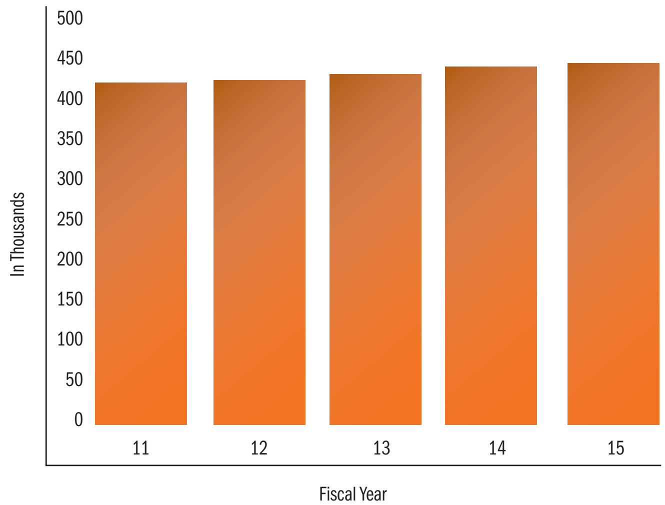
2015 Annual Report

JEA®
Building Community®

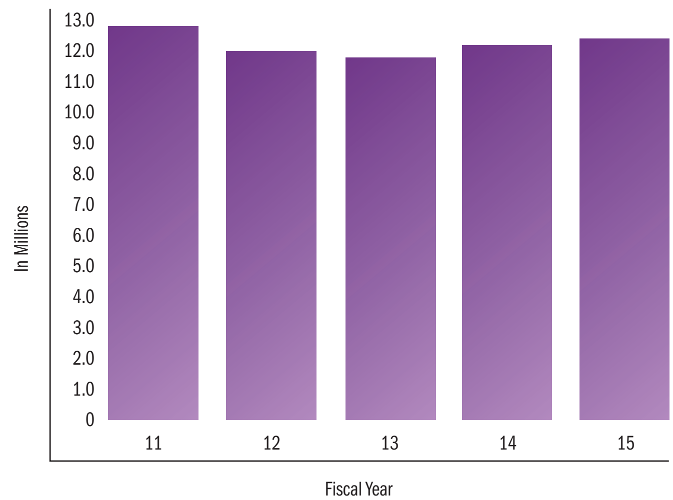
Financial and Operating Highlights

	Years Ended September 30					
						% Change
	2015	**2014**	**2013**	**2012**	**2011**	**2015–2014**
ELECTRIC FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$1,370,212	$1,479,483	$1,432,617	$1,524,963	$1,684,131	-7.39%
Fuel and purchased power expenses (thousands)	$517,239	$585,021	$539,646	$548,030	$733,296	-11.59%
Total operating expenses (thousands)	$1,061,853	$1,196,160	$1,169,329	$1,164,512	$1,295,017	-11.23%
Debt service coverage:						
Senior and subordinated—Electric	2.63x	2.41x	2.57x	2.69x	2.75x	9.13%
Senior—Electric	5.80x	5.40x	5.53x	5.61x	5.69x	7.41%
Bulk Power Supply System	1.24x	2.24x	1.52x	2.89x	1.47x	-44.64%
St. Johns River Power Park 1st Resolution	1.25x	1.25x	1.25x	1.27x	1.25x	0.00%
St. Johns River Power Park 2nd Resolution	1.15x	2.21x	1.16x	1.15x	1.15x	-47.96%
WATER & SEWER FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$389,733	$393,355	$390,692	$395,437	$368,087	-0.92%
Operating expenses (thousands)	$269,509	$263,275	$266,312	$275,879	$244,599	2.37%
Debt service coverage:						
Senior and subordinated	2.75x	2.46x	2.39x	2.24x	2.08x	11.79%
Senior	3.13x	2.71x	2.65x	2.46x	2.33x	15.50%
ELECTRIC OPERATING HIGHLIGHTS						
Sales (megawatt hours)	14,379,697	14,312,013	13,782,549	13,854,707	15,462,628	0.47%
Peak demand—megawatts 60 minute net	2,863	2,823	2,596	2,665	3,062	1.42%
Total accounts—average number	443,705	434,917	426,772	422,315	419,703	2.02%
Sales per residential account (kilowatt hours)	13,468	13,301	12,985	12,932	14,733	1.26%
Average residential revenue per kilowatt hour	$11.82	$11.97	$11.91	$12.52	$12.61	-1.25%
Power supply:						
Coal	50%	57%	49%	43%	50%	-12.28%
Natural gas	33%	27%	29%	39%	26%	22.22%
Petroleum coke	10%	10%	13%	6%	13%	0.00%
Other purchases	7%	5%	8%	11%	11%	40.00%
Oil	0%	1%	1%	1%	0%	-100.00%
WATER & SEWER OPERATING HIGHLIGHTS						
WATER						
Total sales (kgals)	34,558,284	32,468,336	33,087,804	35,345,044	38,982,907	6.44%
Total accounts - average number	325,352	318,708	312,914	309,221	307,385	2.08%
Average sales per residential account (kgals)	61.32	59.84	62.06	66.30	74.36	2.47%
Average residential revenue per kgal	$5.30	$5.35	$5.20	$5.03	$4.43	-0.93%
REUSE						
Total sales (kgals)	1,783,730	1,300,838	1,109,653	1,330,359	1,551,175	37.12%
Total accounts - average number	5,891	4,501	3,143	2,241	1,666	30.88%
SEWER						
Total sales (kgals)	24,922,141	23,526,976	23,623,974	24,490,071	25,919,479	5.93%
Total accounts - average number	250,974	244,836	239,283	235,615	233,592	2.51%
Average sales per residential account (kgals)	59.75	58.40	60.59	64.56	72.10	2.31%
Average residential revenue per kgal	$9.33	$9.46	$9.27	$8.99	$7.44	-1.37%

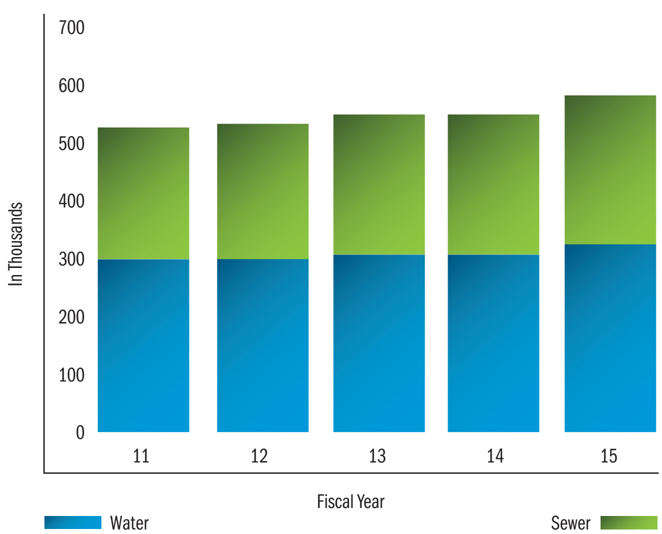
Average Number of Electric Retail Accounts



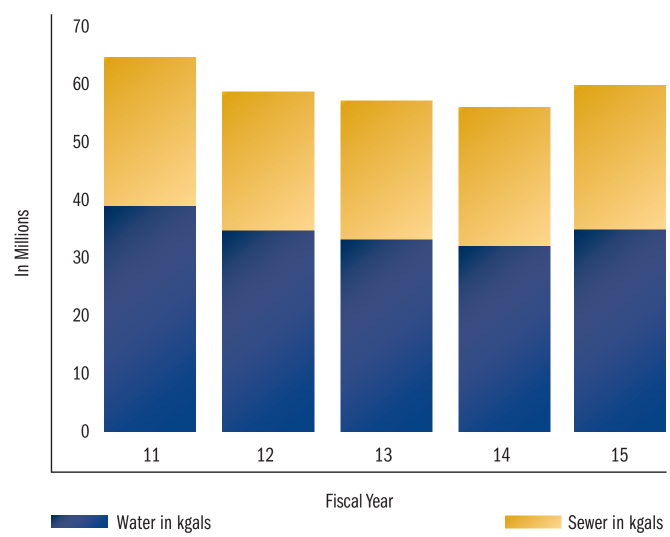
Retail Megawatt Hour Sales



Average Number of Water and Sewer Accounts



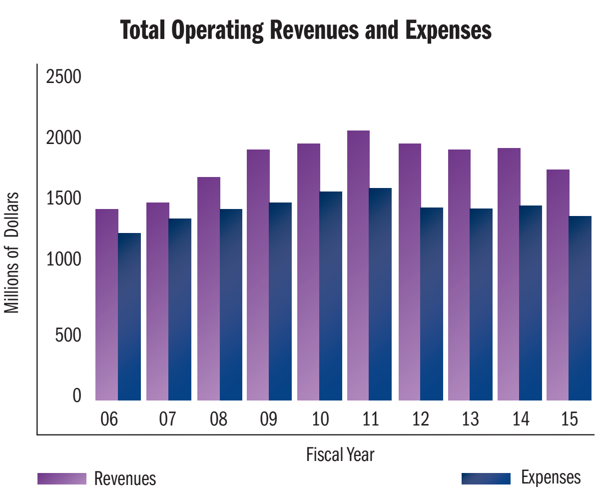
Water and Sewer Sales Volume

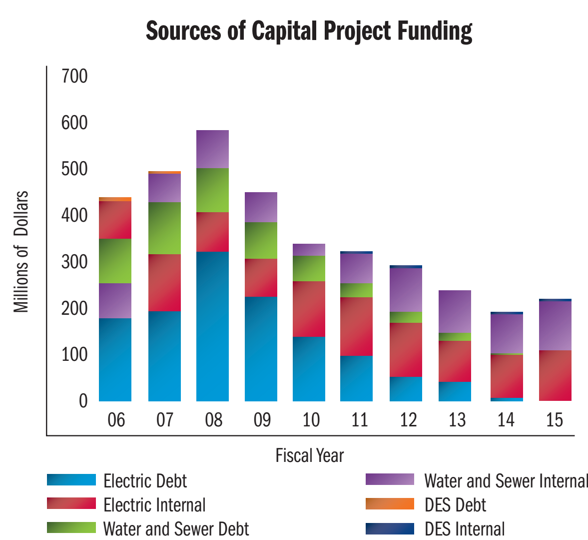


Financial Summary

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

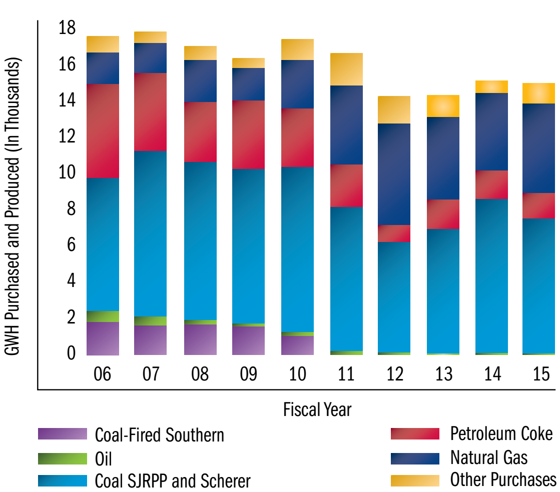
		2015-2014	2014-13	2013-12
Operating revenues:	Electric	$1,324,883	$1,431,167	$1,383,696
	Water and sewer	379,789	383,643	381,677
	District energy system	8,778	8,682	8,471
	Other, net	35,930	38,389	38,975
	Total operating revenues	1,749,380	1,861,881	1,812,819
Operating expenses:	Fuel and purchased power	517,239	585,021	539,646
	Operations and maintenance	374,166	364,764	371,041
	Depreciation	366,486	375,505	378,067
	State utility and franchise taxes	72,510	72,221	70,237
	Recognition of deferred costs and revenues, net	(11,168)	49,271	64,305
	Total operating expenses	1,319,233	1,446,782	1,423,296
	Operating income	430,147	415,099	389,523
Nonoperating revenues (expenses):	Interest on debt	(198,199)	(223,736)	(235,228)
	Investment income (loss)	12,904	20,546	(13,240)
	Earnings from The Energy Authority	1,461	3,567	4,325
	Allowance for funds used during construction	5,723	3,894	3,986
	Gain (loss) sale of asset	(199)	-	-
	Water & Sewer Expansion Authority	-	-	-
	Other interest	(68)	(38)	(134)
	Other nonoperating revenue	11,833	7,280	7,530
	Total nonoperating expenses, net	(166,545)	(188,487)	(232,761)
	Income before contributions and special item	263,602	226,612	156,762
Contributions (to) from:	General fund, City of Jacksonville	(111,688)	(109,188)	(106,687)
	Capital contributions:			
	Developers and other	52,709	38,845	29,292
	Reduction of plant cost through contributions	(33,105)	-	-
	Water & Sewer Expansion Authority	-	-	-
	City of Jacksonville Better Jacksonville Plan	-	-	-
	Total contributions	(92,084)	(70,343)	(77,395)
Special item		151,490	-	-
Change in net position		323,008	156,269	79,367
Net assets—beginning of year, originally reported		1,843,901	2,039,737	1,991,311
Effect of change in accounting		-	(352,105)	(30,941)
Net assets—beginning of year, as restated		1,843,901	1,687,632	1,960,370
Net assets—end of year		$2,166,909	$1,843,901	$2,039,737



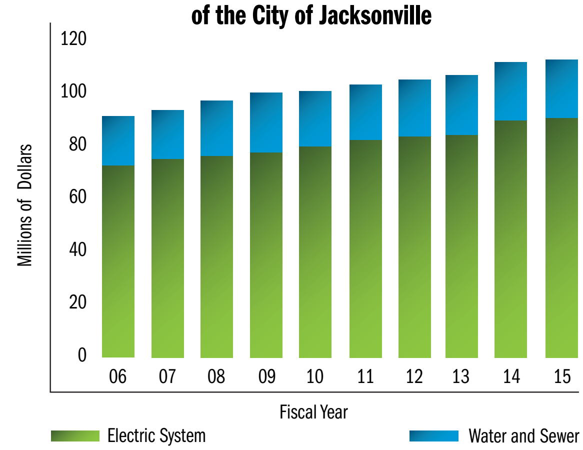


2012-11	2011-10	2010-09	2009-08	2008-07	2007-06	2006-05
$1,473,134	$1,624,473	$1,548,248	$1,525,966	$1,330,280	$1,164,747	$1,160,463
385,631	358,176	303,241	249,813	248,115	238,256	214,906
8,571	8,067	7,595	6,914	6,162	5,748	3,054
41,046	48,842	50,692	48,687	48,863	47,176	50,649
1,908,382	2,039,558	1,909,776	1,831,380	1,633,420	1,455,927	1,429,072
548,030	733,296	741,374	719,296	694,007	600,170	599,426
366,751	334,066	322,672	295,480	311,071	305,888	273,578
379,570	351,931	353,606	344,158	326,301	302,374	297,614
72,925	78,787	73,120	72,127	48,551	26,399	26,807
59,153	27,014	22,149	33,108	43,345	45,952	40,428
1,426,429	1,525,094	1,512,921	1,464,169	1,423,275	1,280,783	1,237,853
481,953	514,464	396,855	367,211	210,145	175,144	191,219
(248,681)	(289,320)	(285,669)	(264,701)	(249,622)	(246,787)	(232,370)
8,804	11,908	(3,604)	23,463	17,307	38,112	23,088
6,328	12,265	6,103	4,088	22,374	20,192	21,910
3,365	5,387	9,713	12,708	19,448	28,425	32,044
-	-	-	(986)	740	(3,762)	-
-	(485)	(719)	(864)	(1,216)	(1,601)	(762)
(23)	(109)	(54)	(72)	(451)	(1,877)	(1,600)
16,420	7,698	3,832	-	-	-	-
(213,787)	(252,656)	(270,398)	(226,364)	(191,420)	(167,298)	(157,690)
268,166	261,808	126,457	140,847	18,725	7,846	33,529
(104,188)	(101,688)	(99,187)	(96,687)	(94,188)	(91,437)	(88,688)
18,774	23,539	19,883	38,071	47,471	119,525	97,775
-	-	-	-	-	-	-
-	11,465	-	-	-	-	-
-	-	-	1,516	2,857	29,091	14,546
(85,414)	(66,684)	(79,304)	(57,100)	(43,860)	57,179	23,633
-	-	-	-	-	-	-
182,752	195,124	47,153	83,747	(25,135)	65,025	57,162
1,808,559	1,613,435	1,566,282	1,482,535	1,507,670	1,440,241	1,383,079
-	-	-	-	-	2,404	-
1,808,559	1,613,435	1,566,282	1,482,535	1,507,670	1,442,645	1,383,079
$1,991,311	$1,808,559	$1,613,435	$1,566,282	$1,482,535	$1,507,670	$1,440,241

Fuel Sources



Contribution to the General Fund of the City of Jacksonville



Operating Summary

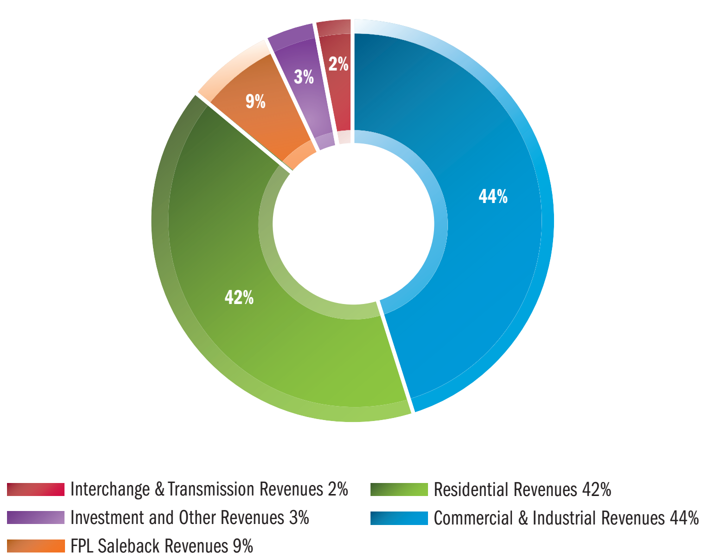
Electric System, Bulk Power System and St Johns River Power Park

		2015-14	2014-13	2013-12
Electric revenues (000's omitted):	Residential	$619,897	$608,983	$580,893
	Commercial and industrial	627,547	632,121	617,962
	Public street lighting	11,982	13,943	14,661
	Sales for resale	32,424	34,700	29,989
	Florida Power & Light saleback	128,475	159,747	158,031
	Total	1,420,325	1,449,494	1,401,536
Sales (megawatt hours):	Residential	5,243,002	5,086,866	4,877,264
	Commercial and industrial	6,767,836	6,636,445	6,599,249
	Public street lighting	89,376	111,325	123,177
	Sales for resale			
	Territorial	333,994	337,353	329,922
	Off-system	83,367	136,342	42,286
	Florida Power & Light saleback	1,862,122	2,003,682	1,810,651
	Total	14,379,697	14,312,013	13,782,549
Average number of accounts:	Residential	389,287	382,438	375,600
	Commercial and industrial	50,867	48,999	47,709
	Public street lighting	3,549	3,477	3,460
	Sales for resale (1)	2	3	3
	Total	443,705	434,917	426,772
System installed capacity—MW (2)		3,759	3,759	3,759
Peak demand—MW (60 minute net)		2,863	2,823	2,596
System load factor—%		51%	51%	54%
Residential averages—annual:	Revenue per account—$	1,592.39	1,592.37	1,546.57
	kWh per account	13,468	13,301	12,985
	Revenue per kWh—¢	11.82	11.97	11.91
All other retail—annual:	Revenue per account—$	11,752.59	12,311.61	12,363.40
	kWh per account	126,015	128,588	131,377
	Revenue per kWh—¢	9.33	9.57	9.41
Heating-cooling degree days		4,159	3,998	3,830

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

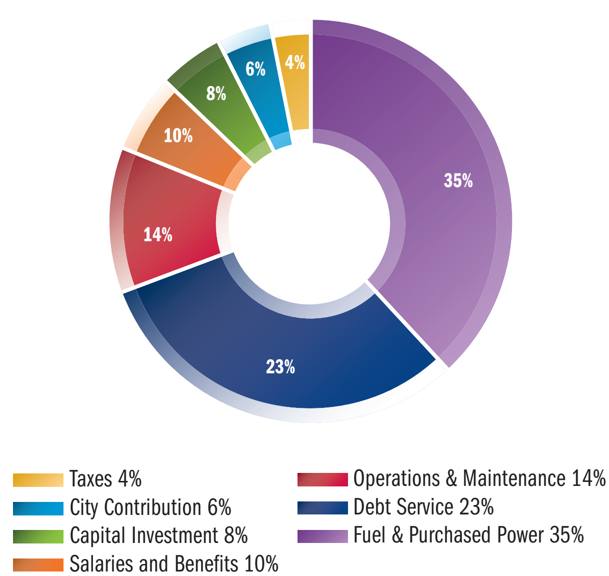
(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

Electric System Revenue Sources



2012-11	2011-10	2010-09	2009-08	2008-07	2007-06	2006-05
$601,581	$686,706	$659,829	$645,725	$559,042	$490,935	$511,389
670,983	704,976	647,316	678,218	588,910	490,089	488,304
15,311	15,347	14,203	14,440	12,066	10,242	10,086
37,153	41,155	53,990	52,941	49,660	48,522	45,961
166,873	196,353	190,293	157,898	137,910	137,463	117,816
1,491,901	1,644,537	1,565,631	1,549,222	1,347,588	1,177,251	1,173,556
4,806,144	5,444,926	5,707,670	5,300,203	5,363,697	5,478,280	5,650,986
6,670,200	6,908,240	6,932,123	6,849,291	7,314,128	7,160,361	7,157,602
122,614	122,402	121,413	120,191	116,966	112,760	110,178
374,116	394,548	418,867	406,051	437,870	479,425	522,134
74,852	99,953	391,559	579,730	457,421	649,193	593,750
1,806,781	2,492,559	2,950,244	2,659,565	2,635,812	3,059,195	2,649,427
13,854,707	15,462,628	16,521,876	15,915,031	16,325,894	16,939,214	16,684,077
371,658	369,566	368,682	367,864	365,632	364,284	357,232
47,230	46,710	46,325	45,810	45,207	44,440	41,342
3,424	3,424	3,495	3,550	3,576	3,565	3,561
3	3	3	3	3	6	7
422,315	419,703	418,505	417,227	414,418	412,295	402,142
3,759	3,759	3,376	3,376	3,241	3,241	3,213
2,665	3,062	3,224	3,064	2,914	2,897	2,919
53%	50%	49%	49%	54%	55%	55%
1,618.64	1,858.14	1,789.70	1,755.34	1,528.97	1,347.67	1,431.53
12,932	14,733	15,481	14,408	14,670	15,038	15,819
12.52	12.61	11.56	12.18	10.42	8.96	9.05
13,548.66	14,367.95	13,278.18	14,032.78	12,319.37	10,422.48	11,099.26
134,102	140,237	141,580	141,197	152,330	151,508	161,855
10.10	10.25	9.38	9.94	8.09	6.88	6.86
3,618	4,345	4,705	4,094	3,785	3,803	4,053

Electric System Revenue Uses

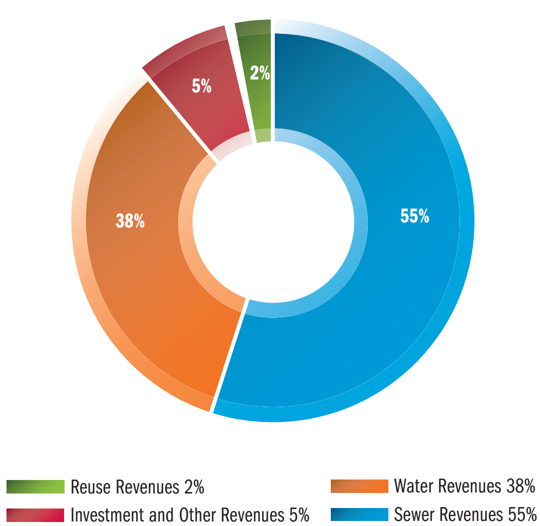


Operating Summary

Water and Sewer System

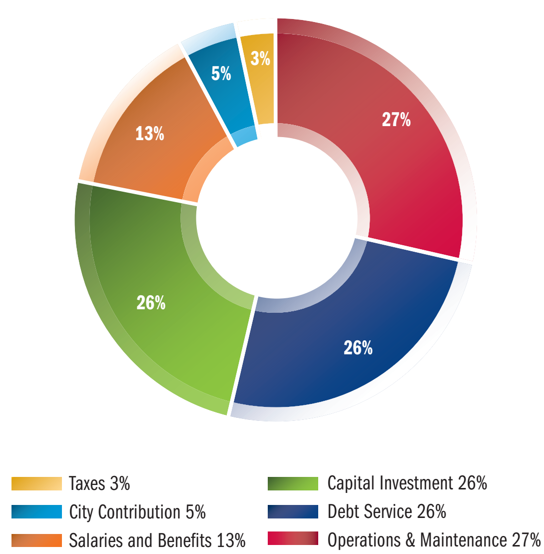
		2015-14	2014-13	2013-12
Water revenues (000's omitted):	Residential	$86,215	$83,014	$81,832
	Commercial and Industrial	45,078	43,647	42,809
	Irrigation	32,681	30,088	32,796
	Total	163,974	156,749	157,437
Water sales (kgals):	Residential	16,271,698	15,507,752	15,741,904
	Commercial and Industrial	12,870,984	12,131,400	11,777,128
	Irrigation	5,415,602	4,829,184	5,568,772
	Total	34,558,284	32,468,336	33,087,804
Average number of accounts:	Residential	265,373	259,159	253,662
	Commercial and Industrial	23,951	23,722	23,487
	Irrigation	36,028	35,827	35,765
	Total	325,352	318,708	312,914
Residential averages - annual:	Revenue per account - $	324.88	320.32	322.60
	kgals per account	61.32	59.84	62.06
	Revenue per kgal - $	5.30	5.35	5.20
Rainfall (inches)		49.43	51.17	45.54
Reuse revenues (000's omitted):		$7,378	$5,533	$4,551
Reuse sales (kgals):		1,783,730	1,300,838	1,109,653
Average number of accounts:		5,891	4,501	3,143
Sewer revenues (000's omitted):	Residential	$129,976	$125,526	$124,642
	Commercial and Industrial	101,910	97,339	96,009
	Total	231,886	222,865	220,651
Volume (kgals):	Residential	13,934,981	13,269,638	13,439,781
	Commercial and Industrial	10,987,160	10,257,338	10,184,193
	Total	24,922,141	23,526,976	23,623,974
Average number of accounts:	Residential	233,203	227,216	221,821
	Commercial and Industrial	17,771	17,620	17,462
	Total	250,974	244,836	239,283
Residential averages - annual:	Revenue per account—$	557.35	552.45	561.90
	kgals per account	59.75	58.40	60.59
	Revenue per kgal—$	9.33	9.46	9.27

Water and Sewer System Revenue Sources



2012-11	2011-10	2010-09	2009-08	2008-07	2007-06	2006-05
$83,390	$81,859	$70,396	$59,441	$59,297	$57,620	$52,299
43,629	40,299	34,872	27,591	26,692	24,483	22,404
34,802	35,932	26,876	19,080	19,679	21,143	18,105
161,821	158,090	132,144	106,112	105,668	103,246	92,808
16,589,517	18,485,853	17,609,301	17,572,032	18,848,414	20,499,442	19,890,048
12,134,488	12,271,645	12,091,091	12,184,482	12,837,866	12,917,475	12,785,160
6,621,039	8,225,409	7,049,874	7,089,431	7,924,021	9,683,871	8,560,591
35,345,044	38,982,907	36,750,266	36,845,945	39,610,301	43,100,788	41,235,799
250,204	248,605	247,609	246,276	245,659	245,420	237,990
23,365	23,221	22,996	23,460	23,473	23,302	22,577
35,652	35,559	35,441	35,340	35,107	34,515	33,122
309,221	307,385	306,046	305,076	304,239	303,237	293,689
333.29	329.27	284.30	241.36	241.38	234.78	219.75
66.30	74.36	71.12	71.35	76.73	85.53	83.58
5.03	4.43	4.00	3.38	3.15	2.81	2.63
55.24	42.18	40.53	53.67	65.72	39.35	47.89
$3,936	$3,622	$2,093	$1,156	$1,079.00	$739.00	$196.00
1,330,359	1,551,175	989,010	805,925	547,878	678,185	451,367
2,241	1,666	1,201	837	502	85	16
$126,722	$116,024	$99,327	$84,961	$84,102	$80,717	$72,433
94,232	81,633	70,831	59,017	58,640	54,281	50,183
220,954	197,657	170,158	143,978	142,742	134,998	122,616
14,091,702	15,597,512	14,847,431	14,353,777	15,293,138	16,464,215	15,772,717
10,398,369	10,321,967	10,279,241	10,413,889	11,097,674	11,120,273	10,977,474
24,490,071	25,919,479	25,126,672	24,767,666	26,390,812	27,584,488	26,750,191
218,264	216,323	214,506	212,741	211,607	210,609	202,892
17,351	17,269	17,229	17,617	17,598	17,421	16,918
235,615	233,592	231,735	230,358	229,205	228,030	219,810
580.59	536.35	463.05	399.36	397.44	383.25	357.00
64.56	72.10	69.22	67.47	72.27	78.17	77.74
8.99	7.44	6.69	5.92	5.50	4.90	4.59

Water and Sewer System Revenue Uses



Financial Report

Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

Year Ended September 30, 2015
With Report of Independent Certified Public Accountants

Ernst & Young LLP

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JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Year Ended September 30, 2015

Contents

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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 year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise JEA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2015, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date

As discussed in Footnote 1 to the financial statements, JEA changed its method of accounting for pensions as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective October 1, 2014. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on JEA's basic financial statements. The supplementary combining statement of net position, statement 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 statement of net position, statement 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 statement of net position, statement 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 December 9, 2015 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

December 9, 2015

Management's Discussion and Analysis

Introduction

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

Overview of the Combined Financial Statements

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

The basic financial statements are presented on a single year basis for the fiscal year ended September 30, 2015. The statement of net position presents 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 statement of revenues, expenses, and changes in net position. The accompanying statement of cash flows presents JEA's sources and uses of cash and cash equivalents and is 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 2015 and 2014 fiscal years:

Condensed Statements of Net Position

	2015	2014*
	(In millions)	
Assets and deferred outflows of resources		
Current assets	**$ 869**	$ 818
Other noncurrent assets	**1,480**	1,120
Capital assets, net	**5,959**	6,220
Deferred outflows of resources	**391**	323
Total assets and deferred outflows of resources	**$ 8,699**	$ 8,481
Liabilities and deferred inflows of resources		
Current liabilities	**$ 227**	$ 189
Current liabilities payable from restricted assets	**398**	463
Net pension liability	**409**	396
Other noncurrent liabilities	**48**	44
Long-term debt	**4,968**	5,313
Deferred inflows of resources	**482**	232
Net position		
Net investment in capital assets	**1,305**	977
Restricted	**530**	607
Unrestricted	**332**	260
Total liabilities, deferred inflows of resources, and net position	**$ 8,699**	$ 8,481

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

	2015	2014*
	(In millions)	
Operating revenues	**$ 1,749**	$ 1,862
Operating expenses	**(1,319)**	(1,447)
Operating income	**430**	415
Nonoperating expenses, net	**(167)**	(189)
Contributions	**(92)**	(70)
Special Item	**152**	-
Change in net position	**323**	156
Net position – beginning of the year	**1,844**	2,040
Effect of change in accounting	**-**	(352)
Net position – end of the year	**$ 2,167**	$ 1,844

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

Financial Analysis of JEA for fiscal years 2015 and 2014

Operating Revenues

2015 Compared to 2014

Total Electric Enterprise Fund operating revenues for the fiscal year 2015 decreased $109.3 million (7.4%) compared to fiscal year 2014. Operating revenues decreased $106.5 million (7.9%), and other operating revenues decreased $2.8 million (8.7%). The decrease in operating revenues was due to a decrease in fuel revenues of $59.5 million and decrease in base revenues of $15.7 million, as discussed below; and a decrease in revenues from Florida Power and Light (FPL) in conjunction with SJRPP coal generating plant of $31.3 million.

Fuel revenues for the fiscal year 2015 were $59.5 million lower than fuel revenues in fiscal year 2014 attributable to a $45.3 million transfer to the fuel stabilization fund due to fuel costs being lower than expected (See note 2, Regulatory Deferrals for additional information) and fuel credits approved by the JEA Board of Directors (Board). In March 2015, the Board approved a fuel charge credit of $49.9 million to customers, compared to a $25.3 million fuel credit approved by the Board in fiscal year 2014. This resulted in a net decrease of approximately $24.6 million when comparing revenues year over year. The decrease in fuel revenues was offset by a $10.4 million increase in revenues due to an increase in sales, as discussed below. Base revenues for fiscal year 2015 were lower by $15.7 million when compared to fiscal year 2014 due to $32.1 million being transferred to stabilization funds, which include $26.0 million for nonfuel purchase power stabilization; $6.9 million for environmental stabilization; offset by $8 million transferred from the customer benefits stabilization. (See note 2, Regulatory Deferrals for additional information). The decrease in base revenues due to the transfers to the stabilization funds was offset by a $16.4 million increase due to increases in sales, as discussed below.

There was a $26.8 million increase in Electric System operating revenues due to the increase in usage, attributable to weather. Territorial gigawatt-hours (GWh) sales increased 2.2% and total sales increased 1.7% when off-system sales are included. Total sales for the year increased from 12,308 GWh to 12,518 GWh. The number of customers increased 2.0% when compared to fiscal year 2014.

The $2.8 million decrease in other operating revenues was primarily due to reduced transmission revenues of $5.4 million (32.4%). The decrease was partially offset by an increase in pole attachment revenues of $2.9 million.

Total Water and Sewer Fund operating revenues decreased $3.6 million (0.9%). The driver for the decrease in operating revenues was related to a transfer to environmental stabilization fund in fiscal year 2015 of $22.1 million, as discussed below. This was offset by an increase in water and sewer sales of approximately $18.2 million, as discussed below.

The Board approved the use of an environmental charge in the Water and Sewer System. JEA maintains a stabilization fund for environmental charge revenues, which segregates the cash collected from the general funds. It is included as a separate component on the customer's bill and is applied to all sales. The environmental charge is set to recover the costs of approved projects. During fiscal year 2015, JEA transferred $22.1 million to the rate stabilization fund, which reduced operating revenues. See note 2, Regulatory Deferrals, for additional information.

Water and Sewer operating revenues increased approximately $18.2 million as a result of an increase in sales, primarily attributable to increased residential usage. Total water consumption, measured in thousands of gallons (kgals), increased 6.4% or 2,089,948 kgals from 32,468,336 kgals to 34,558,284 kgals. Sewer sales volume increased 5.9% when compared to the prior year. The increase was 1,395,165 kgals from 23,526,976 kgals to 24,922,141 kgals. Water customers increased 2.1%, sewer customers increased 2.5%, and reclaimed customers increased 30.9% when compared to the prior year.

Total DES revenues increased $89.0 thousand (1.0%) for fiscal year 2015 compared to fiscal year 2014. The increase in revenues was primarily caused by the addition of a new customer to the downtown plant.

Operating Expenses

2015 Compared to 2014

Total Electric Enterprise Fund operating expenses for fiscal year 2015 decreased $134.3 million or 11.2% compared to fiscal year 2014. Fuel and purchased power expense decreased $67.8 million, as discussed below. Other operating and maintenance expenses increased $2.9 million as a result of higher outage expenses related to Northside generating station as compared to fiscal year 2014. Additional increases in expenses related to a termination payment made for a maintenance contract related to combustion turbine units at Brandy Branch generating station, and an increase in salary and benefit expenses. The increase was offset by a decrease in Plant Scherer operating and maintenance expenses and a decrease in SJRPP expenses for capital spending. There was a decrease in depreciation expense of $9.1 million mainly due to certain assets becoming fully depreciated in fiscal year 2014. Recognition of deferred costs decreased $60.3 million, related to regulatory asset adjustments resulting from timing differences between principal payments and depreciation expense at SJRPP.

Total fuel and purchased power expense decreased $67.8 million compared to the prior year. The decrease is due to a 24.4% decrease in the cost per GWh offset, in part, by a 1.9% increase in GWh produced and purchased. Fuel expense decreased $71.9 million and purchased power expense increased $4.0 million. The decrease was due to lower solid fuels and natural gas prices. As the price of solid fuels, gas, oil, and purchased power have fluctuated from year to year, the components of fuel and purchased power expenses have shifted to take advantage of the most economical source of power. JEA's power supply mix for fiscal year 2015 was 50% coal, 32% natural gas, 10% petroleum coke, 7% other power purchases, and 1% oil. During fiscal year 2014, JEA's power supply was 57% coal, 27% natural gas, 10% petroleum coke, 5% other power purchases, and 1% oil.

Total operating expenses for the Water and Sewer Fund increased $6.2 million, an increase of 2.4%. The increase in operating expenses was mainly due to increased salary and benefit expenses partially offset by a $2.1 million workers' compensation refund in fiscal year 2015.

The operating expenses for DES increased $221.0 thousand (3.2%) primarily due to planned maintenance at the chilled water plants in fiscal year 2015 and an increase in depreciation expense of $99.0 thousand due to assets being placed in service.

Nonoperating Revenues and Expenses

2015 Compared to 2014

There was a net increase of $21.9 million (11.6%) in total net nonoperating expenses in fiscal year 2015. The primary reason for the change was a $25.6 million decrease in interest expense due to lower debt balances as a result of increased debt repayments and debt refunding savings. Other revenues increased $4.6 million due to new revenue sources, primarily timber sales. Investment income decreased $7.6 million due primarily to unfavorable fair market value adjustments in investments of $9.5 million. The Energy Authority (TEA), a municipal power marketing joint venture in which JEA is a member, earnings decreased $2.1 million due to decreased purchases by JEA and lower margins on purchases and sales of energy.

Special Item

Effective for fiscal year 2015, the Board adopted and JEA implemented a pricing policy that established cost-based rates for both the Electric and Water and Sewer Systems. The rate policy as adopted includes various surcharges and stabilization funds that meet the requirements for deferral under GASB 62. Regulatory assets and liabilities (or deferred inflows) have been established for these items. The initial accounting for several of these items includes deferring amounts that were included in revenue and expense in prior periods prior to the application of regulatory accounting. These prior period amounts are presented as a special item on the statement of revenues, expenses, and changes in net position. The total amount of regulatory deferral was $151.5 million. See note 3, Special Item, for additional information.

Capital Assets and Debt Administration for Fiscal Years 2015 and 2014

Capital Assets

As of September 30, 2015, JEA had approximately $6.0 billion in capital assets, net of accumulated depreciation. This included $3.2 billion in electric plant, $2.4 billion in water and sewer plant, and $36.1 million in chilled water plant. During fiscal year 2015, capital additions were $233.5 million, which included $128.8 million in electric plant, $103.8 million in water and sewer plant, and $918 thousand in chilled water plant. 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. More detailed information about JEA's capital asset activity is presented in note 6 to the financial statements.

With the adoption of the depreciation rate-making policy, accounting for contributions changed effective October 1, 2014. The depreciation of contributed assets will not be included in rates charged to customers because it has already been recovered with the contribution. In accordance with GASB 62, the contributed assets will be expensed in Capital Contributions as Reduction of Plant Cost Recovered through Contributions. During fiscal year 2015, $33.1 million of contributed capital related to the Water and Sewer System was recorded as a reduction to plant. In addition, on August 18, 2015, the Board approved recovery through an environmental charge. The cost of certain projects that had costs incurred prior to the current fiscal year net of monies already collected through the environmental rate resulted in a $101.2 million reduction to plant. See note 2, Regulatory Deferral, for additional information.

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

The projected total capital expenditures for fiscal year 2016 are as follows:

	In millions
Electric Enterprise Fund (Electric System, SJRPP and Scherer)	$ 179.2
Water and Sewer Fund	182.2
DES	3.7

SJRPP and Plant Scherer are subject to joint ownership agreements. JEA's share of the estimated capital expenditures relating to these plants is $19.4 million and is included in the Electric Enterprise Fund amounts above.

Debt Administration

Debt outstanding at September 30, 2015, was $4.84 billion, a decrease of approximately $433 million from the prior fiscal year.

JEA's debt ratings on its long-term debt as of September 2015 and 2014 were as follows:

	2015					2014				
	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 a public rate hearing with the Florida Public Service Commission (FPSC) and Board approval.

In March 2015, the Board approved a Fuel Charge Credit of $56 per average residential customer, totaling $50 million.

In July 2015, the Board approved a Fuel Charge Credit of $60 million to be provided to customers in October 2015. This credit is projected to result in a $58 refund per average residential customer.

JEA has an ongoing plan to review, update and where possible, expand its rate options to provide customers more rate choices for their utility services. As part of this initiative, the Board approved, at its July 2015 meeting, the elimination of the General Service Extra Large Demand (GSXLD) streetlight discount, which afforded the opportunity to decrease rates for the General Service Large Demand (GSLD) commercial customer class. In addition, JEA modified its streetlight rates to reflect current energy standards and to include additional streetlight rate offerings for LED lighting.

In August 2013, the Board approved an Economic Development Program designed to provide financial incentives for new commercial and industrial customers and expanding JEA customers. In July 2015, the Board approved the extension of the Economic Development Program through September 2018.

Requests for Information

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

AUDITED FINANCIAL STATEMENTS

JEA

Statement of Net Position

(In Thousands)

September 30, 2015

Assets and deferred outflows of resources	
Current assets:	
Cash and cash equivalents	$ 419,595
Investments	78,794
Accounts and interest receivable, less allowance for doubtful accounts of $4,342	241,390
Inventories:	
Fuel	64,683
Materials and supplies	64,892
Total current assets	869,354
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	216,479
Investments	772,571
Accounts and interest receivable	6,185
Total restricted assets	995,235
Other assets	17,966
Investment in The Energy Authority	7,491
Costs to be recovered from future revenues	459,359
Total noncurrent assets	1,480,051
Capital assets:	
Land and easements	164,023
Plant in service	10,601,856
Less: accumulated depreciation	(5,079,243)
Plant in service, net	5,686,636
Construction work in progress	272,716
Net capital assets	5,959,352
Total assets	8,308,757
Deferred outflows of resources	
Unrealized pension contributions and losses	83,970
Unamortized deferred losses on refundings	154,449
Accumulated decrease in fair value of hedging derivatives	152,503
Total deferred outflows of resources	390,922
Total assets and deferred outflows of resources	$ 8,699,679

JEA

Statement of Net Position (continued)
(In Thousands)

September 30, 2015

Liabilities, deferred inflows of resources, and net position	
Current liabilities:	
Accounts and accrued expenses payable	$ 171,652
Customer deposits	55,798
Total current liabilities	227,450
Current liabilities payable from restricted assets:	
Debt due within one year	187,500
Interest payable	89,394
Construction contracts and accounts payable	36,645
Renewal and replacement reserve	84,472
Total current liabilities payable from restricted assets	398,011
Noncurrent liabilities:	
Net pension liability	408,629
Other liabilities	48,389
Total noncurrent liabilities	457,018
Long-term debt:	
Bonds payable, less current portion	4,648,720
Unamortized premium, net	170,630
Fair value of debt management strategy instruments	148,749
Total long-term debt	4,968,099
Total liabilities	6,050,578
Deferred inflows of resources	
Revenues to be used for future costs	452,397
Unrealized pension gains	29,795
Total deferred inflows of resources	482,192
Net position	
Net investment in capital assets	1,305,339
Restricted	530,011
Unrestricted	331,559
Total net position	2,166,909
Total liabilities, deferred inflows of resources, and net position	$ 8,699,679

See accompanying notes.

JEA

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

Year Ended September 30, 2015

Operating revenues:	
Electric	$ 1,324,883
Water and sewer	379,789
District energy system	8,778
Other	35,930
Total operating revenues	1,749,380
Operating expenses:	
Operations:	
Fuel	469,982
Purchased power	47,257
Other	267,475
Maintenance	106,691
Depreciation	366,486
State utility and franchise taxes	72,510
Recognition of deferred costs and revenues, net	(11,168)
Total operating expenses	1,319,233
Operating income	430,147
Nonoperating revenues (expenses):	
Earnings from The Energy Authority	1,461
Investment income	12,904
Other nonoperating income, net	11,833
Interest on debt	(198,199)
Other interest	(68)
Allowance for funds used during construction	5,723
Loss on sale of asset	(199)
Total nonoperating expenses, net	(166,545)
Income before contributions and special item	263,602
Contributions (to) from:	
General Fund, City of Jacksonville	(111,688)
Developers and other	52,709
Reduction of plant cost through contributions	(33,105)
Total contributions	(92,084)
Special item	151,490
Change in net position	323,008
Net position, beginning of year (restated)	1,843,901
Net position, end of year	$ 2,166,909

See accompanying notes.

JEA

Statement of Cash Flows

(In Thousands)

Year Ended September 30, 2015

Operating activities	
Receipts from customers	$ 1,807,475
Other receipts	38,984
Payments to suppliers	(734,988)
Payments to employees	(232,052)
Net cash provided by operating activities	879,419
Noncapital and related financing activities	
Contribution to General Fund, City of Jacksonville, Florida	(111,491)
Build America Bonds subsidies	7,256
Net cash used in noncapital and related financing activities	(104,235)
Capital and related financing activities	
Acquisition and construction of capital assets	(204,708)
Proceeds from issuance of debt, net	198,805
Defeasance of debt	(365,927)
Repayment of debt principal	(257,869)
Interest paid on debt	(212,410)
Developer and other contributions	19,604
Loss on disposal of assets	(158)
Proceeds from sale of property	585
Net cash used in capital and related financing activities	(822,078)
Investing activities	
Purchases of investments	(1,811,962)
Proceeds from sales and maturities of investments	1,890,938
Investment income	12,329
Distributions from The Energy Authority	2,041
Net cash provided by investing activities	93,346
Net change in cash and cash equivalents	46,452
Cash and cash equivalents at beginning of year	589,622
Cash and cash equivalents at end of year	$ 636,074

Statement of Cash Flows (continued)
(In Thousands)

Year Ended September 30, 2015

Reconciliation of operating income to net cash provided by operating activities	$	430,147
Operating income		
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		367,959
Recognition of deferred costs and revenues, net		(11,168)
Gain on sale of noncore assets		4,586
Changes in noncash assets and noncash liabilities:		
Accounts receivable and interest receivable		(11,845)
Accounts receivable and interest receivable, restricted		(1,600)
Inventories		7,314
Other assets		372
Accounts and expenses payable		(15,857)
Liabilities payable from restricted liabilities		(1,171)
Deferred credits and other liabilities		110,682
Net cash provided by operating activities	$	879,419
Noncash activity		
Contribution of capital assets from developers	$	33,105

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, 2015:

	2015
Bulk Power Supply System:	
Capital assets, net	$ **164,574**
Inventory	**6,596**
Revenues to be used for future costs	**49,195**
Other noncurrent assets	**14,041**
Long-term debt	**111,970**
Other liabilities	**4,950**
SJRPP:	
Capital assets, net	**573,473**
Inventory	**48,405**
Other current assets	**73,235**
Restricted assets	**295,548**
Other noncurrent assets	**7,174**
Long-term debt	**518,286**
Other liabilities	**195,384**

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

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 statement of revenues, expenses, and changes in net position are shown net of discounts, estimated allowances for bad debts, and amount transferred to stabilization funds. Discounts and allowances totaled $39,550 in fiscal year 2015. JEA transferred a net of $99,566 to stabilization funds during fiscal year 2015. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 9.6% of its electric revenue from electricity sold to FPL in fiscal year 2015. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $67,007 in 2015.

In March of 2015 the Board approved a $50 million Fuel Charge Credit for residential customers. JEA customers received the credit in April of 2015. In July of 2015 the Board approved another Fuel Charge Credit for residential customers of $60 million, which has been accrued for as of September 30, 2015. JEA customers received the credit in October of 2015.

(d) Capital Assets

Utility plant represents four classes of capital assets – real property, tangible property, tangible personal property equal to or greater than $1,000 each, and intangible property. All capital assets are recorded at historical cost and must have a useful life greater than one year. The costs of capital asset additions and replacements are capitalized. 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 4.1% for fiscal year 2015. The average AFUDC rate for the Water and Sewer Fund fixed and variable rate debt was 4.1% for fiscal year 2015. The average AFUDC rate for the DES variable rate debt was 3.4% for fiscal year 2015. 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 $198,267 for fiscal year 2015. Interest expense of $5,723 and investment income on bond proceeds of $0 was capitalized during fiscal year 2015.

(f) Depreciation

Depreciation of capital assets, all of which is charged to operations, is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. The depreciation rates are based on depreciation studies performed by an outside consultant that are updated periodically, most recently in fiscal year 2011. The effective rate of depreciation based upon the average depreciable plant in service balance was 3.5% for fiscal year 2015. The average depreciable life of the depreciable capital assets for the Electric System is 24.5 years as of September 30, 2015. The average depreciable life of the depreciable capital assets for the Water and Sewer Fund is 28.3 years as of September 30, 2015. The average depreciable life of the depreciable capital assets for the DES is 24.2 years as of September 30, 2015.

(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 deferred outflows of resources on the accompanying statement 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 statement 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 statement of net position as deferred outflows and inflows of resources. For ineffective hedging instruments or investment derivatives, the changes in fair value are recorded on the 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 statement 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 year 2015, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See Debt Management Strategy in the 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) Energy Market Risk Management Program

The energy market risk management program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. Given reduced volatility in natural gas prices and limited need for oil during fiscal years 2015, JEA's use of financial instruments to protect against the risk of adverse fuel and purchased power price movements was limited. In January 2015, JEA established natural gas collars through fiscal year 2017 for 20% to 25% of its expected natural gas requirements. All previous natural gas financial contracts had expired during fiscal year 2014.

At September 30, 2015, the energy market risk management program had no open NYMEX natural gas futures contracts and had margin deposits of $12 at September 30, 2015. These deposits are included in other noncurrent assets on the accompanying statement 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 statement of net position as either a deferred charge or a deferred credit until such time that the transactions end. At September 30, 2015, deferred charges of $3,754 were included in deferred outflows of resources on the statement of net position. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statement of revenues, expenses, and changes in net position. For the year ending September 30, 2015, no realized gains were included in fuel expense.

(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 statement of revenues, expenses, and changes in net position at the time of receipt. The fair value of assets received is recorded as contributions from developers. A corresponding expense of $33,105 was recorded to recognize the cost of the asset since it will not be included in revenue requirements charged to customers in the future.

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

(o) Pension

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

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

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

(p) Compensated Absences

JEA employees accumulate earned personal leave benefits (compensated absences) at various rates within limits specified in collective bargaining agreements and other employment plans. Accrued leave may be taken at any time when authorized. In addition, employees may elect to sell back any leave accrued during the fiscal year. Leave accrued over the maximum allowed leave balances is paid to the employee after the end of the fiscal year. Upon termination from employment, employees are 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, 2015, was $27,819. Of this amount, $6,152 was included in accounts and accrued expenses payable on the accompanying statement of net position. The remaining balance of $21,667 was included in other liabilities on the accompanying statement of net position. During fiscal year 2015, annual leave earned totaled $15,555 and annual leave taken totaled $14,940.

(q) Pollution Remediation Obligations

JEA applies GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*, and has recognized liabilities in the amount of $18,662 at September 30, 2015, under the heading of other noncurrent liabilities on the accompanying statement of net position. There were no changes to the pollution remediation obligation included in other operating expenses in the accompanying statement of revenues, expenses, and changes in net position in September 30, 2015. See note on Commitments and Contingent Liabilities for further discussion.

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

Cost-based Regulation – JEA records certain assets and liabilities (or deferred inflows) that result from the effects of the rate-making process that would not be recorded under GAAP for nonregulated entities. Currently, the electric utility industry is predominantly regulated on a basis designed to recover the cost of providing electric power to its customers. If cost-based regulation were to be discontinued in the electric industry for any reason, market prices for electricity could be reduced or increased, and utilities might be required to reduce their 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.

Historically, Scherer and SJRPP have met the requirements of GASB Regulated Operations and applied regulatory accounting as appropriate to their operations. This includes recognizing regulatory assets and liabilities for all items where the timing of receiving revenues from their customers is different than the timing of the recognition of the related cost. This also includes recognizing the net cost to be recovered related to the difference between including debt service in setting rates instead of depreciation. In the past, the Electric and Water and Sewer Systems have not met the requirements for applying this guidance.

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

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

(s) Setting of Rates

According to the existing laws of the State of Florida, the seven Board members of JEA act as the regulatory authority for the establishment of electric and water rates. Electric rates are set in accordance with the rate structures established by the Florida Public Service Commission (FPSC), as they have the jurisdiction to regulate the electric rate structures of municipal utilities in Florida. A rate structure is defined as the rate relationship between customer class and among customers within rate classes and is distinguishable from the total amount of revenue requirements a utility may receive from rates.

Periodically, JEA performs a cost of service study to determine the electric and water base, environmental and demand side management revenue requirements. The revenue requirements included in the cost of service studies are based on a depreciation expense recovery model. Based on this study, the regulations of the FPSC regarding electric rate structures, JEA develops the electric rate schedules. Prior to the implementation of any rate change, JEA presents the rates to the Board for approval and files the proposed tariffs with the FPSC. The latest base rate change for the Electric System was effective January 2012. Water rate requirements are studied and prepared in a similar manner excluding filing a notification with FPSC. In May 2009, the Board approved water and sewer rate structure changes and rate adjustments for fiscal years 2010 through 2013 whereas the rates would become effective October 1 of each year. In June 2012, the Board eliminated the previously approved increase in commercial and residential service availability charges and environmental charges to be effective October 1, 2012, while maintaining the volumetric rate increases in excess of 6,000 gallons per month.

In March 2015, the Board approved a Fuel Charge Credit of $56 per average residential customer, totaling $50 million.

In July 2015, the Board approved a Fuel Charge Credit of $60 million to be provided to customers in October 2015. This credit is projected to result in a $58 refund per average residential customer.

JEA has an ongoing plan to review, update and where possible, expand its rate options to provide customers more rate choices for their utility services. As part of this initiative, the Board approved, at its July 2015 meeting, the elimination of the General Service Extra Large Demand (GSXLD) streetlight discount, which afforded the opportunity to decrease rates for the General Service Large Demand (GSLD) commercial customer class. In addition, JEA modified its streetlight rates to reflect current energy standards and to include additional streetlight rate offerings for LED lighting.

In August 2013, the Board approved an Economic Development Program designed to provide financial incentives for new commercial and industrial customers and expanding JEA customers. In July 2015, the board approved the extension of the Economic Development Program through September 2018.

(Dollars in Thousands)

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

(t) Pervasiveness of Estimates

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

(u) Newly Adopted Standards for Fiscal Year 2015

As of October 1, 2014, JEA implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB 27*, and GASB 71, *Pension Transition for Contributions made subsequent to the Measurement Date-an amendment of GASB 68*, which replaced GASB 27, *Accounting for Pensions by State and Local Government Employers*, and GASB 50, *Pension Disclosures*. GASB 68 requires employers to report the difference between the actuarial total pension liability and the fair value of the legally restricted plan assets as a net pension liability on the statement of net position.

JEA's 2014 financial statements have been restated due to the implementation. Below is a summary of the financial statement items affected in 2014:

				Net Position			
	Net Pension Liability	Cost to be Recovered From Future Revenues	Unrealized Pension Contributions and Losses	Unrestricted	Restricted	Net Investment in Capital Assets	Total
As originally reported	$ –	$ 19,715	$ –	$ 612,017	$ 607,499	$ 976,490	$ 2,196,006
Adjustment-cumulative effect on net position	(395,990)	4,754	39,131	(352,105)	–	–	(352,105)
As restated				$ 259,912	$ 607,499	$ 976,490	$ 1,843,901

The restated statement of net position decreased by $352,105 related to JEA's proportionate share of the net pension liability of the City of Jacksonville GERP and the SJRPP Employees' Pension Plan.

The liability is reflected as Net Pension Liability in the statement of net position. This liability is offset on the statement of revenues, expenses, and changes in net position as deferred inflows, deferred outflows and costs to be recovered from revenues. As a result of implementing GASB 68 and with the application of regulatory accounting for the Electric and Water and Sewer Systems, a new regulatory asset of $353,921 has been established to record the future pension obligations that will be recovered in future rates.

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

(v) Recently Issued Accounting Pronouncements Not Yet Effective

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to the fair value measurement. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 is effective for financial statement periods beginning after June 15, 2015. The impact to JEA's financial reporting has not been determined.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The statement establishes requirements for defined benefit pensions that are not within the scope of Statement 68, *Accounting and Financial Reporting for Pensions*, and establishes requirements for defined contribution pensions that are not within the scope of Statement 68. This Statement is effective for fiscal years beginning after June 15, 2015. There is no expected impact to JEA's financial statements as a result of the adoption of GASB 73.

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

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

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. JEA does not anticipate the implementation will have a material impact on its financial statements.

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

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement is effective for fiscal years beginning after December 15, 2015. JEA does not anticipate the implementation will have a material impact on its financial statements.

2. Regulatory Deferrals

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

Regulatory Assets

Unfunded Pension Costs – Accrued pension represents a regulatory asset related to unrecognized actuarial gains and losses, unrecognized prior service cost, and unrecognized transition obligation attributable to JEA's and SJRPP's pension plan. The regulatory asset is amortized with the recognition of actuarial gains and losses, prior service cost, and transition obligations to net periodic benefit costs for pension. The Board approved the recovery of the unfunded amounts in future revenue requirements with the adoption of GASB 68 in fiscal year 2015. In addition, the Board approved the deferral of the difference between the annual contributions (funding) and pension expense. With the application of regulatory accounting, $353,921 was recognized as a regulatory asset as of September 30, 2015. A special item adjustment of $351,572 was included in Special Item related to JEA's pension liability at September 30, 2014.

Debt issue costs – Prior to 2015, JEA had expensed bond issue costs for the Electric and Water and Sewer Systems. Beginning in fiscal year 2015, the Board approved deferral of the issue costs on all new debt issues with the amounts being amortized over the life of the bonds as it is included in revenue requirements. These costs are incurred in connection with the issuance of debt obligations and are mainly underwriter fees and legal costs. With the application of regulatory accounting, $1,593 was recognized as a regulatory asset in fiscal year 2015. Debt issue costs amortized in fiscal year 2015 was $.25.

Water Environmental Capital Projects – The Water and Sewer System maintains an environmental surcharge that collects operating and capital costs of environmentally driven or regulatory required projects approved by the Board to be included in the surcharge. Any amounts under or overcollected are recorded as a regulatory asset or liability. During fiscal year 2015, $22,172 was collected through the surcharge while $0.156 of operations and maintenance and $6,292 of capital projects was incurred. With the application of regulatory accounting, $15,765 was recognized as a regulatory liability in fiscal year 2015.

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

In August 2015, the Board approved the recovery of previously approved environmental capital projects that had not been collected through the environmental surcharge over a ten-year period beginning October 1, 2015. The amount approved for recovery and transferred out of capital assets was $101,277 of which $85,512 (net of $15,765 regulatory liability) remains unrecovered as of the end of the year.

Scherer and SJRPP net cost to be recovered – SJRPP deferred debt-related costs of $4,292 at September 30, 2015, are the result of differences between expenses in determining rates and those used in financial reporting. SJRPP has a contract with the JEA Electric System and FPL to recover these costs from future 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 statement of revenues, expenses, and changes in net position. SJRPP recognized $6,193 in fiscal year 2015 in deferred costs. The Bulk Power Supply System deferred debt-related costs of $14,041 at September 30, 2015. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation. The Bulk Power Supply System will recover these costs from future revenues that will coincide with retirement of long-term debt. Bulk Power Supply System recognized $(129) in fiscal year 2015 in deferred costs.

Regulatory Asset		**Balance at 9/30/2015**
Unfunded pension costs	$	353,921
Debt issue cost		1,593
Water environmental projects		85,512
Scherer & SJRPP net cost to be recovered		18,333
Total regulatory assets	$	459,359

Regulatory Credits

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

Nonfuel purchase power – The Board has approved a nonfuel purchase power stabilization fund to balance the timing of the payments for the Plant Vogtle's debt service with the anticipated in service date. It may be used for other purposes with the Board's approval. The amounts included in the fund are to be used for Plant Vogtle or refunded to customers if not needed. During fiscal year 2015, the Board approved recovery of $26,000 to be included in the fund. With the application of regulatory accounting by JEA, $12,000 of revenues collected from customers in prior years was recognized as a regulatory liability with an offsetting amount included in Special Item.

2. Regulatory Deferrals (continued)

Customer benefit stabilization – The pricing policy adopted by the Board includes a demand side management surcharge. The costs approved for recovery through the surcharge included programs for the electrification, direct load control, demand side management, residential low income efficiency programs, and customer utility optimization education programs. Revenues in excess of amounts spent on the programs during fiscal year 2015 were $2,886. With the application of regulatory accounting by JEA, $3,570 of revenues collected from customers in prior years was recognized as a regulatory liability with an offsetting amount included in Special Item.

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

Environmental electric – The Board has authorized an environmental surcharge that is applied to all electric customer kilowatt hour sales. The costs included in the surcharge include all costs of environmental remediation and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve. Any amounts over-collected will be refunded to customers.

During the current fiscal year, a net of $6,792 was collected through the electric system environmental surcharge. With the application of regulatory accounting by JEA, $16,639 of revenues collected in prior years was recognized as a regulatory liability with an offsetting amount included in Special Item.

Self-insurance medical reserve – The Board has established, from operating revenues, an internally designated "Health Self-Insurance Fund" to cover reserve requirements for its self-insurance health program. Reserve requirements will be reviewed and approved by the Board annually. The Board, as part of the budget process, will approve amounts to be collected in rates that include both the current anticipated cost less amounts approved to be contributed by employees as well as amounts to maintain an adequate reserve for future costs. The reserve increased by $0.19 during fiscal year 2015.

(Dollars in Thousands)

2. Regulatory Deferrals (continued)

Revenues to be used for Future Costs- SJRPP deferred debt-related revenues of $171,395 at September 30, 2015, are the result of differences between revenues in determining rates and those used in financial reporting. SJRPP has a contract with the JEA Electric System and FPL to recover future revenues that will coincide with 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 statement of revenues, expenses, and changes in net position. SJRPP recognized a net of $(1,109) in fiscal year 2015. Bulk Power System early debt principal retirements in excess of straight-line depreciation of $49,194 for the year ended September 30, 2015, are included in deferred inflows of resources on the accompanying statement of net position. The Bulk Power Supply System recognized $3,878 of deferred costs on the accompany statement of revenues, expenses and changes in net position in fiscal year 2015.

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

Regulatory Liabilities	**Balance as of September 30 2015**
Fuel stabilization	$ 94,138
Nonfuel purchase power	38,000
Customer benefit stabilization	2,886
Debt management stabilization	62,416
Environmental electric	23,431
Self-Insurance medical reserve	10,937
Revenues to be used in future Scherer & SJRPP	220,589
Total regulatory liabilities	$ 452,397

(Dollars in Thousands)

3. Special Item

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

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

Had these items been recorded in fiscal year 2014, the statement of net position as of September 30, 2014, would have been as follows:

Financial Statement Caption	Balance at 9/30/2014 as reported	Pro Forma Adjustment	Balance as of 9/30/2014 as adjusted
Assets and deferred outflows of revenues			
Current assets	$ 817,867	$ –	$ 817,867
Noncurrent assets	1,120,159	–	1,120,159
Capital assets	6,219,620	–	6,219,620
Regulatory assets	279,381	351,572	630,953
Total	$ 8,437,027	$ 351,572	$ 8,788,599
Liabilities, deferred inflows of resources, and net position			
Current liabilities	$ 652,039	$ –	$ 652,039
Noncurrent liabilities	44,456	–	44,456
Long-term debt	5,312,756	–	5,312,756
Deferred inflows of resources	231,770	200,082	431,852
Net position	2,196,006	151,490	2,347,496
Total	$ 8,437,027	$ 351,572	$ 8,788,599

(Dollars in Thousands)

4. Restricted Assets

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

	2015
Electric System:	
Sinking Fund	$ 142,303
Construction Fund	4
Debt Service Reserve Fund	69,446
Renewal and Replacement Fund	148,458
Other Funds	158
Adjustment to fair value of investments	3,235
Total Electric System	363,604
SJRPP System:	
Sinking Fund	62,608
Construction Fund	77
Debt Service Reserve Fund	137,695
Renewal and Replacement Fund	84,472
Revenue Fund	11,958
Adjustment to fair value of investments	(1,262)
Total SJRPP System	295,548
Water and Sewer System:	
Sinking Fund	67,720
Debt Service Reserve Fund	108,849
Construction Fund	664
Renewal and Replacement Fund	149,130
Revenue Fund	777
Other Funds	70
Adjustment to fair value of investments	3,959
Total Water and Sewer System	331,169
DES:	
Sinking Fund	2,315
Renewal and Replacement Fund	2,599
Total DES	4,914
Total restricted assets	$ 995,235

4. Restricted Assets (continued)

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

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

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

5. Cash and Investments

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

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

(Dollars in Thousands)

5. Cash and Investments (continued)

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

	2015
Securities:	
U.S. Treasury and government agency securities	$ 531,752
State and local government securities	285,590
Commercial paper	161,169
Money market mutual funds	108,056
Total securities, at fair value	$ 1,086,567

These securities are held in the following accounts:

	2015
Restricted assets:	
Cash and cash equivalents	$ 216,479
Investments	772,571
Current assets:	
Cash and cash equivalents	419,595
Investments	78,794
Total cash and investments	1,487,439
Plus: interest due on securities	2,683
Less: cash on deposit	(403,555)
Total securities, at fair value	$ 1,086,567

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2015, 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)

5. Cash and Investments (continued)

Investment Maturity Distribution at September 30, 2015

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	$ 164,070	$ 339,998	$ 27,684	$ –	$ 531,752
State and local government securities	68,539	93,159	50,843	73,049	285,590
Commercial paper	161,169	–	–	–	161,169
Money market mutual funds	108,056	–	–	–	108,056
Total securities, at fair value	$ 501,834	$ 433,157	$ 78,527	$ 73,049	$ 1,086,567

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, 2015, JEA's investments in commercial paper are rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. Also, JEA's investment policy limits the commercial paper investment in any one issuer to $12,500. Additionally, JEA's investment policy limits investments in commercial paper to 25% of the total cash and investment portfolio regardless of statement of net position classification as cash equivalent or investment. As of September 30, 2015, JEA had 14.8% of its investments in commercial paper.

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.

5. Cash and Investments (continued)

Concentration of Credit Risk – As of September 30, 2015, investments in any one issuer representing 5% or more of JEA's investments included $268,741 (24.7%) invested in issues of the Federal Home Loan Bank and $249,685 (23.0%) invested in issues of the Federal Farm Credit Bank. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 35% of total cash and investments regardless of statement of net position classification as cash equivalent or investment. Other than investments in U.S. Treasury securities or U.S. Treasury money market funds, JEA's investment policy limits the percentage of the total cash and investment portfolio (regardless of statement of net position classification as cash equivalent or investment) that may be held in various security types. As of September 30, 2015, investments in all security types were within the allowable policy limits.

(Dollars in Thousands)

6. Capital Assets

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

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

(Dollars in Thousands)

7. Investment in The Energy Authority

JEA is a member of TEA, a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida. TEA currently has eight members, and JEA's ownership interest in TEA is 16.7%. TEA provides wholesale power marketing and resource management services to members (including JEA) and nonmembers and allocates transaction savings and operating expenses pursuant to a settlement agreement. TEA also assists members (including JEA) and nonmembers with natural gas procurement and related gas hedging activities. JEA's earnings from TEA were $1,461 in fiscal year 2015 for all power marketing activities. The investment in TEA of $7,491 at September 30, 2015, is included in noncurrent assets on the accompanying statement of net position.

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

	Unaudited 2015
Condensed statement of net position:	
Current assets	**$ 142,339**
Noncurrent assets	**12,997**
Total assets	**$ 155,336**
Current liabilities	**$ 109,098**
Noncurrent liabilities	**184**
Members' capital	**46,054**
Total liabilities and members' capital	**$ 155,336**
Condensed statement of operations:	
Operating revenues	**$ 1,249,164**
Operating expenses	**1,207,623**
Operating income	**$ 41,541**
Net income	**$ 41,554**

As of September 30, 2015, 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 $35,600, 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.

7. 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.

8. Long-Term Debt

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

8. Long-Term Debt (continued)

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30, 2015
Electric System Senior Revenue Bonds:			
Series Three 2004A	5.000%	2039	**$ 5**
Series Three 2005B	4.750%	2033	**100**
Series Three 2005D	3.625%	2015	**1,335**
Series Three 2008A[2]	Variable	2027–2036	**51,680**
Series Three 2008B-1[3]	Variable	2015–2040	**61,095**
Series Three 2008B-2[2]	Variable	2025–2040	**41,900**
Series Three 2008B-3[2]	Variable	2024–2036	**37,000**
Series Three 2008B-4[3]	Variable	2015–2036	**50,535**
Series Three 2008C-1[2]	Variable	2024–2034	**44,145**
Series Three 2008C-2[2]	Variable	2024–2034	**43,900**
Series Three 2008C-3[2]	Variable	2030–2038	**25,000**
Series Three 2008D-1[3]	Variable	2015–2036	**116,165**
Series Three 2008E	5.000%	2015	**14,560**
Series Three 2009C	5.000%	2016–2017	**15,730**
Series Three 2009D[6]	6.056%	2033–2044	**45,955**
Series Three 2010A	4.000%	2015–2020	**29,715**
Series Three 2010B	2.000%	2015	**450**
Series Three 2010C	4.000–4.500%	2021–2031	**11,420**
Series Three 2010D	4.000–5.000%	2015–2038	**97,970**
Series Three 2010E[6]	5.350–5.482%	2028–2040	**34,255**
Series Three 2012A	4.000–4.500%	2023–2033	**60,750**
Series Three 2012B	2.000–5.000%	2015–2039	**133,990**
Series Three 2013A	2.500–5.000%	2015–2026	**119,080**
Series Three 2013B	1.875–5.000%	2021–2038	**7,600**
Series Three 2013C	3.000–5.000%	2015–2030	**33,170**
Series Three 2014A	2.600–5.000%	2015–2034	**49,420**
Series Three 2015A	1.000–5.000%	2015–2041	**83,325**
Series Three 2015B	2.000–5.000%	2016–2031	**42,355**
Total Electric System Senior Revenue Bonds			**1,252,605**

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30, 2015
Electric System Subordinated Revenue Bonds:			
2000 Series A[2]	Variable	2021–2035	**$ 30,965**
2000 Series F-1[2]	Variable	2026–2030	**37,200**
2000 Series F-2[2]	Variable	2026–2030	**24,800**
2005 Series C	3.500%	2015	**875**
2008 Series D[2]	Variable	2024–2038	**39,455**
2009 Series A	5.625%	2029–2032	**21,140**
2009 Series D	5.000%	2017–2018	**23,925**
2009 Series E	4.000	2015–2018	**4,835**
2009 Series F[6]	3.875–6.406%	2015–2034	**66,600**
2009 Series G	3.750–5.000%	2015–2021	**27,675**
2010 Series A	3.000–5.000%	2015–2017	**10,830**
2010 Series B	3.000–5.000%	2015–2024	**36,210**
2010 Series C	3.125–4.000%	2020–2027	**15,925**
2010 Series D[6]	3.500–5.582%	2017–2027	**45,575**
2010 Series E	4.000%	2015–2016	**7,570**
2012 Series A	3.000–5.000%	2015–2033	**112,645**
2012 Series B	2.250–5.000%	2015–2037	**108,020**
2013 Series A	2.500–5.000%	2017–2030	**59,330**
2013 Series B	2.500–5.000%	2015–2026	**50,875**
2013 Series C	1.375–5.000%	2015–2038	**88,625**
2013 Series D	2.625–5.250%	2015–2035	**155,670**
2014 Series A	3.000–5.000%	2015–2039	**231,950**
Total Electric System Subordinated Revenue Bonds			**1,200,695**

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30, 2015
Bulk Power Supply System Revenue Bonds:			
Series 2010A[6]	3.350–5.920%	2015–2030	**$ 45,640**
Series 2014A	2.000–5.000%	2015–2038	**71,280**
Total Bulk Power System Revenue Bonds			**116,920**
SJRPP System Revenue Bonds:			
Issue Two, Series Seventeen	4.700%	2019	**100**
Issue Two, Series Eighteen	4.500%	2018	**50**
Issue Two, Series Nineteen	4.600%	2017	**100**
Issue Two, Series Twenty	4.500%	2021	**100**
Issue Two, Series Twenty-One	5.000%	2021	**5**
Issue Two, Series Twenty-Two	4.000%	2019	**5**
Issue Two, Series Twenty-Three	3.000–5.000%	2015–2021	**92,830**
Issue Two, Series Twenty-Four	3.000–4.000%	2015–2021	**42,550**
Issue Two, Series Twenty-Five	3.000–5.000%	2016–2021	**42,195**
Issue Two, Series Twenty-Six	2.000–5.000%	2019–2021	**65,970**
Issue Two, Series Twenty-Seven	0.600–2.505%	2015–2021	**7,155**
Issue Three, Series One[5]	4.500%	2037	**100**
Issue Three, Series Two[5]	5.000%	2034–2037	**29,370**
Issue Three, Series Four[5][6]	3.875–5.450%	2016–2028	**25,720**
Issue Three, Series Five[5]	4.000%	2015	**1,595**
Issue Three, Series Six[5]	2.375–5.000%	2015–2037	**98,485**
Issue Three, Series Seven[5]	2.000–5.000%	2015–2033	**79,720**
Issue Three, Series Eight[5]	2.000–5.000%	2015–2039	**58,895**
Total SJRPP System Revenue Bonds			**544,945**

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30, 2015
Water and Sewer System Senior Revenue Bonds:			
2006 Series B[4]	Variable	2016–2022	**$ 38,730**
2008 Series A-2[2]	Variable	2028–2042	**51,820**
2008 Series B[2]	Variable	2023–2041	**85,290**
2009 Series B	3.750–5.000%	2017–2019	**25,565**
2010 Series A[6]	6.210–6.310%	2026–2044	**83,115**
2010 Series B	3.750–5.700%	2015–2025	**19,030**
2010 Series C	3.500–5.000%	2015–2020	**16,145**
2010 Series D	3.000–5.000%	2015–2039	**105,040**
2010 Series E	4.000–5.000%	2021–2039	**60,990**
2010 Series F[6]	3.200–5.887%	2017–2040	**45,520**
2010 Series G	2.000–3.000%	2015–2016	**1,525**
2012 Series A	3.000–5.000%	2017–2041	**317,935**
2012 Series B	2.000–5.000%	2015–2041	**133,425**
2013 Series A	3.000–5.000%	2015–2027	**92,385**
2013 Series B	0.776–1.882%	2015–2017	**23,205**
2014 Series A	2.000–5.000%	2015–2040	**300,200**
Total Water and Sewer System Senior Revenue Bonds			**1,399,920**

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-Term Debt	Interest Rates[1]	Payment Dates	September 30, 2015
Water and Sewer System Subordinated Revenue Bonds:			
Subordinated 2008 Series A-1[2]	Variable	2015–2038	**$ 53,950**
Subordinated 2008 Series A-2[2]	Variable	2030–2038	**25,600**
Subordinated 2008 Series B-1[2]	Variable	2030–2036	**30,885**
Subordinated 2010 Series A	3.000–5.000%	2015–2022	**14,950**
Subordinated 2010 Series B	3.000–5.000%	2020–2025	**12,770**
Subordinated 2012 Series A	3.000–4.000%	2021–2033	**20,320**
Subordinated 2012 Series B	3.250–5.000%	2030–2043	**41,640**
Subordinated 2013 Series A	2.125–5.000%	2015–2029	**79,660**
Total Water and Sewer System Subordinated Revenue Bonds			**279,775**
District Energy System:			
2013 Series A	0.641–4.538%	2015–2034	**41,360**
Total District Energy System			**41,360**
Total Debt Principal Outstanding			**4,836,220**
Less: Debt Due Within One Year			**(187,500)**
Total Long-Term Debt			**$ 4,648,720**

(1) Interest rates apply only to bonds outstanding at September 30, 2015. 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, 2015.

(2) Variable rate demand obligations – interest rates ranged from 0.01% to 0.06% at September 30, 2015.

(3) Variable rate direct purchased bonds indexed to SIFMA – interest rates were 0.42% at September 30, 2015.

(4) Variable rate bonds indexed to the Consumer Price Index (CPI bonds) – interest rates ranged from 0.77% to 0.91% at September 30, 2015.

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

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

(Dollars in Thousands)

8. Long-Term Debt (continued)

Long-term debt activity (excludes short-term bank borrowings) for the year ended September 30, 2015, was as follows:

System	Bonds Payable September 30, 2014	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Bonds Payable September 30, 2015	Current Portion of Bonds Payable September 30, 2015
Electric	$ 2,598,720	**$ 125,680**	**$ (194,665)**	**$ (76,435)**	**$ 2,453,300**	**$ 93,815**
Bulk Power Supply	119,100	**–**	**–**	**(2,180)**	**116,920**	**4,950**
SJRPP	711,195	**73,125**	**(107,290)**	**(132,085)**	**544,945**	**50,945**
Water and Sewer	1,797,385	**–**	**(73,365)**	**(44,325)**	**1,679,695**	**36,180**
DES	42,965	**–**	**–**	**(1,605)**	**41,360**	**1,610**
Total	$ 5,269,365	**$ 198,805**	**$ (375,320)**	**$ (256,630)**	**$ 4,836,220**	**$ 187,500**

The debt service to maturity on the outstanding debt (excludes short-term bank borrowings) as of September 30, 2015, is summarized as follows:

Bond Year Ending	Electric System		Bulk Power Supply System		SJRPP	
October 1	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 93,815	$ 41,112	$ 4,950	$ 2,426	$ 50,945	$ 11,439
2016	96,195	80,456	6,045	4,713	43,785	21,312
2017	89,955	76,561	5,205	4,474	41,330	19,141
2018	93,685	72,882	5,710	4,233	40,715	17,252
2019	95,215	68,635	6,150	3,959	52,940	15,292
2020–2024	457,960	285,055	33,570	16,224	125,235	49,269
2025–2029	529,140	202,251	24,005	10,454	87,035	30,753
2030–2034	531,500	131,671	17,010	4,768	62,475	15,877
2035–2039	423,195	48,147	14,275	1,562	40,485	4,495
2040–2044	42,640	5,147	–	–	–	–
Total	$ 2,453,300	$ 1,011,917	$ 116,920	$ 52,813	$ 544,945	$ 184,830

(Dollars in Thousands)

8. Long-Term Debt (continued)

Bond Year Ending October 1	Water and Sewer System Principal	Water and Sewer System Interest	District Energy System Principal	District Energy System Interest	Total Debt Service[(1)(2)]
2015	$ 36,180	$ 31,539	$ 1,610	$ 705	$ 274,721
2016	33,875	62,170	1,625	1,399	351,575
2017	51,020	61,358	1,640	1,382	352,066
2018	51,720	59,429	1,660	1,359	348,645
2019	54,705	57,314	1,690	1,330	357,230
2020–2024	297,455	253,813	9,110	5,999	1,533,690
2025–2029	299,415	192,784	10,770	4,340	1,390,947
2030–2034	311,305	130,585	13,255	1,850	1,220,296
2035–2039	379,175	69,001	–	–	980,335
2040–2044	164,845	12,013	–	–	224,645
Total	$ 1,679,695	$ 930,006	$ 41,360	$ 18,364	$ 7,034,150

(1) 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, 2015. The table excludes payments made during fiscal year 2015.

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

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

	Electric System	Bulk Power Supply System	SJRPP	Water and Sewer System	District Energy System
Earliest fiscal year for redemption	2017	2019	2017	2017	2023
Redemption price	100%	100%	100%	100%	100%

JEA debt issued during fiscal year 2015 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 2015A	Refunding[(1)]	Senior	Mar-15	$ 83,325	$ 84,280	$ 458
SJRPP	Issue Two, Series 26 & 27	Refunding[(2)]	Senior	May-15	73,125	77,085	(65)
Electric	Series Three 2015B	Refunding[(3)]	Senior	Jul-15	42,355	69,585	(444)
					$ 198,805	$ 230,950	$ (51)

(Dollars in Thousands)

8. Long-Term Debt (continued)

(1) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $136,744 compared to prior debt service of $156,591 and $12,826 of net present value economic savings.

(2) Fixed rate bonds issued to refund fixed rate bonds with new debt service of $76,130 compared to prior debt service of $88,202 and $11,261 of net present value economic savings.

(3) Fixed rate bonds issued including cash of $25,000 to refund fixed rate bonds with new debt service of $56,110 compared to prior debt service of $72,621 and $5,949 of net present value economic savings.

The 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	$ 592,320	$ 241,000	December 31, 2016
SJRPP Issue Two	6,875	–	December 31, 2016
SJRPP Issue Three	82,000	–	December 31, 2016
Water and Sewer	314,000	164,000	December 31, 2016

Variable Rate Debt – Liquidity Support

For the Electric System and the Water and Sewer System variable rate debt obligations (VRDOs) appearing in the schedule of outstanding indebtedness, 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, 2015, 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% to 0.5% with stated termination dates ranging from May 10, 2017 to July 29, 2018, unless otherwise extended.

JEA entered into an irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of the principal and interest on the Water and Sewer System 2008 Series A-2 VRDOs. The letter of credit agreement constitutes both a credit facility and a liquidity facility. As of September 30, 2015, 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% with a stated expiration date of December 2, 2018, unless otherwise extended.

8. 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 date of the continuing covenant agreements is September 17, 2018, unless otherwise extended. The interest rate is variable and is set monthly based upon the SIFMA Index plus 40 basis points.

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 2015.

At September 30, 2015, 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 statement 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 statement of net position as either a deferred outflow of resources or a deferred inflow of resources.

The earnings from the debt management strategy interest rate swaps are recorded to interest on debt in the accompanying statement of revenues, expenses, and changes in net position.

(Dollars in Thousands)

8. Long-Term Debt (continued)

JEA entered into all outstanding floating to fixed interest rate swap agreements during prior fiscal years. The terms of the floating to fixed interest rate swap agreements outstanding at September 30, 2015, 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	86,725	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	$ 531,955				

The following table includes fiscal year 2015 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

System	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at September 30, 2015 Classification	Amount[1]	Notional
Electric	Deferred outflows	$ 32,378	Fair value of debt management strategy instruments	$ (120,400)	$ 407,935
Water and Sewer	Deferred outflows	10,756	Fair value of debt management strategy instruments	(28,349)	124,020
Total		$ 43,134		$ (148,749)	$ 531,955

[1] Fair value amounts were calculated using market rates as of September 30, 2015, and standard cash flow present valuing techniques.

(Dollars in Thousands)

8. Long-Term Debt (continued)

For fiscal year ended September 30, 2015, the weighted average rates of interest for each index type of floating to fixed interest rate swap agreement and the total net swap earnings were as follows:

	2015
68% of LIBOR Index:	
Notional amount outstanding	**$ 210,700**
Variable rate received (weighted average)	**0.1%**
Fixed rate paid (weighted average)	**3.7%**
SIFMA Index (formerly BMA Index):	
Notional amount outstanding	**$ 282,525**
Variable rate received (weighted average)	**0.1%**
Fixed rate paid (weighted average)	**4.0%**
CPI Index:	
Notional amount outstanding	**$ 38,730**
Variable rate received (weighted average)	**1.9%**
Fixed rate paid (weighted average)	**4.0%**
Net debt management swap loss	**$ (19,581)**

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, 2015:

Electric System[1]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2015	$ 350	$ 71	$ 1,291	$ 1,712
2016	375	815	15,730	16,920
2017	400	814	15,716	16,930
2018	400	813	15,702	16,915
2019	425	812	15,687	16,924
2020–2024	29,090	3,990	77,084	110,164
2025–2029	143,610	3,292	63,792	210,694
2030–2034	138,700	1,662	32,147	172,509
2035–2039	94,585	495	9,958	105,038
Total	$ 407,935	$ 12,764	$ 247,107	$ 667,806

(Dollars in Thousands)

8. Long-Term Debt (continued)

Water and Sewer System[1]

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2015	$ –	$ 169	$ 881	$ 1,050
2016	4,105	421	4,521	9,047
2017	4,255	385	4,392	9,032
2018	5,520	348	4,259	10,127
2019	5,740	300	4,087	10,127
2020–2024	27,565	717	17,455	45,737
2025–2029	9,140	353	13,668	23,161
2030–2034	9,660	323	12,513	22,496
2035–2039	36,315	233	9,017	45,565
2040–2044	21,720	33	1,273	23,026
Total	$ 124,020	$ 3,282	$ 72,066	$ 199,368

[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, 2015. 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, 2015.

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, 2015, 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, 2015.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2015, 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+	125,900
Merrill Lynch Derivative Products AG	A-/Baa2/A	85,290
Total		$ 531,955

8. Long-Term Debt (continued)

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, 2015, the weighted average interest rate on JEA's hedged variable-rate debt (excluding variable rate CPI bonds) is 0.14%, while the SIFMA swap index rate is 0.02% and 68% of LIBOR is 0.13%.

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.

9. Transactions with City of Jacksonville

Utility and Administrative Services

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

	Revenues	Expenses
Fiscal year 2015	**$ 37,743**	**$ 5,152**

9. Transactions with City of Jacksonville (continued)

City Contribution

The calculation of the City contribution is based on a formula negotiated with the City of Jacksonville. Fiscal year 2015 is the seventh 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 year 2015 amounted to $90,109. The contribution from the JEA Water and Sewer for fiscal year 2015 amounted to $21,579.

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

Franchise Fees

In 2008, the City enacted a 3.0% franchise fee from designated revenues of the Electric and Water and Sewer 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, 2015, JEA recorded $29,342 and $10,070 in its electric and water and sewer funds, which amounts are included in operating revenues and expenses.

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.

9. Transactions with City of Jacksonville (continued)

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 2015 amounted to $952, which included a refund of prior-year credits in the amount of $2,377. JEA is also a participant in the City's general liability insurance program. General liability insurance premium expense amounted to $1,816 for the year ended September 30, 2015. There was no refund of prior year credits included in the general liability insurance premium expense amounts for the year. 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 $18,118 for general insurance liability for the workers' compensation insurance liability for the year ended September 30, 2015, and $89,343 for general insurance liability. JEA's portion of the general insurance liability was $1,967 during the fiscal year ended September 30, 2015. JEA's portion of the workers' compensation insurance liability was $3,366 during the fiscal year ended September 30, 2015. The amounts are recorded at present value using a 4% discount rate for the fiscal year ended September 30, 2015.

10. Fuel Purchase and Purchased Power Commitments

JEA has made purchase commitments for the majority of the coal requirements for SJRPP and Scherer Unit 4 through calendar year 2016, while maintaining flexibility to switch to natural gas. Contract terms specify minimum annual purchase commitments at fixed prices or at prices that are subject to market adjustments. JEA has remarketing rights under the coal contracts.

The majority of JEA's coal and petroleum coke supply is purchased with transportation included. From time to time, JEA purchases portions of its coal supply for SJRPP from domestic suppliers and takes delivery at the mine. In these instances, JEA contracts with CSX for rail transportation from the mine to the SJRPP plant. JEA currently has a rail transportation commitment with CSX for delivery to SJRPP through calendar year 2016. In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. Georgia Power Company, acting for itself and as agent for JEA and the other Scherer co-owners, has entered into an agreement with Burlington Northern Santa Fe Railway Company (BNSF) that extends through calendar year 2028, and an agreement with Norfolk Southern Railway Company (NS) that extends through December 31, 2015. A contract extension with the NS is currently under negotiation.

(Dollars in Thousands)

10. Fuel Purchase and Purchased Power Commitments (continued)

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:

Year Ending	Coal and Pet Coke		Natural Gas		Residual	Electric Generating Capacity/		
September 30	Fuel	Transportation	Fuel	Transportation	Oil	Energy	Transmission	Total
2016	$ 26,945	$ 16,124	$ 3,349	$ 2,233	$ 15,903	$ –	$ 5,477	$ 70,031
2017	28,930	10,528	3,340	2,227	–	–	5,684	50,709
2018	7,556	2,274	3,340	2,227	–	–	5,852	21,249
2019	–	–	3,340	2,227	–	–	6,025	11,592
2020	–	–	3,349	2,233	–	–	6,204	11,786
2021-2040	–	–	1,382	921	–	–	155,357	157,660

Vogtle Units Purchase Power Agreement

The 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 the Municipal Electric Authority of Georgia (MEAG Power) for 206 megawatt (MW) of capacity and related energy from MEAG Power's interest in two additional nuclear generating units (the Additional Vogtle Units) under construction at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The 206 MW is projected to represent approximately 13% of JEA's total energy requirements in the year 2021.

10. Fuel Purchase and Purchased Power Commitments (continued)

The Additional Vogtle Units PPA requires JEA to pay MEAG Power for the capacity and energy at the full cost of production (including debt service on the bonds issued and to be issued by MEAG Power to finance the portion of the capacity to be sold to JEA of its ownership interest in the Additional Vogtle Units) plus a margin over the term of the Additional Vogtle Units PPA. Under the Additional Vogtle Units PPA, JEA is entitled to 103 MW of capacity and related energy from each of the Additional Vogtle Units for a 20-year term commencing on each Additional Vogtle Unit's commercial operation date 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 June 2019 and June 2020. Georgia Power has also advised MEAG Power that, as construction continues, the risk remains that ongoing challenges with contractor performance or other issues could arise and may further impact project schedule and cost. While Georgia Power has advised that it expects the contractor to employ mitigation efforts to maintain the current project schedule and believes that the contractor is responsible for any related costs, Georgia Power has also advised that the contractor performance and progress in recent months on the assembly and installation of shield building and structural modules have resulted in additional schedule pressure.

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 $3,700,000, of which approximately $1,500,000 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 $1,200,000 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 States 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 $36,300 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 $28,700 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.

10. Fuel Purchase and Purchased Power Commitments (continued)

On June 24, 2015, in order to obtain a loan guarantee from the United States Department of Energy (DOE) for further funding of the Plant Vogtle Units 3&4, MEAG Power divided its undivided ownership interest in Plant Vogtle Units 3&4 into three separate undivided interests. MEAG Power transferred approximately 41.175% of its ownership interest, representing 206 MW of nominally rated generating capacity (which is the portion of MEAG Power's ownership interest attributable to Project J), to MEAG Power SPVJ, LLC, a limited liability company organized and existing under the laws of the State of Georgia (the Project J Entity), of which MEAG Power is the sole member.

The Project J Entity then entered into a loan guarantee agreement with DOE under which the Project J Entity is permitted to borrow from the Federal Financing Bank an aggregate amount of $577,743 of which $24,482, is available to pay capitalized interest on certain borrowings under the loan guarantee agreement. The Project J Entity received proceeds from borrowings under the loan guarantee agreement in an aggregate principal amount of $327,443 on June 24, 2015. The Project J Entity is permitted to obtain additional borrowings under the loan guarantee agreement (exclusive of amounts set aside for the payment of capitalized interest on borrowings) in an aggregate principal amount of $225,819.

Other co-owners (GPC and Oglethorpe), completed their loan agreements with the DOE early in 2014.

MEAG Power issued $185,180 of additional Project J bonds on September 9, 2015.

MEAG Power, based upon information provided to it by its agent, 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 $84,000 (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.

10. 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 delayed module production and the impacts to the Consortium are recoverable by the Consortium under the engineering, procurement, and contractor (EPC) 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 EPC Agreement. The Consortium did not specify in its amended counterclaim claimed amounts relating to these new allegations; however, the Consortium subsequently asserted related minimum damages (based on MEAG Power's ownership interest) of $56,100. 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 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. Additional claims by the Consortium or the Owners are expected to arise throughout the construction of Plant Vogtle Units 3 and 4.

On October 27, 2015, MEAG Power announced that the contractors for the Vogtle nuclear expansion, Westinghouse and CB&I, have entered into a transaction that will position Westinghouse as the sole contractor over the project. As a result, MEAG Power and the other Vogtle co-owners have agreed on terms to settle all claims currently in litigation with the project's contractors and to include additional protections in the EPC contract against any future claims. The settlement is subject to the completion of a transaction between Westinghouse and CB&I announced simultaneously with the agreement.

The Project J share of the settlement cost is approximately $71,000. MEAG Power owns 22.7% (500.3 MW) of the new nuclear units at Plant Vogtle. For the initial 20 years of commercial operation of each unit, MEAG Power has sold 41.175% of the output and services associated with the unit to JEA.

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 2026 with respect to Unit 2. The total cost of the option was $7,500, payment of which has been completed. JEA obtained this option in furtherance of its target to acquire up to 30% of JEA's energy requirements from nuclear sources by 2030.

10. Fuel Purchase and Purchased Power Commitments (continued)

The option agreement requires that JEA and Duke Carolinas complete negotiation of an ownership agreement and an operation and maintenance agreement for the Lee Project prior to JEA's exercising the option. The option exercise period will be opened by Duke Carolinas after it (i) receives NRC approval of the COL for the Lee Project and (ii) executes an engineering, procurement, and construction agreement for the Lee Project. The 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 late 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.

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 year 2015 was $3,741.

10. Fuel Purchase and Purchased Power Commitments (continued)

Additional Solar

As part of JEA's continued commitment to the environment, and to increase JEA's level of carbon-free renewable energy generation, in December 2014 the Board established a solar policy to add up to 38 MW of solar photo voltaic capacity. To support this policy, JEA issued Requests for Proposals for Power Purchase Agreements (PPAs) in December 2014 and April 2015. Approximately 33 MW of solar projects have been awarded to seven different companies for eight separate projects, distributed around JEA's service territory. The PPAs for two of these projects have been completed, representing a total of 11 MW. The two finalized PPAs are with groSolar and Hecate Energy – these projects will be completed in 2016. Negotiations are continuing on the other six PPAs.

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 PPA with Landfill Energy Systems (LES), and an additional 6 MW landfill gas-to-energy facility at the Sarasota Landfill in Sarasota, also through a PPA with LES. JEA has signed an agreement to purchase an additional 3.6 MW net output from the facility if it is expanded and becomes available. LES pays all transmission and ancillary charges associated with transmitting the energy from Sarasota to Jacksonville. The new facility came online in January 2015. JEA pays only for the energy produced. Purchases of energy for the fiscal year 2015 were $3,795.

11. Energy Market Risk Management Program

The energy market risk program is intended to help manage the risk of changes in the market prices of fuel consumed by JEA for electric generation. Given reduced volatility in natural gas prices and limited need for oil, during fiscal year 2015, JEA's use of financial transactions to protect against the risk of adverse fuel and purchased power price movements was limited. In January 2015, JEA established natural gas collars through fiscal year 2017 for 20% to 25% of its expected natural gas requirements. All previous natural gas financial contracts had expired during fiscal 2014.

It is possible that after a physical or financial fuel commodity transaction takes place, the market price before or at the specified time to purchase the fuel commodity may be lower than the price at which JEA is committed to buy. This would reduce the value of the contract. JEA is also exposed to the failure of the counterparty to fulfill the contract. JEA believes the risk of nonperformance by the counterparty under these contracts is not significant. JEA does not anticipate nonperformance by any counterparty.

At September 30, 2015, the energy market risk program had no open NYMEX natural gas futures contracts and had margin deposits of $12 at September 30, 2015, which is included in other noncurrent assets on the accompanying statement of net position.

(Dollars in Thousands)

11. Energy Market Risk Management Program (continued)

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 statement of net position as either a deferred charge or a deferred credit until such time that the transactions end. At September 30, 2015, deferred charges of $3,754 were included in deferred outflows of resources on the statement of net position. The related settled gains and losses from these transactions are recognized as fuel expenses on the accompanying statement of revenues, expenses, and changes in net position. For the year ending September 30, 2015, there were no realized gains included in fuel expense.

The following is a summary of derivative positions as of September 30, 2015:

Electric Enterprise Fund	Changes in Fair Value		Fair Value at September 30, 2015		
Cash Flow Hedges	**Classification**	**Amount**	**Classification**	**Amount**	**Notional***
Natural Gas	Deferred outflows	$ 3,754	Liability	$ 3,754	$ –

*Notional amount of natural gas positions offset.

12. Pension Plans

JEA Plan Description and Contributions

Substantially all of the employees of the Electric System and Water and Sewer System participate in and contribute to the City of Jacksonville GERP, as amended. The GERP is a cost-sharing, multiple-employer contributory defined benefit pension plan with a defined contribution alternative. GERP, based on laws outlined in the City of Jacksonville Ordinance Code and applicable Florida statutes, provides for retirement, survivor, death, and disability benefits. Its latest financial statements and required supplementary information are included in the 2014 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained at **http://www.coj.net/departments/finance/docs/accounting/2014-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.

Plan Benefits Provided – The GERP is open to employees of JEA, Jacksonville Housing Authority, North Florida Transportation Planning Authority, and City of Jacksonville, other than police officers and firefighters. Appointed officials and permanent employees not in the civil service system may opt to become members of GERP. Elected officials are members of the Florida Retirement System Elected Officer Class. Participation in GERP is mandatory for all full-time employees of JEA, Jacksonville Housing Authority, North Florida Transportation Planning Authority, and City of Jacksonville, who otherwise meet the requirements for participation. Members of the GERP are eligible to retire with a normal pension benefit upon achieving one of the following: (a) completing 30 years of credited service, regardless of age; (b) attaining age 55 with 20 years of credited service; or (c) attaining age 65 with five years of credited service. There is no mandatory retirement age.

12. Pension Plans (continued)

Upon reaching one of the three conditions for retirement described above, a member is entitled to a retirement benefit of 2.5% of final average compensation, multiplied by the number of years of credited service, up to a maximum benefit of 80% of final monthly compensation. A time service retirement benefit is payable bi-weekly to commence upon the first payday coincident with or next payday following the member's actual retirement and will continue until death.

Each member and survivor is entitled to a cost of living adjustment (COLA). The COLA consists of a 3% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences in the first full pay period of April occurring at least 4.5 years (and no more than 5.5 years) after retirement. In addition, there is a supplemental benefit. The supplemental benefit is equal to five dollars ($5) multiplied by the number of years of credited service. This benefit may not exceed $150 per month.

Contributions – The Florida Constitution requires plan contributions be made annually in amounts determined by an actuarial valuation in either dollars or as a percentage of payroll. The Florida Division of Retirement reviews and approves the City's actuarial report to ensure compliance with actuarial standards and appropriateness for funding purposes. In fiscal year 2015, JEA plan members were required to contribute 8% of their annual covered salary, and JEA's contribution of the covered payroll for the JEA plan members was $40,179 (31.98%). Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

Defined Contribution Plan

The City has, by ordinance, a defined contribution (DC) plan within the Jacksonville Retirement System for GERP participants as an employee choice alternative to the defined benefit (DB) plans. Beginning in fiscal year 2011, employees had the option to participate in a DC plan. Employees vest in the employer contributions to the plan at 25% after two years, and 25% per year thereafter until fully vested after five years of service. Employees can electively change from the DC plan to the DB plan, or vice versa, up to three times within their first five years of participation.

In fiscal year 2015, 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 $729 (8.0%) in 2015.

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.

(Dollars in Thousands)

12. Pension Plans (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

Net Pension Liability – JEA is allocated a proportional share of 48.85% of the net pension liability of the GERP based on an allocation proportional to the present value of all future benefits calculated under the actuarial assumptions used to determine contribution requirements. This basis is intended to measure the proportion of each employer's long-term funding requirements. JEA's allocated share of the net pension liability is $404,466 as of September 30, 2015.

For the year ended September 30, 2015, JEA's recognized pension expense is $39,645. At September 30, 2015, JEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ –	$ (2,093)
Changes of assumptions	39,676	–
Employer contributions subsequent to the measurement date	40,179	–
Net difference between projected and actual earnings on pension plan investments	–	(24,867)
Total	$ 79,855	$ (26,960)

Contributions of $40,179 were reported as deferred outflows of resources related to pensions resulting from JEA contributions subsequent to the September 30, 2014 measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Recognition of deferred outflows (inflows)
2015	$ 3,179
2016	3,179
2017	3,179
2018	3,179
Total	$ 12,716

(Dollars in Thousands)

12. Pension Plans (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of September 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases assumption	3.00%-6.00%, of which 2.75% is the Plan's long-term payroll inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Pre-retirement mortality rates	RP-2014 Employee Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2014
Healthy annuitant mortality rates	RP-2014 Healthy Annuitant Mortality Table, set forward four years for males and three years for females, projected generationally with Scale MP-2014
Disabled annuitant mortality rates	RP-2014 Disabled Retiree Mortality Table, set forth four years, projected generationally with Scale MP-2014

RP-2014 Healthy Annuitant Mortality Table, set forth four years for males and three years for females, reasonably reflects the healthy annuitant mortality experience of the GERP as of the measurement date. The mortality table was then adjusted to future years using generational projections under Scale MP-2014 to reflect future mortality improvement. RP-2000 Disabled Retiree Mortality Table, set forth four years, reasonably reflects the disabled annuitant mortality experience of GERPs as of the measurement date. The mortality table was then adjusted to future years using generational projection under Scale MP-2014 to reflect future mortality improvement.

The actuarial assumptions used in the October 1, 2014, valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012, with additional changes based on an interim study of mortality experience through September 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table. The long-term expected real rates of return are based on 20-year projections of capital market assumptions provided by Segal Rogerscasey.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35%	6.57%
International equity	20%	7.27%
Fixed income	19%	1.47%
Real estate	25%	4.37%
Cash	1%	.87%
Total	100%	

(Dollars in Thousands)

12. Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability is 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability. Cash flow projections were run for a 120-year period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Jacksonville GERP, calculated using the discount rate of 7.50%, as well as what the Jacksonville GERP's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
JEA's proportionate share of the net pension liability	$ 558,272	$ 404,466	$ 276,111

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is included in the 2014 Comprehensive Annual Financial Report of the City of Jacksonville, Florida.

St. Johns River Power Park Plan Description

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

The SJRPP Plan periodically issue stand-alone audited financial statements, with the most recent report issued for the year ended September 30, 2014. This report may be obtained at **https://www.jea.com/About/Investor_Relations/Financial_Reports/SJRPP_Pension/**.

Effective February 25, 2013, the SJRPP Plan was amended. Pursuant to this amendment, the SJRPP Plan consists of two tiers: Tier One is the Defined Benefits Tier and Tier Two is the Cash Balance Tier. Tier One participants will remain in the traditional defined benefit plan, and Tier Two employees (defined as employees with less than 20 years of experience) will participate in a modified defined benefit plan, or "cash balance" plan, with an employer match provided for any Tier Two employee who contributes to the 457 Plan.

(Dollars in Thousands)

12. Pension Plans (continued)

Plan Benefits Provided – Members of the SJRPP Plan are eligible to retire with a normal pension benefit upon achieving one of the following: (a) completing 30 years of credited service, regardless of age; (b) attaining age 55 with 20 years of credited service; or (c) attaining age 65 with five years of credited service. There is no mandatory retirement age.

Upon reaching one of the three conditions for retirement described above, a member in Tier One is entitled to a retirement benefit of 2.0% of the average of earnings over the highest 36 consecutive complete months out of the last 120 months of participation immediately preceding retirement or termination (FAE) of final average compensation multiplied by the number of years of credited service, not to exceed 15 years, plus 2.4% of FAE multiplied by the number of years of credited service in excess of 15 years, but not to exceed 30 years; plus .65% of the excess FAE over the Social Security Average Wages multiplied by years of credited service, not to exceed 35 years. A time service retirement benefit is payable bi-weekly to commence upon the first payday coincident with or next payday following the member's actual retirement and will continue until death.

All Tier Two participants of the SJRPP Plan Tier One benefits were frozen as of February 23, 2013. Distribution of frozen Tier One Benefits is governed by the provisions applicable to Tier One. Tier Two Benefits employees receive annual pay credits to their Cash Balance accounts in the amount of 6.0% of earnings for that year. Cash Balance Accounts are credited with interest at the rate of 4% per year. Benefits may be distributed as a lump sum, by rollover in accordance with the Internal Revenue Service Code or as an annuity, at the election of the participant.

For participants retired on or after October 1, 2003, each member and survivor is entitled to a COLA. The COLA consists of a 1% increase of the retiree's or survivor's pension benefits, which compounds annually. The COLA commences each October 1 following the fifth anniversary of payment commencement.

Employees Covered by Benefit Terms – At September 30, 2015, the following employees were covered by the benefit terms:

Retirees and beneficiaries	258
Inactive, nonretired members	52
Active members	240
Total	550

Contributions – The SJRPP Plan's funding policy provides for biweekly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The SJRPP employer's contribution to the SJRPP Plan for the year ended September 30, 2015, was 17.94% of annual covered payroll. SJRPP Plan members are required to contribute currently 4.0% of their current year annual covered salary.

(Dollars in Thousands)

12. Pension Plans (continued)

Net Pension Liability – SJRPP net pension liability was measured as of October 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions –The total pension liability in the October 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	2.5%–12.5% per year, including inflation
Investment rate of return	7.00%
Mortality rates	RP2000 Table (Combined Healthy). Mortality improvements for all members are generationally projected using Scale AA.

The actuarial assumptions used in the October 1, 2014, valuation were based on the demographic experience from 2004 through 2012 and economic forecasts available at the time the report was issued.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table.

The target allocation and the best estimates of the rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity	47.00%	8.03%
Fixed Income	45.00%	2.40%
International Equity	8.00%	7.40%
Total	100.00%	

(Dollars in Thousands)

12. Pension Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that the employer's contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of SJRPP, calculated using a discount rate of 7.0 %, as well as the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

1% Decrease (6.0%)	Current Single Discount Rate Assumption (7.0%)	1% Increase (8%)
$21,053	$ 5,204	$ (8,424)

Changes in the Net Pension Liability

	Total Pension Liability(a)	Plan Fiduciary Position(b)	Net Position Liability (a)-(b)
Balance at 9/30/2014	$ 146,521	$ 135,019	$ 11,502
Service cost	1,470	–	1,470
Interest on the total pension liability	10,026	–	10,026
Difference between expected and actual experience	2,121	–	2,121
Contributions–employer	–	5,559	(5,559)
Contributions–employee	–	655	(655)
Net investment income	–	13,763	(13,763)
Benefit payments	(9,509)	(9,509)	–
Administrative expenses	–	(62)	62
Net change	4,108	10,406	(6,298)
Balance at September 30, 2015	$ 150,629	$ 145,425	$ 5,204

(Dollars in Thousands)

12. Pension Plans (continued)

Pension Plan fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued SJRPP Pension Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension

For the year ended September 30, 2015, SJRPP recognized pension expense of $1,170. At September 30, 2015, SJRPP Plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,635	$ –
Employer contributions subsequent to the measurement date	3,509	–
Net difference between projected and actual earnings on pension plan investment	–	(3,543)
Total	$ 5,144	$ (3,543)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended September 30	Recognition of Deferred Outflows (Inflows)
2016	$ (399)
2017	(399)
2018	(399)
2019	(711)
Total	$ (1,908)

13. Health Insurance Programs

As of July 1, 2009, JEA became self-insured for medical and prescription benefits. Under the self-insurance program, JEA is liable for all claims. JEA retains an additional stop-loss policy for claims in excess of $250 per employee, with an aggregate limit of 125.0% of claims. There have been no significant reductions in coverage from the prior year. The health insurance benefits program is administered through a third-party insurance company, and as such, the administrator is responsible for processing the claims in accordance with the benefit specifications, with JEA reimbursing the insurance company for its payouts. Liabilities associated with the health care program are determined based on an actuarial study. This amount, which includes claims that have been incurred but not reported, is reported on the accompanying statement of net position as a regulatory liability. The regulatory liability is included in cost to be recovered in deferred inflows of resources.

(Dollars in Thousands)

13. Health Insurance Programs (continued)

The changes in the self-insurance reserves for the year ended September 30, 2015, are as follows:

	Medical and Prescription Benefits
Balance at September 30, 2013	$ 15,914
Contributions	23,104
Incurred claims	(28,269)
Balance at September 30, 2014	10,749
Contributions	**31,810**
Incurred claims	**(31,622)**
Balance at September 30, 2015	**$ 10,937**

14. Other Postemployment Benefits

Plan Description

JEA maintains a medical benefits plan that it makes available to its retirees. The medical plan is a single-employer, experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their beneficiaries. The postretirement benefit portion of the benefits plan (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. JEA currently determines the eligibility, benefit provisions, and changes to those provisions applicable to eligible retirees. The OPEB Plan does not issue publicly audited financial statements.

An actuarial roll-forward for September 30, 2015 was used to make various adjustments to the results of an Actuarial Valuation previously performed on October 1, 2013.

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)

14. Other Postemployment Benefits (continued)

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

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

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ending	Annual OPEB Cost	JEA Contributions*	Percentage of Retiree Cost Contributed	Net Obligation (Asset)
September 30, 2015	**$ 4,978**	**$ 7,255**	**(145.75%)**	**$ (131)**
September 30, 2014	4,800	4,312	91.29	2,146
September 30, 2013	5,469	6,185	113.08	1,727

*Implicit premiums paid by JEA

The following table shows the components of JEA's annual OPEB costs for the year, the amount contributed to the OPEB Plan, and the changes in the net OPEB obligation (asset) to JEA as of September 30, 2015.

	2015
Annual required contribution (ARC)	$ 5,011
Interest on OPEB plan obligation	150
Adjustment to ARC	(183)
Annual OPEB plan retiree cost*	4,978
Contributions made	(7,255)
Change in OPEB plan obligation	(2,277)
OPEB plan obligation at beginning of year	2,146
OPEB plan (asset) at end of year	$ (131)

*Implicit additional premiums paid by JEA

14. 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 5.3%.

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.

15. 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 August 3, 2015, the Environmental Protection Agency (EPA) issued concurrently three separate rules pertaining to emissions of carbon dioxide (CO2) fossil fuel-fired electric generating units (EGUs):

The Final **Clean Power Plan (CPP)**, applicable to existing fossil fuel-fired electric EGUs

The Final **Carbon Pollution Standards Rule**, applicable to new, modified and reconstructed fossil fuel-fired EGUs

The Proposed **Federal Plan** applicable to states that fail to submit an approvable plan that achieves CPP goals

The EPA projects that the set of rules will result in power sector emission reductions of 32% from 2005 levels by the year 2030, with most of that attributable to the CPP.

The CPP final rule is substantially different from the proposed rule published in the Federal Register on June 18, 2014. As under the proposed rule, the final CPP sets state-specific CO2 emission goals to reduce power sector emissions on a state-by-state basis. CPP emission reduction goals consist of an Interim Goal, which must be met on average during the years of 2022-29, and a Final Goal for 2030 and beyond. In a notable change from the proposed rule, EPA has shifted the compliance start date (Interim Goal) from 2020 to 2022 and lowered the emissions reduction goal for that time frame.

The Best System of Emissions Reduction (to guide state compliance) is now being based upon the application of three Building Blocks:

1) Block 1, improving the average efficiency (or heat rate) of coal-fired steam EGUs heat rate by 2.1-4.3%.
2) Block 2, displacing fossil steam generation by increasing generation from existing natural gas combined cycle (NGCC) facilities up to 75% of net summer capacity.
3) Block 3, reducing fossil fuel-fired generation through increased zero-carbon generation, based upon regional technical potential for incremental renewable generation.

15. Commitments and Contingent Liabilities (continued)

The ultimate impact of the rule cannot be determined by JEA at this time due to: 1) the need to finalize state goals and adopt state plans subject to EPA approval; and 2) the uncertainty as to how the Florida and Georgia (with respect to Scherer 4 and Vogtle) plans would ultimately affect JEA. The CPP became effective 60 days after publication in the Federal Register. States will then have at least one year (up to three years in special circumstances) to develop and submit plans to EPA for approval. Plans do not go into effect until 2022. The final "Carbon Pollution Standards" rule applies to any facility that commenced construction after January 8, 2014, or modification or reconstruction after June 18, 2014, with requirements effective concurrent with those of the CPP. The EPA is accepting public comment on the proposed "Federal Plan".

On July 6, 2011, the EPA released the Cross-State Air Pollution Rule (CSAPR), which is intended as a substitute for the invalidated Clean Air Interstate Rule (CAIR). In the CSAPR, the EPA determined that 27 states in the eastern United States are in violation of the Clean Air Act because they significantly contribute to nonattainment or interference with the maintenance of attainment of three National Ambient Air Quality Standards (NAAQS) in one or more downwind states. The three air quality standards addressed in the CSAPR are the 1997 and 2006 fine particulate matter (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 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. On July 28, 2015, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) issued an order and opinion remanding, without vacatur, certain state budgets under the CSAPR for reconsideration by EPA, including the ozone-season NOx emissions budget for Florida. Upon reconsideration, EPA may or may not make emission budgets less stringent. 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, and anticipates compliance with CSAPR, regardless of EPA's reconsideration.

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 that may be required.

15. Commitments and Contingent Liabilities (continued)

In April, 2015 EPA finalized rules to regulate the disposal and management of coal combustion residuals (CCRs), meaning fly ash, bottom ash, boiler slag and flue gas desulfurization materials, destined for disposal from coal-fired power plants. The new rule became effective on October 19, 2015, and establishes technical requirements for surface impoundments and landfills. The rule will require protective controls, such as liners and groundwater monitoring, at landfills that store CCRs. The rule will be enforced only by citizen-initiated lawsuits, not by EPA.

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 left in place the Bevill exemption for beneficial uses of CCRs in which CCRs are recycled as components of products instead of placed in impoundments or landfills. Large quantities of CCRs are used today in concrete, cement, wallboard and other contained applications that should not involve any exposure by the public to unsafe contaminants. The financial and operational impact to JEA of the rules related to CCRs is currently being ascertained.

On November 22, 2010, EPA entered into a settlement agreement with Riverkeeper, Inc. regarding rule-making 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 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.

With few changes to the proposed rule, EPA published the final rule in the Federal Register in August, 2015. The new standards will not affect any of its facilities other than Northside Generating Station (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. The new standards will likely require upgrades to the system, varying from establishment of existing facilities as the Best Technology Available (BTA), to improvements to the existing screening facilities. 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. 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. On September 30, 2015, EPA finalized the effluent guidelines. In setting the new and more stringent standards, EPA evaluated the

15. Commitments and Contingent Liabilities (continued)

technologies and costs to remove metals and other parameters from individual wastewater streams generated by steam electric power plants and identify the BAT to affect their control. The new requirements for existing power plants must be phased in "as soon as possible" on or after November 1, 2018, but not later than December 31, 2023. At this time, costs of compliance have not been determined and are not included in JEA's capital program for the Electric System.

Water Supply System Regulatory Initiatives – JEA was issued a 20-year Consumptive Use Permit (CUP) in May 2011 from the St. Johns River Water Management District (SJRWMD), which allows for aquifer withdrawals sufficient to completely satisfy customer demands until 2031 if certain permit conditions are met. JEA evaluates its total water management plan annually to continuously understand changes in demand, and how to balance investments in a three-part program: (1) continued expansion of the reuse system, (2) measured conservation program and (3) water transfers from areas with a higher supply on JEA's north grid to areas with a lower supply on JEA's south grid via river-crossing pipelines. In North Florida the Suwannee River Water Management District (SRWMD), Florida Department of Environmental Protection (FDEP), and the SJRWMD have set or are setting/revising Minimum Flows and Levels (MFLs), for water bodies in the region. MFLS are intended to assess the potential for ecological resource risks from aquifer withdrawals and ensure sustainable supplies. In 2015 MFLs were adopted in the SRWMD and a determination required a recovery strategy. By permit, JEA will participate to the extent of its proportionate impact in prevention and recovery strategies that may be developed to ensure the groundwater resource remains sustainable.

Wastewater Treatment System Regulatory Initiatives – The Sewer System is regulated by the EPA under provisions of the Federal Clean Water Act and the Federal Water Pollution Act. In Florida, the EPA has delegated the wastewater regulatory program to FDEP. The FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen and phosphorus that can be assimilated by the St. Johns River, to which 8 of JEA's 11 wastewater treatment plants discharge. This state rule limits the amount of nitrogen and phosphorus that these eight wastewater treatment facilities are allowed to discharge by permit. JEA is meeting these limits as the result of past capital improvements to its wastewater facilities, expansion of the reclaimed water system, and phase-out of smaller old technology wastewater facilities. 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 is estimated to be $18,662 at September 30, 2015, and is included in other noncurrent liabilities in the statement of net position. The accrual is related to the following

15. Commitments and Contingent Liabilities (continued)

environmental matters: Kennedy Generating Station RCRA Corrective Action for former wood preserving site; Sans Souci Substation remedial activities; Pearl Street Electric Shop remedial activities; Southside Generating Station Brownfield site, Northside Generating Station fuel oil tank farm, Northside Generating Station RCRA Corrective Action Program, Tri-State Recycling Site; and remediation at a number of miscellaneous petroleum sites. Of the $18,662 that JEA has accrued as environmental 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 Units 1 and 2 produce a by-product that consists of fly ash and bed ash. JEA has obtained a permit from 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 is an FDEP permitted, Class I lined storage facility at NSGS. JEA received a new 20 year permit effective May 4, 2015.

A case is pending in the Second Judicial Circuit in Harrison County, Mississippi. Plaintiff is suing multiple defendants for damages allegedly resulting from construction defects. Plaintiff amended the complaint in April 2010 to add JEA as a defendant. Plaintiff filed another amended complaint adding additional claims against JEA and another defendant in March 2015. Plaintiff's primary contention against JEA is that its bed ash by-product, which was incorporated into OPF-42, a separate product processed, marketed, and distributed by another defendant named in the lawsuit, is defective. Plaintiff also contends that this product was sold for use as a soil additive by another defendant during the site work phase of construction for the project. A related case with the same claims was filed in December 2014 against JEA and Plaintiff by one of the stores at the shopping center developed/owned by the Plaintiff. Plaintiff settled the claims against it with the store. The remaining claims against JEA by the store are expected to either be dismissed as untimely or consolidated with the Plaintiff's case. JEA denies the allegations in both cases that the by-product was defective and

15. Commitments and Contingent Liabilities (continued)

believes it has meritorious defenses to the action. The amount of damages is dependent upon the nature and cost of the final remediation, which is currently unknown, but is expected to potentially exceed to be in the millions. Plaintiff, however, has already settled with all of the other defendants for large confidential amounts which exceed the costs of any remediation efforts undertaken to date.

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.

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. Parties involved have been involved in mediation, and a concept for a settlement agreement between all parties has been reached, and is in the process of being finalized.

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. The property was offered for sale through a competitive bid process in 2014. JEA received proposals for the purchase of the site in October 2014 and a contract was approved by the Board in January 2015. The contract with the top ranked proposer for $18,590 includes a due diligence period of one year for site investigation and government approvals for zoning and development rights. The proposal outlined a mixed-use residential, commercial, office and retail development mix. Due diligence expires February 11, 2016, or can be extended by 45 days for a fee. The contract provides for 30 days to close beyond due diligence.

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 wastewater sales in each county for the next 10 years, reduced to present value, and JEA agreed to do the same for two additional 10-year periods of the 30-year Agreement. JEA further

15. Commitments and Contingent Liabilities (continued)

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.

16. 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 System were $16,242 for fiscal year 2015. Water and sewer charges to the Electric System were $605 for fiscal year 2015.

The Electric System shares certain administrative functions with the Water and Sewer System. Generally, these costs are charged to the Electric System and the costs of these functions are allocated to the Water and Sewer System based on the benefits provided. Operating expense allocated to the Water and Sewer System was $41,059.

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 $519 for fiscal year 2015.

16. Segment Information (continued)

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of $22,940 and $6,278, respectively, an amount equal to the net book value of the assets. Monthly, the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was $1,977 for fiscal 2015.

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

(Dollars in Thousands)

16. Segment Information (continued)

Segment information for these activities for the fiscal year ended September 30, 2015, was as follows:

	Electric System and Bulk Power Supply System 2015	SJRPP System 2015	Water and Sewer System 2015	DES 2015
Total current assets	$ 628,739	$ 121,640	$ 134,642	$ 4,324
Total other noncurrent assets	609,005	302,722	563,410	4,914
Capital assets, net	2,786,377	573,473	2,562,458	37,044
Deferred outflows of resources	258,170	24,059	108,474	219
Total assets and deferred outflow of resources	$ 4,282,291	$ 1,021,894	$ 3,368,984	$ 46,501
Total current liabilities	$ 179,706	$ 23,721	$ 26,778	$ 30
Total current liabilities payable from restricted assets	160,078	166,171	86,573	2,395
Total other noncurrent liabilities	284,063	5,492	167,406	57
Total long-term debt	2,676,051	518,286	1,734,060	39,702
Total liabilities	3,299,898	713,670	2,014,817	42,184
Deferred inflows of resources	277,158	174,229	30,805	–
Net investment in capital assets	236,417	(20,298)	1,093,349	(4,129)
Restricted net position	249,329	61,866	197,401	4,209
Unrestricted net position	219,489	92,427	32,612	4,237
Total net position	705,235	133,995	1,323,362	4,317
Total liabilities, deferred inflows of resources and net assets	$ 4,282,291	$ 1,021,894	$ 3,368,984	$ 46,501
Condensed statement of revenues, expenses, and changes in net position information				
Operating revenues	$ 1,241,737	$ 289,088	$ 389,733	$ 8,778
Depreciation	189,968	42,644	131,588	2,286
Operating expenses	773,098	216,756	137,921	4,928
Operating income	278,671	29,688	120,224	1,564
Nonoperating revenues (expenses)	(83,191)	(28,411)	(53,540)	(1,403)
Contributions	(90,109)	–	(1,975)	–
Special Item	34,667	–	116,823	–
Change in net position	140,038	1,277	181,532	161
Net position, beginning of year (restated)	565,197	132,718	1,141,830	4,156
Net position, end of year	$ 705,235	$ 133,995	$ 1,323,362	$ 4,317
Condensed statement of cash flow information				
Net cash provided by:				
Operating activities	$ 538,853	$ 49,965	$ 286,802	$ 3,799
Noncapital financing activities	(85,517)	408	(19,126)	–
Capital and related financing activities	(364,663)	(187,379)	(266,176)	(3,860)
Investing activities	49,974	8,984	34,383	5
Net change in cash and cash equivalents	138,647	(128,022)	35,883	(56)
Cash and cash equivalents at beginning of year	177,432	267,940	135,920	8,330
Cash and cash equivalents at end of year	$ 316,079	$ 139,918	$ 171,803	$ 8,274

REQUIRED SUPPLEMENTARY INFORMATION

JEA

Required Supplementary Information – Pension
(Dollars in Thousands)

September 30, 2015

Schedules of Required Supplementary Information

Schedule of JEA's Proportionate Share of the Net Pension Liability

City of Jacksonville General Employees Retirement Plan

Last Two Fiscal Years*

	2015	**2014**
Proportional share percentage	**48.85%**	48.85%
Net pension liability	**$404,466**	$386,789
Covered employee payroll	**$128,084**	$129,922
Net pension liability as a percentage of covered employee payroll	**315.78%**	297.71%
Plan fiduciary net position as a percentage of the total pension liability	**69.06%**	68.64%

Schedule of JEA Contributions

City of Jacksonville General Employees Retirement Plan

Last Ten Fiscal Years*

Year Ending September 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percent of Covered Payroll
			(Dollars in Thousands)		
2009	$ 13,280	$ 13,280	$ –	$ 120,727	11.00%
2010	16,257	16,257	–	125,054	13.00%
2011	17,195	17,195	–	132,269	13.00%
2012	22,301	22,301	–	127,434	17.50%
2013	27,038	27,038	–	129,990	20.80%
2014	34,149	34,149	–	122,353	27.91%
2015	40,179	40,179	–	125,656	31.98%

* These schedules are presented to illustrate the requirement to share information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. All information is on a measurement year basis.

Required Supplementary Information – Pension (continued)

(Dollars in Thousands)

Notes to Schedule of Contributions

Valuation date:	October 1, 2014

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percent of Payroll, using 2.24% Annual Increases*
Remaining amortization period	All new bases are amortized over 30 years
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Actual assumptions:

Investment rate of return	7.50%, including inflation, net of pension plan investment expense
Inflation rate	2.75%*
Projected salary increases	3.00% – 6.00%, of which 2.75% is the Plan's long-term payroll inflation assumption
Cost-of-living adjustments	The Plan provision contain a 3.00% COLA

** The Fund's payroll inflation assumption is 2.75%. However, based on Part VII, Chapter 112.64(5)(a) of Florida Statues, an assumption of 2.24% was used for amortization purposes in the October 1, 2014 valuation.*

Required Supplementary Information – Pension (continued)

(Dollars in Thousands)

SJRPP Plan – Schedule of Changes in Net Pension Liability and Related Ratios*

	Fiscal Year Ending September 30, 2015
Total pension liability	
Service cost	$ 1,470
Interest on the total pension liability	10,026
Difference between expected and actual experience	2,121
Benefit payments	(9,509)
Net change in total pension liability	4,108
Total pension liability – beginning	146,521
Total pension liability – ending (a)	$ 150,629
Plan fiduciary net position	
Employer contributions	$ 5,559
Employee contributions	655
Pension plan net investment income	13,763
Benefit payments	(9,509)
Pension plan administrative expense	(62)
Net change in plan fiduciary net position	10,406
Plan fiduciary net position – beginning	135,019
Plan fiduciary net position – ending (b)	$ 145,425
Net pension liability – ending (a) – (b)	5,204
Plan fiduciary net position as a percentage of total pension liability	96.55%
Covered employee payroll	$ 21,304
Net pension liability as a percentage of covered employee payroll	24.43%

* These schedules are presented to illustrate the requirement to share information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. All information is on a measurement year basis.

Required Supplementary Information – Pension (continued)

(Dollars in Thousands)

SJRPP Pension Plan – Schedule of Contributions

Last Ten Fiscal Years*

Year Ending September 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percent of Covered Payroll
			(Dollars in Thousands)		
2006	$ 4,012	$ 4,226	$ (214)	$ –	–
2007	4,181	4,305	(124)	–	–
2008	10,045	10,081	(36)	–	–
2009	10,239	10,398	(159)	–	–
2010	13,453	13,565	(112)	–	–
2011	8,919	9,028	(109)	–	–
2012	7,995	8,005	(10)	–	–
2013	11,845	11,845	(39)	–	–
2014	5,397	5,559	(162)	21,304	26.09%
2015	3,414	3,509	(95)	19,553	17.94%

* Covered employee payroll amounts as defined under GASB 68 are not available for fiscal years ending on September 30, 2013 and before. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown.

Notes to Schedule of Contributions

Valuation date:	October 1, 2014
Notes	Actuarially determined contribution rates are calculated as of October 1, 2013 (the first day of the fiscal year immediately preceding the year in which contributions are reported).

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	2 years
Asset valuation method	Market Value of Assets
Inflation	2.50%
Salary increases	2.5%-12.5% per year, including inflation
Investment rate of return	7.00% per year compounded annually, net of investment expenses
Retirement age	Experience-based table of rates based on year of eligibility
Mortality	RP2000 Table (Combined Healthy) as published by the Society of Actuaries. Mortality improvements for all members are generationally projected using Scale AA.

Other information:

Notes	There were no benefit changes during the year.

JEA

Required Supplementary Information – OPEB

(Dollars in Thousands)

Schedule of Funding Progress

The following funding schedule presents multi-year trend information on the funded status of the Other Postemployment Benefit Plan as of September 30, 2015, 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 note for more information on the OPEB Plan.

JEA

Combining Statement of Net Position

(In Thousands)

September 30, 2015

	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	$ 315,917	$ 44,142	$	$ 360,059	$ 56,176	$ 3,360	$	$ 419,595
Investments	70,236	8,558	–	78,794	–	–	–	78,794
Accounts and interest receivable, less allowance for doubtful accounts of $4,342	204,182	20,535	(19,991)	204,726	35,700	964	–	241,390
Inventories:								
Fuel	36,231	28,452	–	64,683	–	–	–	64,683
Materials and supplies	2,173	19,953	–	22,126	42,766	–	–	64,892
Total current assets	628,739	121,640	(19,991)	730,388	134,642	4,324	–	869,354
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	162	95,776	–	95,938	115,627	4,914	–	216,479
Investments	360,695	198,747	–	559,442	213,129	–	–	772,571
Accounts and interest receivable	2,747	1,025	–	3,772	2,413	–	–	6,185
Total restricted assets	363,604	295,548	–	659,152	331,169	4,914	–	995,235
Other assets	8,394	–	–	8,394	9,572	–	–	17,966
Investment in The Energy Authority	7,491	–	–	7,491	–	–	–	7,491
Costs to be recovered from future revenues	229,516	7,174	–	236,690	222,669	–	–	459,359
Total noncurrent assets	609,005	302,722	–	911,727	563,410	4,914	–	1,480,051
Capital assets:								
Land and easements	95,177	6,660	–	101,837	59,135	3,051	–	164,023
Plant in service	5,056,397	1,365,472	–	6,421,869	4,127,396	52,591	–	10,601,856
Less accumulated depreciation	(2,498,573)	(811,802)	–	(3,310,375)	(1,749,344)	(19,524)	–	(5,079,243)
Plant in service, net	2,653,001	560,330	–	3,213,331	2,437,187	36,118	–	5,686,636
Construction work in progress	133,376	13,143	–	146,519	125,271	926	–	272,716
Net capital assets	2,786,377	573,473	–	3,359,850	2,562,458	37,044	–	5,959,352
Total assets	4,024,121	997,835	(19,991)	5,001,965	3,260,510	46,282	–	8,308,757
Deferred outflows of resources								
Unrealized pension contributions and losses	48,712	4,115	–	52,827	31,143	–	–	83,970
Unamortized deferred losses on refundings	85,304	19,944	–	105,248	48,982	219	–	154,449
Accumulated decrease in fair value of hedging derivatives	124,154	–	–	124,154	28,349	–	–	152,503
Total deferred outflows of resources	258,170	24,059	–	282,229	108,474	219	–	390,922
Total assets and deferred outflows	$ 4,282,291	$ 1,021,894	$ (19,991)	$ 5,284,194	$ 3,368,984	$ 46,501	$ –	$ 8,699,679

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	$ 137,163	$ 23,721	$ (2,785)	$ 158,099	$ 13,523	$ 30	$ –	$ 171,652
Customer deposits	42,543	–	–	42,543	13,255	–		55,798
Total current liabilities	179,706	23,721	(2,785)	200,642	26,778	30	–	227,450
Current liabilities payable from restricted assets:								
Debt due within one year	98,765	50,945	–	149,710	36,180	1,610		187,500
Interest payable	44,829	11,439	–	56,268	32,421	705		89,394
Construction contracts and accounts payable	16,484	19,315	(17,206)	18,593	17,972	80		36,645
Renewal and replacement reserve	–	84,472	–	84,472	–	–		84,472
Total current liabilities payable from restricted assets	160,078	166,171	(17,206)	309,043	86,573	2,395	–	398,011
Noncurrent liabilities:								
Net pension liability	246,724	4,163	–	250,887	157,742	–		408,629
Other liabilities	37,339	1,329	–	38,668	9,664	57		48,389
	284,063	5,492	–	289,555	167,406	57	–	457,018
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,471,455	494,000	–	2,965,455	1,643,515	39,750		4,648,720
Unamortized premium, net	84,196	24,286	–	108,482	62,196	(48)		170,630
Fair value of debt management strategy instruments	120,400	–	–	120,400	28,349	–		148,749
Total long-term debt	2,676,051	518,286	–	3,194,337	1,734,060	39,702	–	4,968,099
Total liabilities	3,299,898	713,670	(19,991)	3,993,577	2,014,817	42,184	–	6,050,578
Deferred inflows of resources								
Revenues to be used for future costs	260,712	171,394	–	432,106	20,291	–		452,397
Unrealized pension gains	16,446	2,835	–	19,281	10,514	–		29,795
	277,158	174,229	–	451,387	30,805	–	–	482,192
Net position								
Net investment in capital assets	236,417	(20,298)	–	216,119	1,093,349	(4,129)		1,305,339
Restricted	249,329	61,866	17,206	328,401	197,401	4,209		530,011
Unrestricted	219,489	92,427	(17,206)	294,710	32,612	4,237		331,559
Total net position	705,235	133,995	–	839,230	1,323,362	4,317	–	2,166,909
Total liabilities, deferred inflows of resources, and net position	$ 4,282,291	$ 1,021,894	$ (19,991)	$ 5,284,194	$ 3,368,984	$ 46,501	$ –	$ 8,699,679

JEA

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

(In Thousands)

Year Ended September 30, 2015

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating revenues:								
Electric	$ 1,212,650	$ 289,088	$ (160,613)	$ 1,341,125	$	$	$ (16,242)	$ 1,324,883
Water and sewer	–	–	–	–	380,394	–	(605)	379,789
District Energy System	–	–	–	–	–	8,778	–	8,778
Other	29,087	–	–	29,087	9,339	–	(2,496)	35,930
Total operating revenues	1,241,737	289,088	(160,613)	1,370,212	389,733	8,778	(19,343)	1,749,380
Operating expenses:								
Operations:								
Fuel	300,565	169,417	–	469,982	–	–	–	469,982
Purchased power	207,870	–	(160,613)	47,257	–	–	–	47,257
Other	139,714	29,636	–	169,350	113,515	3,953	(19,343)	267,475
Maintenance	66,258	25,006	–	91,264	14,452	975	–	106,691
Depreciation	189,968	42,644	–	232,612	131,588	2,286	–	366,486
State utility and franchise taxes	62,440	–	–	62,440	10,070	–	–	72,510
Recognition of deferred costs and revenues, net	(3,749)	(7,303)	–	(11,052)	(116)	–	–	(11,168)
Total operating expenses	963,066	259,400	(160,613)	1,061,853	269,509	7,214	(19,343)	1,319,233
Operating income	278,671	29,688	–	308,359	120,224	1,564	–	430,147
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	1,461	–	–	1,461	–	–	–	1,461
Investment income	5,990	3,584	–	9,574	3,325	5	–	12,904
Other nonoperating revenue, net	4,327	408	–	4,735	7,098	–	–	11,833
Interest on debt	(97,426)	(32,403)	–	(129,829)	(66,948)	(1,422)	–	(198,199)
Other interest, net	(67)	–	–	(67)	(1)	–	–	(68)
Allowance for funds used during construction	2,723	–	–	2,723	2,986	14	–	5,723
Loss on sale of asset	(199)	–	–	(199)	–	–	–	(199)
Total nonoperating expenses, net	(83,191)	(28,411)	–	(111,602)	(53,540)	(1,403)	–	(166,545)
Income before contributions and special item	195,480	1,277	–	196,757	66,684	161	–	263,602
Contributions (to) from:								
General Fund, City of Jacksonville	(90,109)	–	–	(90,109)	(21,579)	–	–	(111,688)
Developers and other	–	–	–	–	52,709	–	–	52,709
Reduction of plant cost through contributions	–	–	–	–	(33,105)	–	–	(33,105)
Total contributions	(90,109)	–	–	(90,109)	(1,975)	–	–	(92,084)
Special item	34,667	–	–	34,667	116,823	–	–	151,490
Change in net position	140,038	1,277	–	141,315	181,532	161	–	323,008
Net position, beginning of year (restated)	565,197	132,718	–	697,915	1,141,830	4,156	–	1,843,901
Net position, end of year	$ 705,235	$ 133,995	$ –	$ 839,230	$ 1,323,362	$ 4,317	$ –	$ 2,166,909

JEA

Combining Statement of Cash Flows
(In Thousands)

Year Ended September 30, 2015

	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	$ 1,285,090	$ 289,088	$ (163,028)	$ 1,411,150	$ 404,459	$ 8,713	$ (16,847)	$ 1,807,475
Other receipts	27,528	–	–	27,528	13,952	–	(2,496)	38,984
Payments to suppliers	(622,201)	(213,465)	163,028	(672,638)	(77,303)	(4,390)	19,343	(734,988)
Payments to employees	(151,564)	(25,658)	–	(177,222)	(54,306)	(524)		(232,052)
Net cash provided by operating activities	538,853	49,965	–	588,818	286,802	3,799	–	879,419
Noncapital and related financing activities								
Contribution to General Fund,								
City of Jacksonville, Florida	(89,877)	–	–	(89,877)	(21,614)	–	–	(111,491)
Build America Bonds subsidies	4,360	408	–	4,768	2,488	–	–	7,256
Net cash (used in) provided by noncapital activities								
and related financing activities	(85,517)	408	–	(85,109)	(19,126)	–	–	(104,235)
Capital and related financing activities								
Acquisition and construction of capital assets	(106,888)	–	–	(106,888)	(96,978)	(842)	–	(204,708)
Proceeds from issuance of debt, net	125,680	73,125	–	198,805	–	–	–	198,805
Defeasance of debt	(191,361)	(100,632)	–	(291,993)	(73,934)	–	–	(365,927)
Repayment of debt principal	(79,854)	(132,085)	–	(211,939)	(44,325)	(1,605)	–	(257,869)
Interest paid on debt	(112,082)	(27,787)	–	(139,869)	(71,128)	(1,413)	–	(212,410)
Developer and other contributions	–	–	–	–	19,604	–	–	19,604
Loss on disposal of assets	(158)	–	–	(158)	–	–	–	(158)
Proceeds from sales of property	–	–	–	–	585	–	–	585
Net cash (used in) capital and related financing activities	(364,663)	(187,379)	–	(552,042)	(266,176)	(3,860)	–	(822,078)
Investing activities								
Purchase of investments	(713,897)	(621,356)	–	(1,335,253)	(476,709)	–	–	(1,811,962)
Proceeds from sale and maturities of investments	755,908	626,770	–	1,382,678	508,260	–	–	1,890,938
Investment income	5,922	3,570	–	9,492	2,832	5	–	12,329
Distributions from The Energy Authority	2,041	–	–	2,041	–	–	–	2,041
Net cash provided by investing activities	49,974	8,984	–	58,958	34,383	5	–	93,346
Net increase in cash and cash equivalents	138,647	(128,022)	–	10,625	35,883	(56)	–	46,452
Cash and cash equivalents at beginning of year	177,432	267,940	–	445,372	135,920	8,330	–	589,622
Cash and cash equivalents at end of year	$ 316,079	$ 139,918	$ –	$ 455,997	$ 171,803	$ 8,274	$ –	$ 636,074
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	$ 278,671	$ 29,688	$ –	$ 308,359	$ 120,224	$ 1,564	$ –	$ 430,147
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	189,968	42,644	–	232,612	133,061	2,286	–	367,959
Recognition of deferred costs and revenues, net	(3,749)	(7,303)	–	(11,052)	(116)	–	–	(11,168)
Gain on sale of noncore assets	(23)	–	–	(23)	4,609	–	–	4,586
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable	(4,954)	(8,720)	–	(13,674)	1,893	(64)	–	(11,845)
Accounts receivable and interest receivable, restricted	(1,545)	–	–	(1,545)	(55)	–	–	(1,600)
Inventories	2,771	1,537	–	4,308	3,006	–	–	7,314
Other assets	183	–	–	183	189	–	–	372
Accounts and expenses payable	(10,095)	(6,713)	–	(16,808)	948	3	–	(15,857)
Liabilities payable from restricted liabilities	–	(1,171)	–	(1,171)	–	–	–	(1,171)
Deferred credits and other liabilities	87,626	3	–	87,629	23,043	10	–	110,682
Net cash provided by operating activities	$ 538,853	$ 49,965	$ –	$ 588,818	$ 286,802	$ 3,799	$ –	$ 879,419
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 33,105	$ –	$ –	$ 33,105

Bond Compliance Information

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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 year ended September 30, 2015, based on the financial statements referred to in the Report on Financial Statements as of September 30, 2015 paragraph below.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the schedules of debt service coverage in conformity with the respective JEA Bond Resolutions. Management also is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules of debt service coverage that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedules of debt service coverage based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules of debt service coverage are free of material misstatement.

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

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

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the debt service coverage of the JEA Electric System, the JEA Bulk Power System, the JEA St. Johns River Power Park System, the JEA Water and Sewer System, and the JEA District Energy System for the year ended September 30, 2015, in conformity with the basis specified in the respective JEA Bond Resolutions.

Contractual Basis of Accounting

The method of calculating the schedules of debt service coverage is prescribed by the applicable JEA Bond Resolutions, which require the maintenance of certain minimum debt service coverage ratios. Our opinion is not modified with respect to this matter.

Report on Financial Statements as of September 30, 2015

We have audited, in accordance with auditing standards generally accepted in the United States, the basic financial statements of JEA as of and for the year ended September 30, 2015, and have issued our report, with an unmodified opinion thereon, dated December 9, 2015.

Restrictions on Use

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

Ernst & Young LLP

December 9, 2015

JEA Electric System

Schedule of Debt Service Coverage

(In Thousands)

Year Ended September 30, 2015

Revenues:		
Electric	$	1,212,650
Investment income[(1)]		4,322
Earnings from The Energy Authority		1,461
Other, net[(2)]		29,055
Total revenues		1,247,488
Operating expenses[(3)]:		
Fuel		264,367
Purchased power[(4)]		269,014
Other operation and maintenance		191,018
Utility and franchise taxes		61,485
Total operating expenses		785,884
Net revenues	$	461,604
Debt service	$	82,704
Less: investment income on sinking fund		(1,632)
Less: Build America Bonds subsidy		(1,509)
Debt service requirement	$	79,563
Senior debt service coverage[(5)], (min 1.20x)		5.80x
Net revenues (from above)	$	461,604
Debt service requirement (from above)	$	79,563
Plus: aggregate subordinated debt service on outstanding subordinated bonds		98,302
Less: Build America Bonds subsidy		(2,086)
Adjusted debt service requirement	$	175,779
Senior and subordinated debt service coverage[(6)], (min 1.15x)		2.63x

[(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

Schedule of Debt Service Coverage
(In Thousands)

Year Ended September 30, 2015

Revenues:		
JEA	$	61,142
Investment income		114
Total revenues		61,256
Operating expenses[1]:		
Fuel		36,198
Other operation and maintenance		13,848
Total operating expenses		50,046
Net revenues	$	11,210
Aggregate debt service	$	9,801
Less: Build America Bonds subsidy		(764)
Aggregate debt service [2]	$	9,037
Debt service coverage[3][4]		1.24x

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

[2] 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.

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

[4] 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

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

Year Ended September 30, 2015

Revenues:		
JEA	$	144,607
FPL		128,476
Investment income		3,693
Total revenues		276,776
Operating expenses[1]:		
Fuel		169,417
Other operation and maintenance		41,612
Total operating expenses		211,029
Net revenues	$	65,747
Aggregate debt service	$	52,601
Debt service coverage[2]		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

Schedule of Debt Service Coverage – 2nd Resolution
(In Thousands)

Year Ended September 30, 2015

Revenues:	
JEA	$ 26,024
Total revenues	26,024
Operating expenses[1]	–
Total operating expenses	–
Net revenues	$ 26,024
Aggregate debt service	$ 22,984
Less: Build America Bonds subsidy	(408)
Aggregate debt service [2]	$ 22,576
Debt service coverage[3][4]	1.15x

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

[2] 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.

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

[4] 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

Schedule of Debt Service Coverage
(In Thousands)

Year Ended September 30, 2015

Revenues:		
Water	$	150,479
Water capacity fees[1]		7,013
Sewer		229,916
Sewer capacity fees[1]		12,254
Investment income		2,898
Other[2]		13,948
Total revenues		416,508
Operating expenses[3]		138,037
Net revenues	$	278,471
Aggregate debt service:	$	91,392
Less: Build America Bonds subsidy		(2,489)
Aggregate debt service	$	88,903
Senior debt service coverage[4], (min 1.25x)		3.13x
Net revenues (from above)	$	278,471
Debt service requirement (from above)	$	88,903
Plus: aggregate subordinated debt service on outstanding subordinated debt		12,205
Adjusted debt service requirement	$	101,108
Senior and subordinated debt service coverage[5]		2.75x

(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 2015 and 2014, then the debt service coverage would have been 2.56x and 2.31x.

(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 aggregate subordinated debt service (including capacity charges). Based on the first requirement, minimum annual coverage is 2.56x. Based on the second requirement, net revenues must exceed 100% of aggregate debt service and 120% of aggregate subordinated debt service, or $103,549 for the year-to-date period ending September 2015.

JEA District Energy System

Schedule of Debt Service Coverage
(In Thousands)

Year Ended September 30, 2015

Revenues:		
Service revenues	$	8,778
Investment income		5
Total revenues		8,783
Operating expenses[1]		4,928
Net revenues	$	3,855
Aggregate debt service	$	3,019
Debt service coverage[2][3]		1.28x

[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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Registrar and Paying Agent
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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

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.

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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*

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