 2014, 2013, and 2012, 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 $34,544 (28.2%) in 2014, $27,038 (20.8%) in 2013, and $22,301 (17.5%) in 2012. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

Beginning in fiscal year 2010, employees had the option to participate in a defined contribution plan. In fiscal years 2013 and 2014 JEA plan members of the defined contribution plan were required to contribute 8% of their annual covered salary, and JEA's contribution for the members of the defined contribution plan was $626 (8.0%) in 2014 and $422 (8.0%) in 2013.

All contributions for both the defined contribution and defined benefit plans of the City of Jacksonville were separated out between the pension contribution and a disability program fund. Due to this change, a physical exam is not required to participate in the plans.

St. Johns River Power Park Plan Description

Plan Description – The JEA St. Johns River Power Park System Employees' Retirement Plan (SJRPP Plan) is a single employer contributory defined benefit plan covering employees of SJRPP. The SJRPP Plan provides for pension, death, and disability benefits. Participation in the SJRPP Plan is required as a condition of employment. The SJRPP Plan is subject to provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement. The SJRPP Plan is governed by a five-member pension board (Pension Board).

The SJRPP Plan does issue publicly audited financial statements. This report may be obtained from the Controller, JEA, 21 West Church Street, Jacksonville, Florida, 32202.

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.

Funding Policy – 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. The SJRPP employer's contribution to the SJRPP Plan for the year ended September 30, 2014, was 34.6% of annual covered payroll.

Annual Pension Cost – The annual pension contributions for the years ended September 30, 2014, 2013, and 2012 were $6,205, $12,647 and $8,787, which was equal to the required employee and employer contributions for each year.

10. Pension Plans (continued)

Funding Status and Funding Progress

As of October 1, 2013, the most recent actuarial valuation date, the SJRPP Pension Plan was 92.2% funded. The actuarial accrued liability (AAL) for benefits was $146,521, and the actuarial value of assets was $135,019, resulting in an unfunded actuarial accrued liability (UAAL) of $11,502. The covered payroll (annual payroll of active employees covered by the pension plan) was $17,761, and the ratio of the UAAL to the covered payroll was 64.8%.

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

Actuarial Methods and Assumptions

SJRPP Plan members are required to contribute currently 4.0% of their current year annual covered salary. The annual required contribution was determined by actuarial valuation using the Entry Age Actuarial Cost Method. Under this method, the cost of each participant's projected retirement benefit is funded through a series of annual payments, determined as a level of percentage of each year's earnings, from age at hire to assumed exit age. The actuarial assumptions include: a life expectancy calculation using the RP-2000 Mortality Table; a 7.0% investment rate of return (net of investment expenses); and projected salary increases from 2.5% to 12.5%, depending on years of service per year, including an inflation component of 2.5%. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. As of October 1, 2011, all UAALs were consolidated into one and amortized over six years. The goal is to have the unfunded amount at zero by October 1, 2017. Recommended revisions in actuarial assumptions and methods for assumed rates of turnover, retirement, backdrop and salary increases were adopted by the Pension Board following a comprehensive assumption review.

11. 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 in accounts and accrued expenses payable.

(Dollars in Thousands)

11. Health Insurance Programs (continued)

The changes in the self-insurance reserves for the years ended September 30, 2014 and 2013 are as follows:

	Medical and Prescription Benefits
Balance at September 30, 2012	$ 15,440
Contributions	31,328
Incurred claims	(30,854)
Balance at September 30, 2013	15,914
Contributions	**23,104**
Incurred claims	**(28,269)**
Balance at September 30, 2014	**$ 10,749**

12. Other Postemployment Benefits

Plan Description

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

As of October 1, 2013 (the Actuarial valuation date), the OPEB Plan had approximately 2,167 active participants and 587 retirees receiving benefits. The JEA currently determines the eligibility, benefit provisions, and changes to those provisions applicable to eligible retirees. The OPEB Plan does not issue publicly audited financial statements.

Funding Policy

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

(Dollars in Thousands)

12. Other Postemployment Benefits (continued)

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

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

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ending	Annual OPEB Cost	JEA Contributions*	Percentage of Retiree Cost Contributed	Net Obligation
September 30, 2014	**$ 4,800**	**$ 4,382**	**91.29%**	**$ 2,145**
September 30, 2013	5,469	6,185	113.08	1,727
September 30, 2012	5,254	5,423	103.23	2,443

*Implicit premiums paid by JEA

The following table shows the components of JEA's annual OPEB costs for the year, the amount contributed to the OPEB Plan, and the changes in the net OPEB obligation to JEA as of September 30, 2014 and 2013:

	September 30 2014	2013
Annual Required Contribution (ARC)	**$ 4,819**	$ 5,433
Interest on OPEB Plan obligation	**120**	171
Adjustment to ARC	**(139)**	(135)
Annual OPEB Plan retiree cost*	**4,800**	5,469
Contributions made	**(4,382)**	(6,185)
Change in OPEB Plan obligation	**418**	(716)
OPEB Plan obligation at beginning of year	**1,727**	2,443
OPEB Plan obligation at end of year	**$ 2,145**	$ 1,727

*Implicit additional premiums paid by JEA

12. Other Postemployment Benefits (continued)

Funded Status

As of October 1, 2013, the most recent valuation date, the OPEB Plan was 21.36% funded. The actuarial accrued liability for benefits was $62,479, and the actuarial value of assets was $13,349, resulting in an unfunded actuarial accrued liability (UAAL) of $49,130. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was $148,617, and the ratio of the UAAL to the covered payroll was 33.1%.

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 15-year period. The actuarial assumptions include a 7.0% discount rate, compounded annually, and it is based on the JEA's expected rate of return on trust fund assets, based on the assumption that the OPEB Plan will be funded through a separately invested trust fund. The asset valuation method used to determine the actuarial value of the assets was the market value of the investments held in trust. The medical trend rates were assumed to be 8.0% beginning on October 1, 2014, and decreasing 0.5% beginning October 1, 2016 and each subsequent year until realizing the ultimate value of 5.0%.

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

Amortizations were assumed to begin on October 1, 2007, and to continue monthly for the 15 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 15 years.

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

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

13. 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:

Electric Enterprise System – On June 2, 2014 the EPA issued a proposed rule (known as the Clean Power Plan) relating to CO2 emissions from existing fossil fuel-fired power plants. JEA will be submitting comments on the proposed emission standards for existing power plants by the December 1, 2014 deadline.

The ultimate impact of the rule, if adopted in its present form, cannot be determined by JEA at this time, in part due to the need to finalize state goals and adopt state plans subject to EPA approval and the uncertainty as to how the Florida and Georgia (with respect to Scherer 4 and Vogtle) plans would ultimately affect JEA. Based on the proposed rule, the rule will be finalized by the EPA no later than June 1, 2015, and states will be required to submit their implementation plans to the EPA no later than June 30, 2016, subject to the states being able to request more time to submit complete implementation plans and the EPA being able to allow states until June 30, 2017 or June 30, 2018, as appropriate, to submit additional information completing the plan that was submitted no later than June 30, 2016.

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

13. Commitments and Contingent Liabilities (continued)

but their resolution is not expected to materially impact the overall rule. Oral arguments on these outstanding issues are scheduled for March 11, 2015. On October 23, 2014, the U.S. Court of Appeals for the D.C. Circuit lifted its stay of the Environmental Protection Agency's (EPA) Cross State Air Pollution Rule (CSAPR). Compliance options under the rule begin in 2015. Phase 1 emission budgets will apply on January 1, 2015, for the annual programs and May 1, 2015, for the ozone-season NOx program and in 2016. Phase 2 emission budgets will apply beginning in 2017 and subsequent years. JEA is well positioned to comply with CSAPR if implemented as specified in the July 6, 2011 final rule.

On December 21, 2011, 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.

In order to demonstrate compliance with the MATS, source owners and operators may choose between continuous emission monitors ("CEMS") or quarterly stack tests for all pollutants except for mercury. For mercury, all units are required to have a mercury CEMS or a sorbent trap monitoring system. The compliance deadline for affected sources to have all necessary pollution controls installed is April 2015.

Because of the controls already installed at JEA's EGUs, JEA will not need to install any new additional control equipment in order to comply with the MATS rule. JEA is evaluating additional monitoring requirements which may be required.

EPA is reviewing its policies regarding the classification and utilization of coal combustion byproducts. On June 21, 2010, EPA proposed 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 proposed action would require protective controls, such as liners and groundwater monitoring, at new landfills that store CCRs in dry form.

Existing surface impoundments, like that at Plant Scherer, will require increased monitoring and liners. The proposed rule dissuades the operation of existing surface impoundments for longer than five years after the rule's promulgation and forces transition to landfilling CCRs. EPA is under a court approved consent decree to issue a final rule by December 19, 2014.

The proposal called for public comment on two approaches for addressing the risks of CCR management under the Federal Resource Conservation and Recovery Act ("RCRA"). One option, drawn from authorities available under Subtitle C of RCRA, would list CCRs as a "special waste" and create a comprehensive program of federally enforceable requirements for waste management and disposal. The other option includes remedies under Subtitle D of RCRA, which gives EPA authority to set performance standards for waste management facilities and would be enforced primarily through citizen suits.

Under both approaches proposed by EPA, EPA would leave 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. These uses would not be directly impacted by either proposal.

13. Commitments and Contingent Liabilities (continued)

The financial and operational impact to JEA of the rules under development by EPA related to CCRs cannot be determined at this time. Depending on the regulatory option selected and the feasibility of modifying State statutes, the Power Park could landfill its CCRs on-site at an increased cost over its current practice of having over 50 percent of its CCRs going to beneficial use, and Northside could landfill its CCRs off-site at an increased cost over its current practice of having over 50 percent of its CCRs going to beneficial use, assuming those beneficial use markets are impacted by issuance of the new rules. If the proposed rules are promulgated, Plant Scherer would have to close its existing impoundment and landfill its CCRs either on-site or off-site at an increased cost.

On November 22, 2010, EPA entered into a Settlement Agreement with Riverkeeper, Inc. regarding rulemaking dates for 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. EPA agreed to propose standards by March 14, 2011 and, after considering public comments, to take final action by July 27, 2012. After the initial delay, EPA announced proposed standards for cooling water intake systems on March 28, 2011. Under the proposal, existing facilities that withdraw very large amounts of water would be 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. The EPA was to take final action on the standard by July 27, 2012. However, on June 1, 2012, the EPA issued a Notice of Data Availability ("NODA"), presenting new data and information it received and collected since the proposed rule was published. EPA accepted comments on the new information until July 11, 2012 and considered the new data in developing the final rule. EPA and environmental groups recently agreed to extend the deadline for EPA to finalize requirements for cooling water intake structures. The agreement amends the settlement reached by EPA and environmental groups in 2010, in which EPA agreed to develop new standards for cooling water intake structures at all existing power generating facilities.

JEA does not believe that new standards in the final rule will affect any of its facilities other than NSGS. NSGS 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. It is possible that new standards may prospectively require upgrades to the system, varying from establishment of existing facilities as the Best Technology Available, to improvements to the existing screening facilities, to the installation of other cooling technologies. A full two year study is required to evaluate site specific conditions and form a basis for assessing BTA. Accordingly, costs of compliance have not been determined for NSGS and are not included in JEA's capital program for the Electric System.

In November 2010, EPA agreed to propose the power plant Effluent Limitation Guidelines ("ELGs") for coal-fired steam electric plants by July 23, 2012, and finalize the guidelines in May 2014. The ELGs were last revised in 1982. EPA is considering more stringent limits for new metals and parameters for individual wastewater streams generated by steam electric power plants, with emphasis on coal-fired power plants. EPA will evaluate the technologies and costs to remove those metals and identify the Best Available Technology ("BAT") to affect their control in coal-fired power plant effluent. After a number of delays in issuing the proposed ELG rule, EPA issued a draft rule on June 7, 2013 and accepted comments on the rule until September 20, 2013. Under that proposed approach, new requirements for existing power plants would be phased in between 2017 and 2022. EPA has delayed issuance of the final rule until October 15, 2015. Since there is no final rule and the agency is considering comments, an extensive analysis cannot be completed at this time.

13. Commitments and Contingent Liabilities (continued)

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. The Suwannee River Water Management District and the St. Johns River Water Management District are in the process of setting new or revised minimum Flows and Levels (MFLs), which are intended to assess the potential for ecological resource risks from aquifer withdrawals and ensure sustainable supplies. 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. The EPA has delegated the wastewater regulatory program to The Florida Department of Environmental Protection (FDEP). The FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen that can be assimilated by the St. Johns River, to which 8 of JEA's 11 wastewater treatment plants discharge. This state rule limits the amount of nitrogen that these 8 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. In 2013 both FDEP and EPA re-affirmed the site specific nutrient standard that is codified in the Lower St. Johns River TMDL, ending controversy surrounding whether or not generalized Numeric Nutrient Criteria for the State of Florida would cause a revision to that standard.

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 remains at $18,662 at September 30, 2014. The accrual is related to the following environmental matters: Kennedy Generating Station RCRA Corrective Action for former wood preserving site; Sans Souci Substation remedial activities; Pearl Street Electric Shop remedial activities; Southside Generating Station Brownfield site, Kennedy Generating Station fuel oil tank farm, Northside Generating Station RCRA Corrective Action program, Tri-State Recycling Site; and remediation at a number of miscellaneous petroleum sites. Of the $18,662 that JEA has accrued as environmental

13. Commitments and Contingent Liabilities (continued)

liabilities, approximately $13,840 is associated with the expected cost of remediating the former wood preserving facility at the Kennedy Generating Facility. Following are other environmental matters that could have an impact on JEA; however, the resolution of these matters is uncertain, and no accurate prediction of range of loss is possible at this time: Bill Johns Waste Oil site assessment and remediation, Pickettville Road Landfill CERCLA site post-closure activities, Devil's Swamp Lake CERCLA site, Holley Electric 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 By-Product

JEA Northside Generating Station (NSGS) Units 1 and 2 produce a by-product that consists of fly ash and bed ash. JEA has obtained a permit from the Florida Department of Environmental Protection (FDEP) to beneficially use the processed by-product material in the state of Florida, subject to certain restrictions. These ash products were and are combined and processed into civil construction materials marketed as EZBase and EZSorb. In order to provide comprehensive, unified oversight, JEA reorganized its By-product Services to include the material-handling area and the marketing area under one process. In addition, the expansion of rail capacity, the ability to load rail cars directly from the storage silos, and direct leasing of railcars 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 By-products Storage Area (BSA) is an FDEP permitted, Class I lined storage facility at NSGS. JEA received a new five-year permit effective June 9, 2010. JEA is currently working on the next permit renewal.

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 contends that JEA's bed ash by-product, which it claims was defective, was incorporated into OPF-42, a separate product processed, marketed, and distributed by another defendant named in the lawsuit. Plaintiff also contends that this product was sold for use as a soil additive during the site work phase of construction for the project. JEA denies plaintiff's allegation that the by-product was defective and believes it has meritorious defenses to the action. The amount of damages to be sought by the plaintiff will be dependent upon the nature and cost of the final remediation, which is currently unknown, but is expected to potentially exceed $1 million.

In November 2012, Jacksonville Port Authority ("Jaxport") sued W.G. Yates & Sons Construction Company ("Yates"), Thompson Engineering, Inc. ("Thompson"), Halcrow, Inc. ("Halcrow"), and various sureties for failures in a pavement system covering approximately 144 acres of Jaxport's Dames Point Marine Terminal ("the Project"). Yates was the contractor and Thompson and Halcrow performed certain design and constructions oversight services for Jaxport. Thompson also performed construction management, materials testing, and quality control services for Yates.

13. Commitments and Contingent Liabilities (continued)

Thompson filed an amended third party complaint against JEA in July 2014, alleging negligence, indemnity and product liability claims for JEA's alleged involvement in selecting and installing JEA's EZBase byproduct material as part of an improved aggregate subgrade which Thompson developed for the Project. JEA filed a motion to dismiss all claims advanced by Thompson in August 2014, which remains pending before the court. JEA has a number of meritorious defenses to the claims and will vigorously defend itself in the action. It has engaged outside counsel in conjunction with the Office of General Counsel.

Southside Generating Station

JEA decommissioned the Southside Generating System in October 2001. JEA has spent approximately $27,561 for demolition, disposal, and environmental remediation associated with the site. JEA continues to work on positioning the property for a future sale and redevelopment.

JEA received proposals for purchase of the site in October 2014. JEA will enter contract negotiations with the top ranked proposer for a possible sale of the property. A due diligence period of one year was requested 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 negotiated contract will be presented to the JEA Board for its consideration.

Interlocal Agreements

JEA was involved in litigation disputes with St. Johns County, Florida (County) 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 waste water 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.

14. 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 District Energy System consists of chilled water activities.

Intercompany billing is employed between the Electric System and the Water and Sewer System and includes purchases of electricity, water, and sewer services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the monthly and annual financial statements. Electricity charges to the Water and Sewer entity were $16,468 for fiscal year 2014 and $15,965 for fiscal year 2013. Water and Sewer charges to the Electric System were $686 for fiscal year 2014 and $265 for fiscal year 2013.

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 $39,628 for fiscal year 2014 and $42,801 for fiscal year 2013.

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 $556 for fiscal year 2014 and $829 for fiscal year 2013.

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of $22,940 and $6,278, an amount equal to the net book value of the assets. Monthly, the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was $1,936 for fiscal 2014 and $1,902 for fiscal year 2013.

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

(Dollars in Thousands)

14. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2014 and 2013, was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer System		DES	
	2014	2013*	2014	2013*	2014	2013*	2014	2013*
Total current assets	$ 545,690	$ 547,307	$ 156,698	$ 133,937	$ 125,957	$ 126,305	$ 4,316	$ 4,220
Total other noncurrent assets	362,869	332,868	386,730	404,781	351,105	348,227	4,913	3,689
Capital assets, net	2,858,524	2,981,034	624,728	678,657	2,697,955	2,730,103	38,413	40,057
Deferred outflows of resources	193,370	178,254	31,106	34,966	69,220	61,977	227	235
Total assets and deferred outflow of resources	$ 3,960,453	$ 4,039,463	$ 1,199,262	$ 1,252,341	$ 3,244,237	$ 3,266,612	$ 47,869	$ 48,201
Total current liabilities	$ 132,898	$ 145,805	$ 30,434	$ 26,604	$ 25,923	$ 29,879	$ 27	$ 43
Total current liabilities payable from restricted assets	134,610	119,732	251,341	258,377	89,268	96,570	2,332	1,344
Total other noncurrent liabilities	34,290	35,932	1,326	2,876	8,793	7,748	47	37
Total long-term debt	2,825,602	2,938,045	604,745	745,060	1,841,102	1,935,208	41,307	42,907
Total liabilities	3,127,400	3,239,514	887,846	1,032,917	1,965,086	2,069,405	43,713	44,331
Deferred inflows of resources	53,072	56,949	178,698	123,764	–	–	–	–
Net investment in capital assets	156,065	166,213	(144,686)	(154,452)	969,402	896,621	(4,291)	(3,445)
Restricted net position	228,765	204,325	152,467	145,655	207,272	199,063	4,205	3,175
Unrestricted net position	395,151	372,462	124,937	104,457	102,477	101,523	4,242	4,140
Total net assets	833,053	799,949	311,416	219,424	1,279,151	1,197,207	4,156	3,870
Total liabilities, deferred inflows of resources and net assets	$ 3,960,453	$ 4,039,463	$ 1,199,262	$ 1,252,341	$ 3,244,237	$ 3,266,612	$ 47,869	$ 48,201
Condensed Statement of Revenues, Expenses, and Changes in Net Position Information								
Operating revenues	$ 1,319,736	$ 1,274,586	$ 426,304	$ 418,816	$ 393,355	$ 390,692	$ 8,689	$ 8,471
Depreciation	199,944	202,921	41,774	40,712	131,600	132,333	2,187	2,101
Operating expenses	907,493	852,469	313,506	334,012	131,675	133,979	4,806	4,515
Operating income	212,299	219,196	71,024	44,092	130,080	124,380	1,696	1,855
Nonoperating revenues (expenses)	(88,000)	(112,764)	(33,966)	(48,216)	(65,111)	(70,725)	(1,410)	(1,056)
Contributions	(87,318)	(83,969)	–	–	16,975	6,574	–	–
Change in net position	36,981	22,463	37,058	(4,124)	81,944	60,229	286	799
Beginning net position	743,000	720,537	95,660	99,784	1,197,207	1,136,978	3,870	3,071
Ending net position	$ 779,981	$ 743,000	$ 132,718	$ 95,660	$ 1,279,151	$ 1,197,207	$ 4,156	$ 3,870
Condensed Statement of Cash Flow Information								
Net cash provided by:								
Operating activities	$ 391,664	$ 412,313	$ 165,131	$ 182,260	$ 264,173	$ 259,275	$ 3,799	$ 3,730
Noncapital financing activities	(82,660)	(79,351)	409	421	(19,435)	(20,183)	–	–
Capital and related financing activities	(292,584)	(340,817)	(165,152)	(168,895)	(242,799)	(222,439)	(2,560)	(3,065)
Investing activities	(494)	(110,752)	8,971	4,930	(24,758)	(44,900)	28	28
Net change in cash and cash equivalents	15,926	(118,607)	9,359	18,716	(22,819)	(28,247)	1,267	693
Cash and cash equivalents at beginning of year	161,506	280,113	258,581	239,865	158,739	186,986	7,063	6,370
Cash and cash equivalents at end of year	$ 177,432	$ 161,506	$ 267,940	$ 258,581	$ 135,920	$ 158,739	$ 8,330	$ 7,063

* Prior period financial statements have been revised to reflect the implementation of GASB Statement No. 65.

15. Subsequent Events

During November 2014, JEA replaced two standby bond purchase agreements relating to Variable Rate Electric System Subordinated Revenue Bonds, 2000 Series A and 2000 Series F-1 with stated expiration dates of November 15, 2017 and June 25, 2018.

Required Supplementary Information

Schedules of Funding Progress

(Dollars in Thousands)

September 30, 2014

SJRPP Employees' Retirement Plan

The following funding schedule presents multiyear trend information on the funded status of SJRPP Defined Benefit as of September 30, 2014. The schedule has been prepared using the Entry Age Actuarial method.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry-Age Normal (b)	Unfunded/ (Overfunded) AAL (UAAL) (b–a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b–a)/c)
October 1, 2013	$ 135,019	$ 146,521	$ 11,502	92.2%	$ 17,761	64.8%
October 1, 2012	115,815	140,281*	24,466	82.6	19,318	126.6
October 1, 2011	96,511	143,203	46,692	67.4	19,895	234.7

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

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

*Reflects a change in plan provisions and assumptions.

Other Post-Employment Benefit Plan

The following funding schedule presents multiyear trend information on the funded status of the Other Postemployment Benefit Plan as of September 30, 2014; the schedule has been prepared using the Entry Age Actuarial Method.

Valuation Date	AAL	Actuarial Value of Assets	UAAL	Percentage Funded	Annual Covered Payroll	UAAL as Percentage of Payroll
October 1, 2013	$ 62,479	$ 13,349	$ 49,130	21.36%	$ 148,617	33.06%
October 1, 2011	77,280	6,471	70,809	8.37	150,714	46.98
October 1, 2009	71,894	2,149	69,745	2.99	138,093	50.51

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

Supplementary Information

JEA

Combining Statement of Net Position
(In Thousands)

September 30, 2014

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Assets and deferred outflows of resources								
Current assets:								
Cash and cash equivalents	$ 177,292	$ 76,333	$ -	$ 253,625	$ 42,660	$ 3,417	$ -	$ 299,702
Investments	128,027	18,622	-	146,649	-		-	146,649
Accounts and interest receivable, less allowance for doubtful accounts of $4,620	199,196	11,801	(14,794)	196,203	37,525	899	-	234,627
Inventories:								
Fuel	39,011	29,977	-	68,988	-	-	-	68,988
Materials and supplies	2,164	19,965		22,129	45,772	-	-	67,901
Total current assets	545,690	156,698	(14,794)	687,594	125,957	4,316	-	817,867
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	140	191,607	-	191,747	93,260	4,913	-	289,920
Investments	344,879	194,208	-	539,087	244,253	-	-	783,340
Accounts and interest receivable	1,201	915	-	2,116	2,357	-	-	4,473
Total restricted assets	346,220	386,730	-	732,950	339,870	4,913	-	1,077,733
Other assets	8,578	-	-	8,578	11,235	-	-	19,813
Investment in The Energy Authority	8,071	-	-	8,071	-	-	-	8,071
Total noncurrent assets	362,869	386,730	-	749,599	351,105	4,913	-	1,105,617
Capital assets:								
Land and easements	73,621	6,660	-	80,281	53,481	3,051	-	136,813
Plant in service	5,018,097	1,388,852	-	6,406,949	4,032,977	51,916	-	10,491,842
Less accumulated depreciation	(2,313,295)	(788,972)	-	(3,102,267)	(1,487,912)	(17,238)	-	(4,607,417)
Plant in service, net	2,778,423	606,540	-	3,384,963	2,598,546	37,729	-	6,021,238
Construction work in progress	80,101	18,188	-	98,289	99,409	684		198,382
Net capital assets	2,858,524	624,728	-	3,483,252	2,697,955	38,413	-	6,219,620
Total assets	3,767,083	1,168,156	(14,794)	4,920,445	3,175,017	47,642	-	8,143,104
Deferred outflows of resources								
Costs to be recovered from future revenues	14,542	5,173	-	19,715	-	-	-	19,715
Unamortized deferred losses on refundings	90,806	25,933	-	116,739	51,627	227	-	168,593
Accumulated decrease in fair value of hedging derivatives	88,022	-	-	88,022	17,593	-	-	105,615
Total deferred outflows of resources	193,370	31,106	-	224,476	69,220	227	-	293,923
Total assets and deferred outflows	$ 3,960,453	$ 1,199,262	$ (14,794)	$ 5,144,921	$ 3,244,237	$ 47,869	$ -	$ 8,437,027

JEA

Combining Statement of Net Position (continued)
(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Liabilities, deferred inflows of resources, and net position								
Current liabilities:								
Accounts and accrued expenses payable	$ 90,041	$ 30,434	$ (4)	$ 120,471	$ 13,136	$ 27	$ -	$ 133,634
Customer deposits	42,857	-	-	42,857	12,787	-	-	55,644
Total current liabilities	132,898	30,434	(4)	163,328	25,923	27	-	189,278
Current liabilities payable from restricted assets:								
Debt due within one year	78,615	132,085	-	210,700	44,325	1,605	-	256,630
Interest payable	47,763	14,586	-	62,349	31,250	708	-	94,307
Construction contracts and accounts payable	8,232	15,450	(14,790)	8,892	13,693	19	-	22,604
Renewal and replacement reserve	-	89,220	-	89,220	-	-	-	89,220
Total current liabilities payable from restricted assets	134,610	251,341	(14,790)	371,161	89,268	2,332	-	462,761
Noncurrent liabilities:								
Other liabilities	34,290	1,326	-	35,616	8,793	47	-	44,456
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,639,205	579,110	-	3,218,315	1,753,060	41,360	-	5,012,735
Unamortized premium, net	98,375	25,635	-	124,010	70,449	(53)	-	194,406
Fair value of debt management strategy instruments	88,022	-	-	88,022	17,593	-	-	105,615
Total long-term debt	2,825,602	604,745	-	3,430,347	1,841,102	41,307	-	5,312,756
Total liabilities	3,127,400	887,846	(14,794)	4,000,452	1,965,086	43,713	-	6,009,251
Deferred inflows of resources								
Revenues to be used for future costs	53,072	178,698	-	231,770	-	-	-	231,770
Net position								
Net investment in capital assets	156,065	(144,686)	-	11,379	969,402	(4,291)	-	976,490
Restricted	228,765	152,467	14,790	396,022	207,272	4,205	-	607,499
Unrestricted	395,151	124,937	(14,790)	505,298	102,477	4,242	-	612,017
Total net position	779,981	132,718	-	912,699	1,279,151	4,156	-	2,196,006
Total liabilities, deferred inflows of resources, and net position	$ 3,960,453	$ 1,199,262	$ (14,794)	$ 5,144,921	$ 3,244,237	$ 47,869	$ -	$ 8,437,027

JEA

Combining Statement of Net Position
(In Thousands)

September 30, 2013 *

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Assets and deferred outflows of resources								
Current assets:								
Cash and cash equivalents	$ 156,707	$ 58,269	$ –	$ 214,976	$ 40,377	$ 3,374	$ –	$ 258,727
Investments	143,882	11,992	–	155,874	–	25	–	155,899
Accounts and interest receivable, less allowance for doubtful accounts of $4,613	204,474	10,776	(19,727)	195,523	39,050	821	–	235,394
Inventories:								
Fuel	40,006	32,022	–	72,028	–	–	–	72,028
Materials and supplies	2,238	20,878	–	23,116	46,878	–	–	69,994
Total current assets	547,307	133,937	(19,727)	661,517	126,305	4,220	–	792,042
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	4,799	200,312	–	205,111	118,362	3,689	–	327,162
Investments	318,795	203,479	–	522,274	213,788	–	–	736,062
Accounts and interest receivable	2,382	990	–	3,372	3,232	–	–	6,604
Total restricted assets	325,976	404,781	–	730,757	335,382	3,689	–	1,069,828
Other assets	603	–	–	603	12,845	–	–	13,448
Investment in The Energy Authority	6,289	–	–	6,289	–	–	–	6,289
Total noncurrent assets	332,868	404,781	–	737,649	348,227	3,689	–	1,089,565
Capital assets:								
Land and easements	70,718	6,660	–	77,378	53,289	3,051	–	133,718
Plant in service	5,008,369	1,365,922	–	6,374,291	3,974,833	51,360	–	10,400,484
Less accumulated depreciation	(2,195,168)	(752,507)	–	(2,947,675)	(1,382,723)	(15,243)	–	(4,345,641)
Plant in service, net	2,883,919	620,075	–	3,503,994	2,645,399	39,168	–	6,188,561
Construction work in progress	97,115	58,582	–	155,697	84,704	889	–	241,290
Net capital assets	2,981,034	678,657	–	3,659,691	2,730,103	40,057	–	6,429,851
Total assets	3,861,209	1,217,375	(19,727)	5,058,857	3,204,635	47,966	–	8,311,458
Deferred outflows of resources								
Costs to be recovered from future revenues	12,884	5,641	–	18,525	–	–	–	18,525
Unamortized deferred losses on refundings	93,306	29,325	–	122,631	49,818	235	–	172,684
Accumulated decrease in fair value of hedging derivatives	72,064	–	–	72,064	12,159	–	–	84,223
Total deferred outflows of resources	178,254	34,966	–	213,220	61,977	235	–	275,432
Total assets and deferred outflows	$ 4,039,463	$ 1,252,341	$ (19,727)	$ 5,272,077	$ 3,266,612	$ 48,201	$ –	$ 8,586,890

* Prior period financial statements have been revised to reflect the implementation of GASB Statement No. 65.

JEA

Combining Statement of Net Position (continued)
(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Liabilities, deferred inflows of resources, and net position								
Current liabilities:								
Accounts and accrued expenses payable	$ 100,645	$ 26,604	$ (1,248)	$ 126,001	$ 16,019	$ 43	$ -	$ 142,063
Customer deposits	45,160	-	-	45,160	13,860	-	-	59,020
Total current liabilities	145,805	26,604	(1,248)	171,161	29,879	43	-	201,083
Current liabilities payable from restricted assets:								
Debt due within one year	64,785	127,390	-	192,175	46,492	365	-	239,032
Interest payable	45,156	19,699	-	64,855	34,821	402	-	100,078
Construction contracts and accounts payable	9,791	22,245	(18,479)	13,557	15,257	577	-	29,391
Renewal and replacement reserve	-	89,043	-	89,043	-	-	-	89,043
Total current liabilities payable from restricted assets	119,732	258,377	(18,479)	359,630	96,570	1,344	-	457,544
Noncurrent liabilities:								
Other liabilities	35,932	2,876	-	38,808	7,748	37	-	46,593
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,773,030	709,955	-	3,482,985	1,871,007	42,965	-	5,396,957
Unamortized premium, net	92,951	35,105	-	128,056	52,042	(58)	-	180,040
Fair value of debt management strategy instruments	72,064	-	-	72,064	12,159	-	-	84,223
Total long-term debt	2,938,045	745,060	-	3,683,105	1,935,208	42,907	-	5,661,220
Total liabilities	3,239,514	1,032,917	(19,727)	4,252,704	2,069,405	44,331	-	6,366,440
Deferred inflows of resources								
Revenues to be used for future costs	56,949	123,764	-	180,713	-	-	-	180,713
Net position								
Net investment in capital assets	166,213	(154,452)	-	11,761	896,621	(3,445)	-	904,937
Restricted	204,325	145,655	18,479	368,459	199,063	3,175	-	570,697
Unrestricted	372,462	104,457	(18,479)	458,440	101,523	4,140	-	564,103
Total net position	743,000	95,660	-	838,660	1,197,207	3,870	-	2,039,737
Total liabilities, deferred inflows of resources, and net position	$ 4,039,463	$ 1,252,341	$ (19,727)	$ 5,272,077	$ 3,266,612	$ 48,201	$ -	$ 8,586,890

* Prior period financial statements have been revised to reflect the implementation of GASB Statement No. 65.

JEA

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

Year Ended September 30, 2014

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating revenues:								
Electric	$ 1,287,888	$ 426,304	$ (266,557)	$ 1,447,635	$ –	$ –	$ (16,468)	$ 1,431,167
Water and sewer	–	–	–	–	384,329	–	(686)	383,643
District Energy System	–	–	–	–	–	8,682	–	8,682
Other	31,848	–	–	31,848	9,026	7	(2,492)	38,389
Total operating revenues	1,319,736	426,304	(266,557)	1,479,483	393,355	8,689	(19,646)	1,861,881
Operating expenses:								
Operations:								
Fuel	347,740	194,066	–	541,806	–	–	–	541,806
Purchased power	309,772	–	(266,557)	43,215	–	–	–	43,215
Other	137,242	39,607	–	176,849	108,871	3,889	(19,646)	269,963
Maintenance	55,957	24,899	–	80,856	13,028	917	–	94,801
Depreciation	199,944	41,774	–	241,718	131,600	2,187	–	375,505
State utility and franchise taxes	62,445	–	–	62,445	9,776	–	–	72,221
Recognition of deferred costs and revenues, net	(5,663)	54,934	–	49,271	–	–	–	49,271
Total operating expenses	1,107,437	355,280	(266,557)	1,196,160	263,275	6,993	(19,646)	1,446,782
Operating income	212,299	71,024	–	283,323	130,080	1,696	–	415,099
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	3,567	–	–	3,567	–	–	–	3,567
Investment income	8,358	6,256	–	14,614	5,929	3	–	20,546
Other nonoperating revenue	4,379	409	–	4,788	2,492	–	–	7,280
Interest on debt	(105,653)	(40,631)	–	(146,284)	(76,022)	(1,430)	–	(223,736)
Other interest, net	(47)	–	–	(47)	9	–	–	(38)
Allowance for funds used during construction	1,396	–	–	1,396	2,481	17	–	3,894
Gain (loss) on sale of asset								
Total nonoperating revenues (expenses)	(88,000)	(33,966)	–	(121,966)	(65,111)	(1,410)	–	(188,487)
Income before contributions	124,299	37,058	–	161,357	64,969	286	–	226,612
Contributions (to) from:								
General Fund, City of Jacksonville	(87,318)	–	–	(87,318)	(21,870)	–	–	(109,188)
Developers and other	–	–	–	–	38,845	–	–	38,845
Total contributions	(87,318)	–	–	(87,318)	16,975	–	–	(70,343)
Change in net position	36,981	37,058	–	74,039	81,944	286	–	156,269
Net position, beginning of year	743,000	95,660	–	838,660	1,197,207	3,870	–	2,039,737
Net position, end of year	$ 779,981	$ 132,718	$ –	$ 912,699	$ 1,279,151	$ 4,156	$ –	$ 2,196,006

JEA

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

Year Ended September 30, 2013*

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating revenues:								
Electric	$ 1,241,630	$ 418,816	$ (260,785)	$ 1,399,661	$ –	$ –	$ (15,965)	$ 1,383,696
Water and sewer	–	–	–	–	381,942	–	(265)	381,677
District Energy System	–	–	–	–	–	8,471	–	8,471
Other	32,956	–	–	32,956	8,750	–	(2,731)	38,975
Total operating revenues	1,274,586	418,816	(260,785)	1,432,617	390,692	8,471	(18,961)	1,812,819
Operating expenses:								
Operations:								
Fuel	287,326	198,083	–	485,409	–	–	–	485,409
Purchased power	315,022	–	(260,785)	54,237	–	–	–	54,237
Other	134,737	41,301	–	176,038	107,097	3,741	(18,961)	267,915
Maintenance	58,888	26,399	–	85,287	17,065	774	–	103,126
Depreciation	202,921	40,712	–	243,633	132,333	2,101	–	378,067
State utility and franchise taxes	60,420	–	–	60,420	9,817	–	–	70,237
Recognition of deferred costs and revenues, net	(3,924)	68,229	–	64,305	–	–	–	64,305
Total operating expenses	1,055,390	374,724	(260,785)	1,169,329	266,312	6,616	(18,961)	1,423,296
Operating income	219,196	44,092	–	263,288	124,380	1,855	–	389,523
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	4,325	–	–	4,325	–	–	–	4,325
Investment income	(10,519)	(3,085)	–	(13,604)	354	10	–	(13,240)
Other nonoperating revenue	4,541	421	–	4,962	2,568	–	–	7,530
Interest on debt	(112,626)	(45,552)	–	(158,178)	(75,982)	(1,068)	–	(235,228)
Other interest, net	(122)	–	–	(122)	(12)	–	–	(134)
Allowance for funds used during construction	1,637	–	–	1,637	2,347	2	–	3,986
Gain (loss) on sale of asset								
Total nonoperating revenues (expenses)	(112,764)	(48,216)	–	(160,980)	(70,725)	(1,056)	–	(232,761)
Income before contributions	106,432	(4,124)	–	102,308	53,655	799	–	156,762
Contributions (to) from:								
General Fund, City of Jacksonville	(83,969)	–	–	(83,969)	(22,718)	–	–	(106,687)
Developers and other	–	–	–	–	29,292	–	–	29,292
Total contributions	(83,969)	–	–	(83,969)	6,574	–	–	(77,395)
Change in net position	22,463	(4,124)	–	18,339	60,229	799	–	79,367
Net position, beginning of year, originally reported	737,059	99,784	–	836,843	1,151,152	3,316	–	1,991,311
Effect of change in accounting	(16,522)	–	–	(16,522)	(14,174)	(245)	–	(30,941)
Net position, beginning of year, as restated	720,537	99,784	–	820,321	1,136,978	3,071	–	1,960,370
Net position, end of year	$ 743,000	$ 95,660	$ –	$ 838,660	$ 1,197,207	$ 3,870	$ –	$ 2,039,737

* Prior period financial statements have been revised to reflect the implementation of GASB Statement No. 65.

JEA

Combining Statement of Cash Flows

(In Thousands)

Year Ended September 30, 2014

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating activities								
Receipts from customers	$ 1,293,573	$ 426,304	$ (263,688)	$ 1,456,189	$ 386,077	$ 8,604	$ (17,154)	$ 1,833,716
Other receipts	33,029	–	–	33,029	9,900	7	(2,492)	40,444
Payments to suppliers	(796,506)	(233,632)	263,688	(766,450)	(83,761)	(4,314)	19,646	(834,879)
Payments to employees	(138,432)	(27,541)	–	(165,973)	(48,043)	(498)	–	(214,514)
Net cash provided by operating activities	391,664	165,131	–	556,795	264,173	3,799	–	824,767
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(87,038)	–	–	(87,038)	(21,927)	–	–	(108,965)
Build America Bonds subsidies	4,378	409	–	4,787	2,492	–	–	7,279
Net cash (used in) provided by noncapital activities and related financing activities	(82,660)	409	–	(82,251)	(19,435)	–	–	(101,686)
Capital and related financing activities								
Acquisition and construction of capital assets	(78,891)	–	–	(78,891)	(78,417)	(1,084)	–	(158,392)
Proceeds from issuance of debt, net	360,380	152,715	–	513,095	300,200	–	–	813,295
Defeasance of debt	(397,691)	(152,567)	–	(550,258)	(354,832)	–	–	(905,090)
Repayment of debt principal	(65,450)	(127,390)	–	(192,840)	(46,734)	(365)	–	(239,939)
Interest paid on debt	(112,227)	(37,910)	–	(150,137)	(81,742)	(1,111)	–	(232,990)
Developer and other contributions	–	–	–	–	18,298	–	–	18,298
Proceeds from sales of property	1,295	–	–	1,295	428	–	–	1,723
Net cash used in capital and related financing activities	(292,584)	(165,152)	–	(457,736)	(242,799)	(2,560)	–	(703,095)
Investing activities								
Purchase of investments	(609,292)	(681,340)	–	(1,290,632)	(540,438)	–	–	(1,831,070)
Proceeds from sale and maturities of investments	603,223	686,612	–	1,289,835	513,085	22	–	1,802,942
Investment income	3,790	3,699	–	7,489	2,595	6	–	10,090
Distributions from The Energy Authority	1,785	–	–	1,785	–	–	–	1,785
Net cash (used in) provided by investing activities	(494)	8,971	–	8,477	(24,758)	28	–	(16,253)
Net increase in cash and cash equivalents	15,926	9,359	–	25,285	(22,819)	1,267	–	3,733
Cash and cash equivalents at beginning of year	161,506	258,581	–	420,087	158,739	7,063	–	585,889
Cash and cash equivalents at end of year	$ 177,432	$ 267,940	$ –	$ 445,372	$ 135,920	$ 8,330	$ –	$ 589,622
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	$ 212,299	$ 71,024	$ –	283,323	$ 130,080	$ 1,696	$ –	415,099
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	199,944	41,774	–	241,718	133,210	2,187	–	377,115
Recognition of deferred costs and revenues, net	(5,663)	54,934	–	49,271	–	–	–	49,271
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable	5,685	(1,024)	–	4,661	1,748	(78)	–	6,331
Accounts receivable and interest receivable, restricted	1,181	–	–	1,181	875	–	–	2,056
Inventories	1,069	2,958	–	4,027	1,106	–	–	5,133
Other assets	(7,975)	–	–	(7,975)	–	–	–	(7,975)
Accounts and expenses payable	(13,234)	3,830	–	(9,404)	(3,891)	(16)	–	(13,311)
Liabilities payable from restricted liabilities	–	(6,815)	–	(6,815)	–	–	–	(6,815)
Deferred credits and other liabilities	(1,642)	(1,550)	–	(3,192)	1,045	10	–	(2,137)
Net cash provided by operating activities	$ 391,664	$ 165,131	$ –	$ 556,795	$ 264,173	$ 3,799	$ –	$ 824,767
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 20,546	$ –	$ –	$ 20,546

JEA

Combining Statement of Cash Flows

(In Thousands)

Year Ended September 30, 2013

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating activities								
Receipts from customers	$ 1,249,604	$ 418,816	$ (261,154)	$ 1,407,266	$ 384,045	$ 8,314	$ (16,230)	$ 1,783,395
Other receipts	32,008	–	–	32,008	7,988	–	(2,731)	37,265
Payments to suppliers	(725,917)	(201,590)	261,154	(666,353)	(85,911)	(4,117)	18,961	(737,420)
Payments to employees	(143,382)	(34,966)	–	(178,348)	(46,847)	(467)	–	(225,662)
Net cash provided by operating activities	412,313	182,260	–	594,573	259,275	3,730	–	857,578
Noncapital and related financing activities								
Contribution to General Fund,								
City of Jacksonville, Florida	(83,892)	–	–	(83,892)	(22,751)	–	–	(106,643)
Build America Bonds subsidies	4,541	421	–	4,962	2,568	–	–	7,530
Net cash (used in) provided by noncapital activities and related financing activities	(79,351)	421	–	(78,930)	(20,183)	–	–	(99,113)
Capital and related financing activities								
Acquisition and construction of capital assets	(124,237)	(2,888)	–	(127,125)	(107,304)	(289)	–	(234,718)
Proceeds from issuance of debt, net	555,975	–	–	555,975	203,635	43,330	–	802,940
Defeasance of debt	(572,842)	(3,163)	–	(576,005)	(202,821)	(43,351)	–	(822,177)
Repayment of debt principal	(87,677)	(124,655)	–	(212,332)	(54,366)	(2,347)	–	(269,045)
Interest paid on debt	(112,428)	(38,189)	–	(150,617)	(79,700)	(408)	–	(230,725)
Developer and other contributions	–	–	–	–	17,394	–	–	17,394
Proceeds from sales of property	392	–	–	392	723	–	–	1,115
Net cash used in capital and related financing activities	(340,817)	(168,895)	–	(509,712)	(222,439)	(3,065)	–	(735,216)
Investing activities								
Purchase of investments	(874,363)	(877,199)	–	(1,751,562)	(646,772)	–	–	(2,398,334)
Proceeds from sale and maturities of investments	762,729	878,746	–	1,641,475	598,860	25	–	2,240,360
Investment income	(6,664)	3,383	–	(3,281)	3,012	3	–	(266)
Distributions from The Energy Authority	7,546	–	–	7,546	–	–	–	7,546
Net cash (used in) provided by investing activities	(110,752)	4,930	–	(105,822)	(44,900)	28	–	(150,694)
Net increase in cash and cash equivalents	(118,607)	18,716	–	(99,891)	(28,247)	693	–	(127,445)
Cash and cash equivalents at beginning of year	280,113	239,865	–	519,978	186,986	6,370	–	713,334
Cash and cash equivalents at end of year	$ 161,506	$ 258,581	$ –	$ 420,087	$ 158,739	$ 7,063	$ –	$ 585,889
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	$ 219,196	$ 44,092	$ –	$ 263,288	$ 124,380	$ 1,855	$ –	$ 389,523
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	*202,921*	40,712	–	243,633	133,424	2,101	–	379,158
Recognition of deferred costs and revenues, net	(3,924)	68,229	–	64,305	–	–	–	64,305
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable	7,972	268	–	8,240	2,103	(156)	–	10,187
Accounts receivable and interest receivable, restricted	(948)	–	–	(948)	(762)	–	–	(1,710)
Inventories	128	13,970	–	14,098	822	–	–	14,920
Other assets	1,036	–	–	1,036	11	–	–	1,047
Accounts and expenses payable	(14,388)	13,652	–	(736)	(1,061)	(85)	–	(1,882)
Liabilities payable from restricted liabilities	–	1,571	–	1,571	–	–	–	1,571
Deferred credits and other liabilities	320	(234)	–	86	358	15	–	459
Net cash provided by operating activities	$ 412,313	$ 182,260	$ –	$ 594,573	$ 259,275	$ 3,730	$ –	$ 857,578
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 11,899	$ –	$ –	$ 11,899

Bond Compliance Information

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

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

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, 2014 and 2013, based on the financial statements referred to in the Report on Financial Statements as of September 30, 2014 and 2013 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules of debt service coverage are free of material misstatement.

An audit 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, 2014 and 2013, 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, 2014 and 2013

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, 2014 and 2013, and have issued our report, with an unmodified opinion thereon, dated November 26, 2014.

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.

Ernst & Young LLP

November 26, 2014

JEA Electric System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2014	**2013**
Revenues:		
Electric	**$ 1,287,888**	$ 1,241,630
Investment income[1]	**2,603**	1,235
Earnings from The Energy Authority	**3,567**	4,325
Other, net[2]	**31,848**	32,956
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	**32,579**	53,337
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	**(48,042)**	(71,438)
Total revenues	**1,310,443**	1,262,045
Operating expenses[3]:		
Fuel	**313,096**	247,628
Purchased power[4]	**377,965**	380,252
Other operation and maintenance	**168,430**	177,703
Utility and franchise taxes	**61,348**	59,505
Total operating expenses	**920,839**	865,088
Net revenues	**$ 389,604**	$ 396,957
Debt service	**$ 75,190**	$ 74,466
Less: investment income on sinking fund	**(1,594)**	(1,063)
Less: Build America Bonds subsidy	**(1,511)**	(1,557)
Debt service requirement	**$ 72,085**	$ 71,846
Senior debt service coverage[5], (min 1.20x)	**5.40x**	5.53x
Net revenues (from above)	**$ 389,604**	$ 396,957
Debt service requirement (from above)	**$ 72,085**	$ 71,846
Plus: aggregate subordinated debt service on outstanding subordinated bonds	**91,518**	84,604
Less: Build America Bonds subsidy	**(2,094)**	(2,174)
Adjusted debt service requirement	**$ 161,509**	$ 154,276
Senior and subordinated debt service coverage[6], (min 1.15x)	**2.41x**	2.57x

[1] Excludes investment income on sinking funds.

[2] Excludes the Build America Bonds subsidy.

[3] Excludes depreciation.

[4] In accordance with the requirements of the Electric System Resolution, all the Contract Debt payments from the Electric System to the SJRPP and Bulk Power Supply System with respect to the use by the Electric System of the capacity and output of the SJRPP and Bulk Power Supply System are reflected as a purchased power expense on these schedules. These schedules do not include revenues of the SJRPP and Bulk Power Supply System, except that the 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 aggregated subordinated debt service. Minimum annual coverage is 1.15x.

JEA Bulk Power Supply System

Schedules of Debt Service Coverage
(In Thousands)

	Year Ended September 30	
	2014	2013
Revenues:		
JEA	**$ 68,192**	$ 65,231
Investment income	**87**	15
Other, net [1]	**–**	809
Total revenues	**68,279**	66,055
Operating expenses[2]:		
Fuel	**34,644**	39,698
Other operation and maintenance	**16,435**	11,873
Total operating expenses	**51,079**	51,571
Net revenues	**$ 17,200**	$ 14,484
Aggregate debt service	**$ 8,457**	$ 9,505
Less: Build America Bonds subsidy	**(774)**	–
Aggregate debt service [3]	**$ 7,683**	$ 7,683
Debt service coverage[4][5]	**2.24x**	1.52x

[1] Effective March 26, 2014, the Bulk Power Supply System Resolution was amended to exclude from revenues the subsidy related to Build America Bonds.

[2] Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues.

[3] Effective March 26, 2014, the Bulk Power Supply System Resolution was amended to exclude from interest in aggregate debt service the subsidy related to Build America Bonds.

[4] Net revenues divided by aggregate debt service. Minimum annual coverage requirement is 1.15x.

[5] Had the Build America Bonds subsidy not been excluded from revenues and not been excluded from interest in aggregate debt service, current year-to-date debt service coverage would have been 2.13x.

JEA St. Johns River Power Park System

Schedules of Debt Service Coverage – 1st Resolution
(In Thousands)

	Year Ended September 30	
	2014	**2013**
Revenues:		
JEA	**$ 247,368**	$ 257,364
FPL	**159,747**	158,031
Investment income	**3,083**	3,524
Total revenues	**410,198**	418,919
Operating expenses[1]:		
Fuel	**194,066**	198,083
Other operation and maintenance	**40,420**	43,325
Total operating expenses	**234,486**	241,408
Net revenues	**$ 175,712**	$ 177,511
Aggregate debt service	**$ 140,576**	$ 142,002
Debt service coverage[2]	**1.25x**	1.25x

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

JEA St. Johns River Power Park System

Schedules of Debt Service Coverage – 2nd Resolution

(In Thousands)

	Year Ended September 30	
	2014	**2013**
Revenues:		
JEA	**$ 52,899**	$ 28,081
Investment income	**-**	-
Other, net [1]	**-**	421
Total revenues	**52,899**	28,502
Operating expenses[2]:		
Fuel	**-**	-
Other operation and maintenance	**-**	-
Total operating expenses	**-**	-
Net revenues	**$ 52,899**	$ 28,502
Aggregate debt service	**$ 24,308**	$ 24,664
Less: Build America Bonds subsidy	**(409)**	-
Aggregate debt service [3]	**$ 23,899**	$ 24,664
Debt service coverage[4][5]	**2.21x**	1.16x

[1] Effective July 14, 2014, the St. Johns River Power Park System Second Revenue Bond Resolution was amended to exclude from revenues the subsidy related to Build America Bonds.

[2] Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues under the 1st Resolution.

[3] Effective July 14, 2014, the St. Johns River Power Park System Second Revenue Bond Resolution was amended to exclude from interest in aggregate debt service the subsidy related to Build America Bonds.

[4] Net revenues divided by aggregate debt service. Semiannual minimum coverage is 1.15x.

[5] Had the Build America Bonds subsidy not been excluded from revenues and not been excluded from interest in aggregate debt service, current year-to-date debt service coverage would have been 2.19x.

JEA Water and Sewer System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2014	**2013**
Revenues:		
Water	**$ 156,422**	$ 157,158
Water capacity fees[1]	**6,380**	6,040
Sewer	**227,907**	224,784
Sewer capacity fees[1]	**10,847**	10,944
Investment income	**2,819**	3,114
Other[2]	**9,026**	8,750
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	**21,018**	21,193
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	**(21,018)**	(21,193)
Total revenues	**413,401**	410,790
Operating expenses[3]:	**131,674**	133,979
Net revenues	**$ 281,727**	$ 276,811
Aggregate debt service:	**$ 106,386**	$ 107,009
Less: Build America Bonds subsidy	**(2,492)**	(2,568)
Aggregate debt service	**$ 103,894**	$ 104,441
Senior debt service coverage[4], (min 1.25x)	**2.71x**	2.65x
Net revenues (from above)	**$ 281,727**	$ 276,811
Debt service requirement (from above)	**$ 103,894**	$ 104,441
Plus: aggregate subordinated debt service on outstanding subordinated debt	**10,477**	11,586
Adjusted debt service requirement	**$ 114,371**	$ 116,027
Senior and subordinated debt service coverage[5]	**2.46x**	2.39x

(1) Effective October 1, 2001, the Water and Sewer Bond Resolution was amended to include capacity fees in total revenues. Had such capacity fees not been included in the calculation for the year-to-date periods ending September 2014 and 2013, then the debt service coverage would have been 2.31x and 2.24x.

(2) Excludes the Build America Bonds subsidy.

(3) Excludes depreciation.

(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 2.31x and 2.24x. Based on the second requirement, net revenues must exceed 100% of aggregate debt service and 120% of aggregate subordinated debt service, or $116,466 and $118,344 for the year-to-date period ending September 2014 and 2013.

JEA District Energy System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2014	2013
Revenues:		
Service revenues	$ 8,682	$ 8,471
Investment income	6	3
Other	7	–
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	–	–
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	–	(582)
Total revenues	8,695	7,892
Operating expenses[1]:	4,805	4,514
Net revenues	$ 3,890	$ 3,378
Aggregate debt service	$ 3,021	$ 766
Debt service coverage[2][3]	1.29x	4.41x

[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.

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Jacksonville, Florida

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

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

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

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

St. Johns River Power Park System Bonds:
Trustee, Bond Registrar and Paying Agent
U.S. Bank National Association
Jacksonville, Florida

Bulk Power Supply System Bonds:
Bond Registrar and Paying Agent
U.S. Bank National Association
Jacksonville, Florida

District Energy System Bonds:
Bond Registrar and Paying Agent
U.S. Bank National Association
Jacksonville, Florida

Independent Auditors:
Ernst & Young, LLP
Jacksonville, Florida

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

Telephone: 904.665.7410
Fax: 904.665.8334
Web: jea.com

** Except for the Water and Sewer System Variable Rate Senior Bonds, 2006 Series B, for which U.S. Bank National Association in Jacksonville, Florida is the Bond Registrar, Paying Agent and Tender Agent*

JEA 2014 Annual Report: Melissa Dykes, CFO; Contributors: Monica Whiting, CCO, Jane Upton, Marisa Carbone; Design and Art Direction: Suzanne Hendrix; Photography: Ingrid Damiani

Building Community®

21 West Church Street
Jacksonville, Florida 32202-3139

jea.com